

Organization analysis

Business



Introduction Organizational learning is claimed to be the most reliable, responsible, and feasible way, in which firms can adapt to the changing conditions of market and business performance.

Unfortunately, many scholars and practitioners consider organizational learning in the context of large firms. In the meantime, the benefits which learning could bring to small businesses and organizations remain largely underexplored. As a result, many small businesses fail to adopt a learning perspective, either because they lack knowledge or because they simply do not know whether and how the learning will work for them. Today's small businesses are facing numerous strategic challenges, the most essential being related to the choice of the future business orientation, selection and retaining of talented staff, and the development of new change management models. Neither organic nor learning perspective alone can be sufficient to help organizations reinvent themselves.

Using the example of Wright Express, this paper discusses the challenges facing contemporary organizations and the benefits/limitations of the learning and organic structures, when the need for adaptability, flexibility, and continuous reinvention becomes urgent. Wright Express: Background Wright Express is currently listed among the best small businesses, according to Forbes (2013). In 2012, the small company became one of the 20 best small firms in the United States (Forbes, 2013). Today, Wright Express is claimed to be one of the leading providers of quality financial and business services. Its basic mission is to “ give precise financial and information management solutions to help companies strengthen their

balance sheet and achieve unparalleled control and security” (Wright Express, 2012).

The secret of the firm’s continuous success is in its being able to adapt to the changeable conditions of market and business performance. Still, it is not clear whether the firm has the resources and capabilities needed to anticipate future strategic challenges. Challenges facing businesses

According to Marcketti and Kozar (2007), in 2005, there were almost 26 million small businesses in the U. S. At present, the importance of small business formation for the country’s economic development is widely recognized.

Yet, to ensure continued success and vitality of small businesses like Wright Express, a better understanding of the future strategic challenges is required. Most challenges stem from the fundamental shifts in the ideology of organizational development and growth. Basically, small businesses operating in the contemporary competitive environments should decide which of the two competing OD ideologies best suits them – humanistic or business. (Marshak 2005). Today’s change management thinking implies that the strategies implemented by firms should lead to the emergence of more humanistic and flexible frameworks (Marshak 2005). At the same time, small firms should not give up their business-oriented principles.

It is a challenge of balancing the two perspective for the benefit of business and its workers. Other today’s and future challenges are related to the concepts of downsizing and change management (Marshak 2005). Despite the growing scope of literature, whether or not businesses should become

involved in downsizing practices remains unclear (Marshak 2005). This challenge grows from the abovementioned business-humanistic controversy: businesses, which are expected to be humanistic, cannot engage in downsizing, and vice versa. Certainly, information technologies and strategies make it possible to reduce costs and raise efficiency without applying to downsizing. However, not all firms, especially small ones, can easily leverage the resources and capabilities required to avoid traditional and, at times, disruptive organizational practices.

These challenges are further exacerbated by the transition from the modern to the postmodern reality, which is more multicultural, philosophic, and less structured. The new postmodern reality places small businesses and their executives at odds with the traditional, measurable view of the business world (Worley & Feyerherm 2003). As a result, only a company that constantly reinvents itself can have a chance to face the challenge of post-modernity and its implications for organizational development. Why organizations need to reinvent themselves In this competitive and multicultural business environment, a small firm must constantly reinvent itself. Here, the word “reinvent” implies a number of meanings.

First, firms that reinvent themselves actually transform the ways, in which conduct key business operations (Sims 2007). Second, reinvention also implies that firms start certain activities, projects, or make decision from the scratch (Sims 2007). In these situations, the firm needs to forget everything that used to work in the past and decide how the same things should be done in the future to benefit the firm, the environment, and the customer. Third, reinvention is always about the customer: firms reinvent themselves

<https://assignbuster.com/organization-analysis/>

to add value for the customer (Sims 2007). This is also one of the chief reasons why firms need to reinvent themselves: as customer needs keep changing, only firms that constantly reinvent themselves will manage to address these needs in a cost-effective and value-added manner.

The consequences for businesses that cannot reinvent themselves can be dire. Once a company experiences a major downfall, its chances to fully recover reduce by 10% (Nunes & Breene 2011). Businesses must reinvent themselves because, sooner or later, they will run out of resources and room to grow (Nunes & Breene 2011). Reinvention is necessary and even vital to any small business, not only because it reduces the risks of failure but because, at the end, it expands the focus of business. According to Nunes and Breene (2011), companies that have successfully reinvented themselves also managed to expand their focus beyond financial considerations: they renewed their capabilities, improve the basis for competition, and ensure a continuous supply of talent. Wright Express can enjoy similar benefits, if it succeeds in adopting the reinvention perspective.

Why reinventing organizations is a challenge Reinventing organizations is neither easy nor sufficient to ensure high levels of competitiveness and readiness for change. Neat (2008) is right: reinventing organizations is not a one-off event. Resistance to change is, probably, the greatest barrier to achieving sustained organizational competitiveness. Today, the success of reinventing strategies depends equally on the availability of resources and leaders' understanding of human attitudes and traits (Neat 2008). Small business leaders who assume the reinvention perspective must remember that (a) reinvention is impossible without enhancing followers' self-esteem,

<https://assignbuster.com/organization-analysis/>

and (b) the need for quality communication is urgent (Neat 2008). Only organizational leaders that can empower managers and build new organizational structures have a chance to translate reinvention strategies into sustained competitiveness.

A business as small and successful as Wright Express must constantly update its organizational structures to reflect the changeable demands of customers and markets. Older structures do not favor new reinvention efforts. The staff should be empowered and motivated to create new ideas, develop new capabilities and skills, create effective knowledge linkages, and use rewards to inspire continuous learning (Neat 2008). Another difficulty is that, for many years, small and large businesses were measuring their successes and failures through changes in productivity and profitability. In the age of humanistic and organic structures, these approaches to management have quickly become obsolete. In the learning world, where processes and individuals are interconnected and interdependent, the question of “how much” has given place to the questions of “how” (Seidman, 2012).

Reinvention is challenging, because its purpose changes, depending on the circumstances, in which it occurs. Today’s organizations must reinvent themselves to close the gap between themselves and the society, for which they work (Seidman, 2012). Tomorrow, the purpose of organizational reinvention may change again. Organic structures: Can they suffice? For organizations that seek to become more humanistic and, as a result, competitive, one of the main questions is whether organic structures can benefit them in the long run. To begin with, managers at Wright Express <https://assignbuster.com/organization-analysis/>

must understand that organic structures lend themselves to better competitiveness, effectiveness, flexibility, and adaptability. Organic is the structure, which emphasizes the importance of continuous innovation to sustained competitiveness (Travica 1999).

In organic organizations, individual tasks are regularly redefined and adjusted to suit the changing conditions of problem solving. Organic structures empower individuals to assume responsibility for decision making and benefit from the information and advice (not decisions and instructions) provided through communication channels (Travica 1999). The organic style of management relies on the so-called "technological ethos", which makes individuals more loyal to the technological, informative, and knowledge exchange tasks (Travica 1999). Even despite these benefits, the organic structure can never suffice to bring the small business to the best strategic results. The organic structure is merely the basis for developing and implementing other elements of a learning organization. According to Ortenblad (2004), these elements might include but are not limited to organizational learning, learning at work, and the learning climate.

An organization that constantly reinvents itself should not focus on the structure. Rather, it should provide the space for easy and productive learning (Ortenblad 2004). Moreover, any small firm should consider the stage of the reinvention process it is currently at. For the firms that reinvent themselves from the scratch, organic structures may not work. Sine, Mitsuhashi and Hirsch (2006) found that, at the earliest stages of implementation and growth, greater formalization and authorization of mechanistic principles benefited organizations.

<https://assignbuster.com/organization-analysis/>

Apparently, there is no single solution to the problem of competitiveness and organizational growth, although learning organizations seem to best suit the postmodern conditions of doing business. Benefits of learning organizations Learning has already become the most essential resource for the organizations that want to become more competitive. For a small business, organizational learning presents a very convenient and inclusive approach to change (Davoudi & Fartash 2012). No organizational change is possible without learning. In organizations, learning is synonymous to recreation and reinvention, as it is through learning that organizations and their members extend their change capacities (Davoudi & Fartash 2012).

Being a learning organization means possessing the capacity to adapt and generate alternative futures (Senge 1990; Yang, Watkins & Marsick 2004). A learning organization facilitates members' learning and continued growth. In a learning organization, the inner drivers for building a strategic competitive advantage are well understood (Yang, Watkins & Marsick 2004). To a large extent, a learning organization is the only perspective that can allow organizations' survival in the face of turbulent market conditions (Sadler-Smith & Spicer 2005). Unfortunately, not all small firms can cope with the calls for greater adaptability and continuous learning. Factors impeding organizational learning in small firms are numerous.

Wright Express should be aware of the soft and hard barriers facing it on its way to lifelong learning. These can range from the inadequacies in job design to resistance to change and attitudes towards business ownership (Sadler-Smith & Spicer 2005). Only through learning small organizations can engender a more balanced, "neoclassical" vision of organizational

development, which incorporates the elements of business profitability, measurability and growth without challenging the legitimate exclusivity of humanization in business (Marshak 2005). Learning perspectives are not perfect. Again, even the most effective learning processes have considerable limitations. Levinthal and March (1993) claim that the learning mechanisms that lead to organizational improvements can readily result in limitations to these improvements.

First, many organizations, large and small, fail to adopt the long-term learning perspective. As a result, learning becomes an instrument of fast but short-term survival, which simultaneously endangers long-term growth and competitiveness (Levinthal & March 1993). Second, learning organizations often limit themselves to the near neighborhood, thus ignoring broader cultural and technological factors that may impact their performance. Third, being actively engaged in learning and tasting its benefits, organizations may easily overlook failures (Levinthal & March 1993). One more problem is in being able to transform learning into tangible business results. Learning can work only, when it leads to practical strategic outcomes.

Undoubtedly, being a learning organization is not an easy endeavor. At the same time, only learning does have the potential to enhance small businesses' competitiveness and strength in the face of the major strategic challenges. The best Wright Express can do today is find the most appropriate balance of flexibility, learning and rationality, which will make it competitive in the postmodern business reality without sacrificing its profitability values and efficiency principles. Conclusion Being a learning organization is not the same as promoting organizational learning. Organic <https://assignbuster.com/organization-analysis/>

structures also cannot suffice to bring small businesses like Wright Express to the desired outcome. Only a combination of approaches, coupled with flexibility, adaptability, and humaneness, can guarantee the success of most business strategies in the postmodern world.

Today, rationality is giving place to multiculturalism and openness, which require similar changes in the way small businesses conduct their operations. Learning and organic approaches do have their limitations, and the organization needs to constantly reinvent itself and maintain the most reasonable balance of flexibility and rationality in its decisions.