

managing in the new millennium

changing organizational structures and their impact on managers

Patricia M. Buhler, D.B.A.

Organizations are changing nearly daily. The only constant in organizational life today appears to be the presence of continuous change. One area of organizations that continues its metamorphosis is the design itself. That is, the way in which companies are configured today is changing.

The contingency approach to the structure of current organizations suggests there is no "one best" structure appropriate for every organization. Rather, this approach contends the "best" structure for an organization fits its needs for the situation at the time. This implies then, that the "best" structure for an organization may indeed change over time – as the situation within which the company operates changes and the environment changes.

Few other areas of organizational theory are as influenced by century-old work as are organizational design theories.

Today, however, the winds of change are blowing through firms as they decide how best to configure their organizations. Perhaps the biggest change in design is the move away from stable designs to more fluid designs. The traditional pyramid that characterized firms for nearly a century finds its roots in the military. It is rapidly being replaced by more dynamic designs.

The key is to structure firms such that the level of responsiveness is improved and organizations are able to reduce some of the uncertainty in their environments. The top heavy bureaucratic pyramid cannot respond easily to critical changes in the environment. This structure is stable and does not lend itself to change. Its strength lies in its very stability and the formal chain of command – thereby precluding the ability to respond to external changes quickly.

Today's organizations are viewed as open systems. That is, firms fuel the transformation process by obtaining inputs from their environment and then the output of the transformation process must be absorbed into the firm's environment. This, then, suggests the organization must constantly focus on the external environment. The design of the organization, then, must take into account the need to adapt to this environment and be flexible. The organization and its stakeholders are linked closer to the external environment than ever before.

The environment of the twenty-first century requires that organizations identify their core competencies and their competitive advantage. In so doing, they concentrate their organizational efforts in this area. Other non-essential functions can then be outsourced to other organizations. Firms can maximize

their flexibility by contracting out non-essential functions. Companies then establish strategic alliances with other firms. As their needs change or the strategic direction of the business is fine-tuned, these alliances can be changed.

The trend today is toward flatter, horizontal organizations. The virtual organization is more characteristic of companies in this environment – losing traditional boundaries and using information technology. The boundaryless organization throws out the chain of command, uses self-managed teams instead of functional departments and broadens the span of control. Participative management is also embraced in these new structures.

Some examples of new organizational forms include networks, clusters, modified matrix, strategic alliances, joint ventures and American keiretsu. Newer designs are characterized by increased interaction between functional areas since the key is to organize around processes instead of organizing around the more traditional activities. These progressive designs maximize flexibility while linking the organization's stakeholders. The term modular corporations captures the essence of these newer designs implying moveable pieces that are more fluid.

With these major organizational design changes, subtle changes are also seen deeper in the recesses of the organization. While structure is defined as the "relationship of organizational resources" it is perhaps the human resources that requires the most adaptation in redesign. The skill sets required of people within the firm are changing to better meet the challenges of these redesigned organizations. Structural changes lead to the necessity for training of the firm's human resources and an updating of skills.

Changing Skill Sets

More organizations are utilizing cross functional teams. These teams are comprised of people from various areas within the company. For example, accountants work with marketers, human resource people with engineers and finance individuals with operations employees. People from one functional department are placed on teams with people from other functional areas. The ultimate goal is to improve organizational performance by cutting production time or time to market.

This requires managers be skilled at dealing with others. No longer do accountants only work with accountants. Good communication skills are also required to ensure managers on

cross functional teams are able to clearly articulate their function's position and expertise to the rest of the team members.

According to Joseph Weiss, "As work becomes more cross functional and integrated, teams and clusters will continue to change and/or replace certain supervisory functions." The more stable structures of the past provided substitutes for leadership in many organizations. Their very rigidity substituted for leadership in many cases. And a dedication to rigid policies and detailed procedures replaced the need for leadership.

Cross functional teams, however, often work without a great deal of hierarchy. Managers then get things done with strong interpersonal skills, rather than the traditional legitimate power that was inherent in the formal position within the organization.

There will be more focus in these designs on leadership instead of management. Managers working in the team environment must possess an ability to self-manage. In turn, they must teach others this skill.

Liaison positions become more critical in the new structures. Stakeholders and teams are linked. The position requires strong interpersonal skills and a good grasp of diversity management – as the stakeholders being linked become more and more diverse.

More fluid structures require that managers improve their strategic orientation. As organizations must be better equipped to respond to change in their external environment, managers must be more skilled at reading the environment and grasping the big picture. They need to be adept at reading the trends in the environment and then determining what they mean specifically for their own organization. In addition, strategic directions for the company must be identified in light of these changes. Stephen Robbins suggests that "... managers in virtual structures spend most of their time coordinating and controlling external relations, typically by way of computer network links."

It is critical managers in these new structures be able to see the big picture. That is, they must overcome the silo mentality and be able to see beyond their own functional area or department. They must be able to understand the ripple effect or the consequences of their actions in other areas of the company. A strategic orientation is essential to help the company thrive in today's highly competitive environment.

Part of the responsive nature of the organization as a whole comes from the people themselves. People within the company must be dynamic and not wed to the past. This involves a basic orientation

toward change. It is no longer enough in today's dynamic environment to insist the workforce deal with change.

Now this must be taken a step further. Today's environment requires that managers lead the culture shift. Managers must set the example and provide the appropriate role model for their employees. This means managers must be able to not only embrace change, but must be skilled (and comfortable with) creating change. Achieving this requires managers be skilled at using various perspectives. They must continually change the lens through which they view their world.

Employees in these more organic structures need to be motivated differently. Managers must then develop a new bag of motivational tricks. They are also responsible for instilling trust in their employees. Managers take on more responsibility with all stakeholders than ever before. Trust no longer comes from the organization itself, but rather from those managers closest to the employees. Managers are also responsible for sharing information – including ensuring that people are well informed about the new organizational forms. The very design of jobs themselves is changing.

The move from more rigid mechanistic structures to more flexible structures requires people

be rotated through various functional areas of the firm. This helps the company develop more generalists with broader based skill sets. It should no longer be seen as a sleight to be offered a lateral move, but rather as a reward and another step toward becoming a valued generalist.

The newer organizational structures use team problem solving. This requires that managers think differently and teach employees to think differently. Problem solving now involves the people who are experts in the issue – not necessarily those in high positions in the organization. Decision making is becoming more and more comfortable for those throughout the organization as the need to make decisions is distributed more evenly across all organizational levels.

Managers must also think very openly about their own position in the new designs. Often times, they (and/or their employees) may be loaned to customers or suppliers – as those links among the stakeholders are forged. As status and rank become less important, expertise becomes the key in the new organizational structures.

SV