Literature review of organizational structures and models

Organizations are entities that exist for a purpose, that is, to get things done. They are composed of people who ensure that such purpose is achieved. Task responsibility and decision making is given to individual members and teams and arrangements are made to plan, direct, coordinate, and control them (Armstrong and Stephens, 2008).

According to Armstrong and Stephens (2008), organizations are open systems which transform inputs into outcomes and are continually dependent on and influenced by their environments. Basic issues faced by organizations are those relating to structure, relationships, and interdependence. The socio-technical model developed by the researchers at the Tavistock Institute led to the development of basic open systems theory which states that in any organizational system, technical or task aspects are interrelated with the human or social aspects, focusing on the relationships between the technical processes of transformation within the organization as well as the organization of work groups and the management structure of the organization (Lewin, 1951).

In any formal organization, relationships are described in the form of organizational chart which sets out lines of command and control. In informal organizations, relationships can be described in terms of networks which involve cooperation, communication, and exercise of power and authority (Armstrong and Stephens (2008).

Child (1977) defines organizational structures as comprising all the tangible and regularly occurring features which help to shape the behavior of its members.' According to Armstrong and Stephens, organizational structures

provide the framework for the activities required to achieve organizational goals. Moreover, they ' define and clarify the manner by which the activities required are grouped together into units, functions, and departments, the lines of responsibility, power, and authority emanating from the top of the organization.'

Organizations consist of people working cooperatively together. Hence, it is inevitable that, at the managerial level, the organization may need to be adjusted to fit the strengths and attributes of the people available. Although the result may not conform to the ideal, it is more likely to work than a structure that ignores the human element. In addition, it is always desirable to have the ideal in mind, but it is equally desirable to to modify it to meet specific situations.

Basically, organizational structures can be classified as unitary, divisionalized, centralized, matrix, and process (Armstrong and Stephens (2008). Unitary structure, the most common structure, can be described as single and separate unit without any divisions in which the heads of each major function directly reports to the top. However, such key functions may vary from one organization to another.

In a unitary structure, relationships are simple and clearly defined. However, lack of cooperation between functions or departments may always present and this can be avoided if the chief executive coordinates and directs the activities.

Centralized structure places authority at the centre which totally controls the activities and decisions of any divisions, subsidiaries, or regionalized units.

Such control is exercised by authority from the headquarters who defines policies, procedures, targets, and budgets to be followed and achieved(Armstrong and Stephens, 2008). The authors further state that in a centralized structure, close control can be maintained over divisional activities, standardized procedures and systems can be used, and guidance is provided by functional specialists at the headquarters. However, a drawback of this structure is that it restricts the scope of divisional management to handle their own affairs in the light of local knowledge and lack of autonomy in divisions can constrain initiative and entrepreneurship.

Decentralized structure, also called divisionalized structure, is one which gives operational autonomy to divisions, subsidiaries, or strategic business units under the overall direction of the centre in order to achieve desired results. However, the amount of autonomy

2. 2 Bureaucratic Organizational Model: Brief Historical Background

2. 2. 1The Concept of Bureaucracy

Bureaucracy refers to the collective organizational structure, procedures, protocols, and set of regulations in place to manage activity, usually in large organizations and government characterized by standardized procedure (rule-following) that guides the execution of most or all processes within the body, formal division of powers, hierarchy, and relationships intended to anticipate needs and improve efficiency (http://en. wikipedia. org/wiki/Bureaucracy). Rabie (2004) defines bureaucracy as a management system invented to handle state affairs and organize state relationships with its citizens. Asd it developed further, it helped different types of

organizations in managing their internal and external affairs. Thus, standardization of procedures, keeping records of transactions, and organizing decision making processes have become essential components of every management system (http://www. yazour. com/site_doc/attch-219216. pdf).

Interestingly, four structural concepts are central to any definition of bureaucracy, namely:

a well-defined division of administrative labour among persons and offices;

a personnel system with consistent patterns of recruitment and stable linear careers;

a hierarchy among offices, such that the authority and status are differentially distributed among actors; and

formal and informal networks that connect organizational actors to one another through flows of information and patterns of cooperation.

Hall (2010) examines the dimensions of bureaucratic concept drawn from Weber's model as follows: divisiuon of labor based on functional specialization, well-defined hierarchy of authority, system of rules and procedures covering the rights and duties of positional incumbents, system of procedures for dealing with work situations, impersonality of interpersonal relations, promotion and selection for employment based upon technical competence. The study concluded that: (1) the bureaucratic dimensions are meaningful organizational attributes; (2) when measured quantitatively, the dimensions exist in the form of a continuum rather than as dichotomies; and

(the magnitude of the dimensions varies independently among organizations. The study further concluded that the types of organizational activities are related to the degree of bureaucratization on one or several dimensions.

2. 2. 2 The Bureaucratic Structure

The bureaucratic structure is a familiar style used by several organizations. This style consists of an organization head or a top manager, several (or no) layers of upper and/or middle management, usually some first line management, and the baseline employees. Figure 1 below illustrates the typical pyramid style structure of an organization

Figure 1: A Typical Organization Chart: Pyramid Style Source: http://www. deltaproconsultants. com/org_design. htm

According to an article from http://www. deltaproconsultants. com/org_design. htm, the pyramid organizational structure originated from an ancient military model and was considered very effective for managing people and supplies during wartime. With the advent of the Industrial revolution, production line became the standard and the military model was adopted for an organization design because:

It had proved to be efficient for the " chunking" of work.

In the 20th century large numbers of people spent time in the military. Thus, they brought with them to the workplace the " rank and file" structure they had seen in use.

In the bureaucratic structure, a direct vertical line connects the upper management through middle management, and down to the baseline employees. Major decisions are made at the top, and filter down to the employees below. The people at each level work to satisfy those one level above. Horizontal considerations are usually minimal with little concern for the needs of people or organizations to the side. This structure works fairly well in a military environment.

For control purposes, vertical layers of management are used and multiple organization ceilings are created which can conceal or filter information, block the flow of ideas, and slow change. Upper management provides direction to the next level which eventually translates into telling lower-level employees what to do without giving the reason at some point in the downward movement. Thus, it prevents lower-level employees from providing helpful ideas and suggestions, and from making on-the-spot decisions.

Bureaucratic organizations are inflexible, monolithic institutions with uncaring employees who create ' red tape'.

A recognized advantage of bureaucracy is that it can enhance efficiency, logic, and rationality in large organizations. However, it tends to lead to inflexibility and rigidity, which hamper decision making and create a general inability to respond to rapid changes or crises. According to Likert (1968) the traditional bureaucratic organization are relatively formal, rigid, and mechanistic (http://courses. washington. edu/inde495/lecd. htm)

The bureaucratic structure is grounded on the classical theory of management which is mainly characterized by the following:

Work is divided into specialized tasks and standardized. The hierarchy of authority (the right to direct) and responsibility (the obligation to perform) is the chain of command. Line authority is linear and derived from position, staff authority is an advisory relationship.

The arrangement of the work group or organizational structure is based on departmentalization.

Span of control refers to how many employees a manager can effectively supervise.

In a bureaucratic structure, authority and communication flow downward through a rigid chain of command. In addition, the vertical growth represents many levels of supervision and indicates a one person one boss philosophy (unity of command). Also, the number of people supervised is small (span of control). Bureaucracy results in a line structure, a chain of command or leader-follower relationship which can facilitate large scale administration by coordinating the work of many personnel.

In the traditional bureaucratic structures, there is a tendency to increase task specialization as the organization grows larger. Jobs are grouped into departments by function. Final decision-making authority is vested by those highest in the vertically structured hierarchy. Final decisions are usually made by top management. Hence, bureaucratic organizational structure is characterized by high job specialization, functional departments, narrow

spans of control, and centralized authority. Such a structure has been referred to as traditional, classical, bureaucratic, formal, mechanistic, or command and control (http://www. referenceforbusiness. com/management/Ob-Or/Organizational-Structure. html).

The bureaucratic style has been criticized because of the following disadvantages:

It encourages internal politics and conflict especially when satisfying a boss is more important than satisfying a customer.

Separation of authority from responsibility and accountability can result from concern for power and control which can make many jobs simply empty tasks.

Baseline employees can get disillusioned with top managers who, with enough layers get disconnected from them.

Division and departmentalization often confine employees to narrow task-oriented jobs and lead to boredom and stagnation.

Failure to encourage inter-function understanding and work integration across boundary lines can end up with major breakdowns and added costs for organizations.

Sub-optimization can result in performing functions not essential for organizational success. This happens when departments set goals inconsistent with those of other departments.

Misuse of senior management time and energy especially in fixing problems between departments.

According to an article published in the internet website http://www. busting-bureaucracy. com/excerpts/management. html some beliefs associated with bureaucratic management and leadership tend to slow down business growth. These are:

All planning and control functions have to be done by management.

Managers and managing are more important than the people who achieve the quality or satisfy individual customers.

The higher the person is on the organization chart, the more important that person is.

Ambiguity is intolerable and must be resolved. Things must be black or white. There is no room for gray.

Consistency, itself, has value.

The idea of the " slippery slope": " If I do it for one, I have to do it for everybody."

Choices are often thought to be confusing to customers and employees because of the hierarchy and control from the top.

" Efficiency" is more important than achieving the mission.

Process is more important than outcomes.

Manage with a " problem-solving" approach.

Court (2010) reported the findings of a study on bureaucratic structure and performance in Africa that better bureaucratic performance is associated with:

Agency power – greater influence of core economic agencies in formulating new policies.

Autonomy – top civil servants have job security when political leadership changes.

Career opportunities – internal promotion, duration and civil service opportunities.

Good relative wage – public sector salaries compare reasonably to private sector ones.

Merit-based entry mechanisms – entrance via a formal exam and university degrees. (African bureaucracies are guided by the same incentives as others.)

Court further reported that:

Bureaucratic structure and performance varies considerably across the region, with a number of countries scoring well.

The relationship between the public and private sector seems to be improving across the region.

Perceived levels of corruption are increasing.

Many senior bureaucrats feel they lack " ownership"; they felt that economic policy is formulated outside the country.

According to Wilson (1989), there are four types of bureaucratic agencies, namely:

Production organizations wherein both outputs and outcomes are observable.

Procedural organizations wherein outputs can be observed, but outcomes are unclear or not observable.

Craft organizations wherein outputs are hard to observe, but outcomes are fairly easy to evaluate.

Coping organizations wherein neither outputs nor outcomes are observable

2. 2. 3 Weber's Ideal Bureaucracy

A popular style of organizational structure is Weber's ideal bureaucracy which resulted from his observation of the changes taking place during the Industrial Revolution. Observing that capitalism is the rational way to organize activities based on the approximation of their possible return to the organization, Weber's Ideal bureaucracy was devoted to the principle of efficiency: maximizing output while minimizing inputs.

From his study of the organizational innovations in Germany at the turn of the 20th century, Weber identified the core elements of bureaucratic

structure, namely: (1) impersonality, (2) efficiency, and (3) rationality. Its key feature is the focus on authority based on published written rules and codes of practice.

A bureaucratic organization is structured into a continuous hierarchy where each level is controlled by the level above it. Each hierarchical position exists in its own right and job holders have no rights to a particular position. Responsibilities within each level are clearly delineated and each level has its own sphere of competence. An appointment to an office, and the levels of authority that go with it, are based solely on the grounds of technical competence (Weber, 1947).

Max Weber (1947) expanded on Taylor's theories, and stressed the need to reduce diversity and ambiguity in organizations. The focus was on establishing clear lines of authority and control. Weber's bureaucratic theory emphasized the need for a hierarchical structure of power. It recognized the importance of division of labor and specialization. A formal set of rules was bound into the hierarchy structure to insure stability and uniformity. Weber also put forth the notion that organizational behavior is a network of human interactions, where all behavior could be understood by looking at cause and effect (http://www. survey-software-solutions. com/walonick/organizational-theory. htm).

Weber (1947) believed that the bureaucratic model was an ideal approach to structuring organizations based on a rational set of guidelines and procedures. The bureaucratic model of organizations is characterized by:

Clear division of labor;

consistent rules;

hierarchy of positions;

impersonality;

employment and advancement based on technical expertise;

centralization of authority and power;

leveling effect on social and economic differences; and

implementation of practically indestructible system of authority

Weber described his ideal type of bureaucracy, the most perfect example of this type of organizing, as having the following components.

Formalization. A continuous organization of official functions bound by rules.

Records. Administrative acts, decisions and rules are formulated and recorded in writing.

Office. The combination of written documents and a continuous organization of official functions constitute the office.

Specialization. Each office has a clearly defined sphere of competence.

Hierarchy. Each lower office is under the control and supervision of a higher one.

Officials. Candidates are selected on the basis of technical qualifications. They are appointed, not elected. The office is treated as the sole, or at least

the primary, occupation of the incumbent. The job constitutes a career. There is a system of promotion according to seniority or to achievement, or both. There is a complete absence of appropriation of official position by the incumbent.

Ownership. There exists complete separation of the property belonging to the organization, which is controlled within the sphere of office, and the personal property of the official. Members of the administrative staff should be completely separated from ownership of the means of production or administration.

Impersonality. The dominance of a spirit of formalistic impersonality, without hatred or passion, and hence without affection or enthusiasm. Everyone is subject to formal equality of treatment.

Weber's analysis of bureaucracy concerns:

the historical and administrative reasons for the process of bureaucratization (especially in the Western civilisation)

the impact of the rule of law upon the functioning of bureaucratic organisations

the typical personal orientation and occupational position of a bureaucratic officials as a status group

the most important attributes and consequences of bureaucracy in the modern world

Weber noted the following major principles of bureaucracy:

A formal hierarchical structure. Each level controls the level below and is controlled by the level above. Central planning and centralized decision making is based on a formal hierarchy

Management by rules. Controlling by rules allows decisions made at high levels to be executed consistently by all lower levels.

Organization by functional specialty. Work is done by specialists, and people are organized into units based on the type of work they do or skills they have.

An " up-focused" or " in-focused" mission. In an " up-focused" mission, the organization's purpose is to serve the stockholders, the board, or whatever agency empowered it. In an " in-focused" mission, the purpose is to serve the organization itself, and those within it

Purposely impersonal. The idea is to treat all employees and customers equally without being influenced by individual differences.

Employment based on technical qualifications.

Thus, according to Weber, a bureaucratic organization operates on the basis of the following principles: Similarly, Weber characterized a bureaucratic official as one who:

is personally free and appointed to his position on the basis of conduct

exercises the authority delegated to him in accordance with impersonal rules, and his or her loyalty is enlisted on behalf of the faithful execution of his official duties

is appointed and placed in a job placement based on his or her technical qualifications

does his administrative work as a full-time occupation

is rewarded by a regular salary and prospects of advancement in a lifetime career in doing his work

Weber further states that a bureaucratic official must exercise his or her judgment and his or her skills, but his or her duty is to place these at the service of a higher authority; ultimately he/she is responsible only for the impartial execution of assigned tasks and must sacrifice his or her personal judgment if it runs counter to his or her official duties.

Critics of Weber's ideal bureaucracy cited the following drawbacks of the model:

Competences can be unclear and used contrary to the spirit of the law; sometimes a decision itself may be considered more important than its effect;

Nepotism, corruption, political infighting and other degenerations can counter the rule of impersonality and can create a recruitment and promotion system not based on meritocracy but rather on oligarchy;

Overspecialization can make officials unaware of larger consequences of their actions

Rigidity of procedures can make decision-making slow and even delay change.

A phenomenon of group thinking – zealotry, loyalty and lack of critical thinking regarding the organisation can make the organisation unable to change and realise its own mistakes and limitations;

Disregard for dissenting opinions, even when such views suit the available data better than the opinion of the majority;

Complex bureaucratic rules and procedures makes the system more complex which diminish coordination.

Not allowing people to use common sense, as everything must be as is written by the law.

Michel Crozier (1964) criticized bureaucratic organizations for "… the slowness, the ponderousness, the routine, the complication of procedures and the maladapted responses to the needs which they should satisfy" (Crozier, 1964, p 3) He further states that " A bureaucratic organization is an organization that can not correct its behaviour by learning from its errors" (Crozier, 1964, p 187). Additionally, he said that bureaucracy is "… not only a system that does not correct its behaviour in view of its errors; it is also too rigid to adjust, without crises, to the transformations that the accelerated evolution of the industrial society makes more and more imperative" (Crozier, 1964, p 198).

Crozier (1964) identifies the following characteristics of bureaucracy:

Functional Specialization. Groups of individuals are divided into special functions based on expertise or purpose. Functional specialists exert influence primarily through their use of expertise.

A Well-Defined Dominance Hierarchy. Authority serves as the primary means of influence for those in the higher levels to influence those in the lower levels of the hierarchy. Authority is symbolically conveyed by title and level of position on the organization chart.

Written Procedures & Policies. The degree of bureaucracy is determined by the thousands of pages of polices and procedures.

Control by Policy. It allows management to control the actions of thousands, thousands of miles from the head office. Authority is typically conveyed through the use of policy and through regulations.

Bureaucracies Prefer Stability and Order. Bureaucracies commonly assume the external environments do not change; and therefore, internal organizational structure does not have to change either.

Competence Based Promotion Systems. Promotion systems are designed to stress competency.

That Helpless Feeling. This occurs primarily at the lower levels of the organization, but even executives experience lack of control.

Lower Levels of Innovation and Creativity. There is a certain bureaucratic mind-set that tends to avoid creative solutions to problems.

Responsibility Avoidance within Policy Voids. Bureaucratic leadership is often characterized by individuals who avoid making a decision when a decision is required.

Inversion of Means and Ends. This occurs when there are too many rules, too many controls, and no way to change them. Typically, the primary measure of a person's success becomes how well the rules are obeyed. The route to advancement becomes conformity. Risk takers who break the rules are often penalized.

Glacial Decision Making. Decision making occurs at a glacial pace which makes the organization slow in adapting to change and thus miss opportunities completely.

Approval Straight Jackets. Every good idea, three uncreative minds have to say yes, but only one needs to say no

2. 3 Core Elements of Bureaucratic Structure

According to Weber ideal bureaucracy has the following basic components:

Formalization – a continuous organization of official functions bound by rules

Records – administrative acts, decisions and rules formulated and recorded in writing

Office – combination of written documents and continuous organization of official functions

Specialization – each office has a clearly defined sphere of competence

Hierarchy – each lower office is under the control and supervision of a higher one

Officials – technical qualifications are strictly considered in appointing officials

Ownership – complete separation of organization's property and officials' properties

Impersonality – dominance of the spirit of formalistic impersonality; everyone is treated formally

Weber's bureaucracy assumes that people are rational and are capable of working according to rules and procedures which guide behaviour. (http://apps. business. ualberta. ca/rfield/Organizational%Effectiveness, %20Structure, 5020and%20Technology. htm).

2. 4 Advantages and Disadvantages of Bureaucratic Structure

In defense of bureaucratic structure, Cordella (2007) du Gay (2000) who asserts that bureaucracy still remains as a sustainable and successful way of structuring large organizations, particularly in steady repetitive contexts and tasks. In the study of NHS using domain theory, Mark and Scott (1992) pointed out that NHS-based organizations typically consist of a political,

managerial, and professional domain responsible for policy, administration, and service, and their inherently different tasks will require different structures, even at the expense of organizational domain friction. Further, bureaucratic organization ensures equal and impartial action by Public Administration and hence enforces democratic values (Frederickson, 2000; Aberbach and Christensen, 2005).

Chris (2006) acknowledges the role of bureaucracy in managing the processes for the implementation of policies and procedures pointing out that its is an essential aspect of all organizations. On the contrary, he stresses that when bureaucracy becomes self-serving and self-perpetuating, it creates problems in the organization such as inefficiency, consumption of unnecessary resources, slow process response time, slow adaptation to innovation and change.

Rabie (2004) points out the advantages of bureaucratic management which include: facilitating people and situation management, predicting outcomes of actions, and reducing chances for unpleasant surprises. Undermining employees' ability to take initiative and be creative, creating mind a that lacks curiosity and with limited functions, hindering organizational transformation, undermining the organization's ability to adapt to changes and respond to challenges.

An article published in http://www. scribd. com identifies the advantages of bureaucracy as follows: precision, speed, clarity in communication, reduction of friction, and reduction of personal costs. On the other hand, its disadvantages include: multiplication of administrative functions, vertical

structure, many levels of management, a lot of paper works, routine, and red tape, impersonal official working to a fixed routine and lacking intelligent judgment. The same article cited Weber's concept of bureaucracy as possibly " the most efficient system of organizing", but a " threat to basic personal liberties." Thus, bureaucracy is often accused of " robbing the human spirit and robbing organizational participants of their freedom and dignity by eliminating official business love, hatred and all purely personal, irrational, and emotional elements." (http://www. scribd. com)

2. 5 Problems Associated with Bureaucratic Structure

An article published in http://www. busting-democracy. com (2010) states that " virtually all bureaucratic organizations seem to suffer the same suffocating and immobilizing symptoms of bureaucracy and its detestable effects victimize everyone regardless of level."

Autier (2001) states that bureaucratic management systems impede innovations within established companies. The author further explains that because of its reliance on individuals' specialization of tasks, fixed operative rules, task-focused control, and hierarchical authority, it hinders employees' ability to innovate. Hence, bureaucratic form may be appropriate for routine type of tasks but not for innovation (Perrow, 1986; Souder, 1987). Autier also argued that bureaucratic systems are genetically, constitutionally incapable of generating innovation". To support his argument, he cited Thompson (1969) who identified six basic limitations of bureaucratic system as follows:

It does not incite individuals to be innovative. Initiative is discouraged.

Individuals have no time to innovate because their time is devoted to doing what they are expected to do and is tightly controlled by supervisors.

Individuals have no access to general and relevant information on the organization's goals. They only have access to a small portion of reality.

Innovative initiative has no place in the organization since individuals have narrow and exclusive mission assignment.

Individuals and departments are not used to working together and there are no confrontation among them. Hence, established boundaries impede communication exchange.

Decision making process is institutionalized and is ill-adapted to innovation.

Because of the abovementioned limitations, Autier (2001) added that bureaucratic management may generate deviant behaviours from innovative people since the ponly one who can innovate is the top man in the organization (Thompson, p. 17.)

Considine and Lewis (2003) state that a good number of business and political reformists wish to end bureaucracy in public service agencies because it is too costly, too big, too rigid, too standardized, and too insensitive to individual ident