

# [Compare and contrast different organisational structures and cultures](https://assignbuster.com/compare-and-contrast-different-organisational-structures-and-cultures/)

## Introduction

Organisations are complex, social systems which seek to make the best use of people as a vital and essential resource, especially in today’s

increasingly dynamic, globalised and competitive environment (Mullins, 2010: 3–9). They posses distinct identities, which are developed and shaped

from a mix of how they choose to create, present and market their business to the world, the type of services and/or products provided and the culture that

emerges as a consequence (Clegg et al, 2011, 14-16).

Organisational structure should be driven by corporate strategy and the resulting objectives and tasks in order to facilitate the delivery of:

* Economic and efficient business performance;
* Performance management and the monitoring of activities;
* Accountability;
* Co-ordination across the business;
* Flexibility and adaptability providing a framework for change and innovation (Hayes, 2010: 270-282);
* Social satisfaction for those working within the organisation.

(Fineman et al, 2010: 1-12).

Therefore, organisations are systematically arranged frameworks seeking to create a unified, organic body which relates people, key business assets,

knowledge and intellectual property in a design that aims to achieve specific goals (Clegg et al, 2011: 666).

Basic models of organisational structure which have evolved in an effort to balance these factors are illustrated in Appendix 1. However, to be successful

organisations must not operate in isolation from the environment that surrounds them (Morgan, 2006: 38–42), and some of the key aspects to consider

are highlighted in Appendix 2. One of the most complex factors is that of culture – comprised of the habits, values, mores and ways of acting –

by which people identify themselves and others (Clegg et al, 2011: 216).

Organisational culture therefore relates to those patterns of beliefs, values and learned ways of coping with experience that have developed during the

course of an organisation’s history, and which tend to be manifested in its material arrangements and the behaviours of its members (Brown, 1998: 9;

Schein, 2010: 7-21). The important, though often intangible, cultural aspects of an organisation ultimately shape which levers of power and influence are

the most effective in driving individual and group behaviours, ultimately affecting business performance and success (Linstead et al, : 149–194).

These factors are summarised in Appendix 3.

In essence, culture can be regarded as being the personality of an organisation and as it shapes how people feel it is not something that can be easily

managed (Stacey, 2011: 78-89). Organisational structures (particularly those imposed or developed during a period of change) that do not consider these

cultural aspects can generate discontent, inefficiency, resistance and resentment from employees (Cunliffe, 2008: 45–68).

Consequently, it is vital to reflect upon culture when considering organisational design as the informal structures that result are as important as the

formal mechanisms and management arrangements created (Schein, 2010: 177-196). Ultimately, the decisions, actions and major developments of organisations

are influenced and determined by shifting coalitions of individuals attempting to protect or enhance their own interests (Burnes, 2009: 197).

## Comparing organisational structures

In developing the organisational designs outlined in Appendix 1, key factors must be considered which will shape the structural decisions taken. These are:

* Scale. Whilst larger organisations can benefit from efficiencies built around economies of scale, the greater complexity involved in managing large

numbers of people with less likelihood of direct interpersonal contact often calls for more sophisticated organisational designs.

* Technology. This is the combination of resources, knowledge and techniques that creates an organisation’s products or services. The match

between structure and technology – the technological imperative – is vital to maintain competitive advantage in modern business. For

example, successful mass production operations have rigid structures built around large working groups.

* Environment. A successful business understands that they need to receive various inputs from the environment within which they operate and also

sell their outputs into this environment. Structures therefore need to recognise factors such as global economics/markets, suppliers and

competitors.

* Strategy. Organisational strategy – the process of positioning the organisation in its competitive environment and implementing actions to

compete successfully – shapes design. Developing the organisation’s unique selling point or market differentiation by building a

structure that protects and develops key competences is a critical issue if business growth is to be maintained.

(French et al, 2008: 330–334)

Consequently, in considering the relative merits of the structures shown in Appendix 1, the following observations can be made:

## Functional structure

Organisations built around functional structures deliver clear task assignments which can be easily aligned to the skills and training of individuals and

teams ((Stewart et al, 1999: 82-88). The structure is easy to explain to employees, suppliers and customers whilst also facilitating internal

communications and problem solving as knowledge pools are recognised and shared. Importantly, such structures also assist in the development of leaders and

managers as functional peers and superiors are clearly identified and should be accessible (French et al, 2008: 348).

Unfortunately, such functional approaches can lead to the growth of sectional interests which may conflict with the needs of the organisation as a whole

(Cole & Kelly, 2011: 251). In focussing on the organisation’s functional hierarchy for direction and reinforcement, individuals and teams can

lose sight of the importance of products, services or clients – the leadership is drawn into cross-functional problems (Adair, 2002: 17-25). As a

consequence, conflict between functional units can increase with internal communications becoming ever more complex as they attempt to minimise such issues

(French et al, 2008: 348).

## Product structure

Large organisations with a wide product or service range are often attracted to a product-based structure as it can be more responsive to technological

change as people are grouped on the basis of their expertise (and supporting infrastructure) within a particular unit (Hayes, 2010: 87-104). Such an

approach also enables/supports rapid diversification and skills expansion in that additional product or service areas can be incorporated relatively easily

(Cole & Kelly, 2011: 251).

This organisational methodology can introduce unnecessary internal competition between business units as certain product groups are promoted to the

detriment of other elements of the organisation (Nadler & Tushman, 1997: 71-88). Senior managers are faced with the challenge of controlling such

behaviour whilst also recognising that the associated incentive and reward structures are inevitably built around the success of individual product lines

(Burnes, 2009: 104–106).

## Geographic structure

Large national or multi-national entities face significant logistical and communication challenges and this usually makes some kind of regional or area

structure essential for effective decision making and control (Nadler & Tushman, 1997: 59-70). Whilst this produces the benefits associated with a more

decentralised approach (such as a focus on local customers and being responsive to regional market pressures), it does cause concern for senior managers

seeking to set a unified corporate direction (Linstead et al, 2011: 225–226). Significant leadership and senior management effort must be spent on

visiting geographically dispersed business elements in order to maintain personal relationships through face-to-face contact, thus avoiding corrosive and

self-defeating internal competition (French et al, 2008: 350).

## Vertical specialisation

The structures outlined above provide a clear separation of authority and activities on the basis of hierarchical ranking within the organisation. The

chain of command created – on the basis of vertical specialisation – ensures that senior leaders plan and set the overall strategy with

specific lower-level guidelines, and metrics issued for the implementation of that strategy (Morgan, 2006: 24–25, 104). Those organisations with many

levels of hierarchy and control are considered as being “ tall”, whilst those with only a few levels are described as being “ flat”

(French et al, 2008: 343). It is usually the case that the flatter structures allow greater decentralisation of decision-making and autonomy through the

organisation whilst the taller structures focus on tighter, closer control mechanisms. The most effective balance for the organisation concerned must

recognise the critical success factors set, the operating environment of the business and the existing corporate culture in relation to the perceived

culture required (Mullins, 2010: 508–512; Stacey, 2011: 94-105).

## Unity of command, span of control and sensemaking

As well as addressing the requirements of vertical specialisation, functional, product and geographic structures also seek to apply two key tenets of

classical management theory:

* Unity of Command – an employee should receive orders and direction from only one superior.
* Span of Control – the number of people reporting to one superior must not be so large that it creates problems of communication and

coordination.

(Morgan, 2006: 19)

These aspects are shaped by the organisations sensemaking abilities i. e. the skills and competences of managers to make sense of what they do (Clegg et al,

2011: 668). Sensemaking is a complex issue involving:

* Social context – considering the actual, implied or imagined views or presence of others;
* Personal Identity – a personal or group view of who they are (and their organisational identity);
* Retrospection – this is important within organisations, as sometimes the most important decisions are the least visible initially.
* Salient cues – managers using past experiences and relating them to current scenarios in order to shape their actions and attitudes.
* Ongoing projects – what structure or patterns exist within the organisation to allow managers the time and space to review and reflect upon

an issue and change direction or tempo if necessary.

* Plausibility – developing enough meaning to drive forward with a project.
* Enactment – The ability to react and shape or amend an evolving situation.
* Drafting and Doing – the ability to understand an emerging business scenario and then isolate key themes in order to understand what is going

on.

(Clegg et al, 2011: 22)

Given these complexities, many organisations are seeking to develop mixed structures which seek to obtain the benefits potentially provided by the

functional, product and geographical forms of organisation whilst also recognising the importance of these inter-personal aspects (Morgan, 2006:

50–52). Appendix 1 illustrates two models that aim to do so – Divisional and Matrix structures.

## Divisional structure

A divisional structure seeks to overcome the problems associated with product or geographic diversity as each division can respond to the specific

requirements of its product or market strategy (Johnson et al, 2011: 434). Divisional managers have greater personal ownership of their strategies and

their teams, allowing for the development of competences focussed on a particular product range, technology area or customer grouping (Henry, 2011:

318–319). A divisional structure also provides significant flexibility as organisations can add, close or merge divisions as circumstances change

(Johnson et al, 2011: 435).

Whilst delivering a flexible and responsive organisation, a divisional structure does present a business with three key disadvantages:

* Divisions can become too autonomous, operating as independent businesses but introducing inefficiency by duplicating the functions and costs of the

corporate centre.

* Personal and team identity is rooted in the division rather than the wider business, inhibiting cooperation, knowledge sharing and fragmenting

expertise.

* Divisions can end up pursing their own strategies regardless of the needs of the corporate centre which loses control and is only able to add

minimal value to the operation (Cole & Kelly 2011: 251–252).

## Matrix structure

A matrix organisation seeks to overlay a horizontal structure based on products, projects, business activities or geographic area upon the more traditional

vertical specialisation structure (Clegg et al 2011: 544). This introduces dual or even multiple lines of authority and responsibility in an effort to

deliver flexibility in relation to the forming of project teams, improve the utilisation of resources and to encourage cross-functional cooperation

(Linstead et al, 2011: 216–218). The vertical specialisation is seen as enduring, with the horizontal interaction often regarded as being temporary

with the relationships dissolved as activities or projects are completed (Pettigrew & Fenton, 2000: 117–143; Wall & Minocha, 2010:

319–321).

However, unless carefully controlled, matrix management complicates the unity of command and span of control aspects previously discussed (Morgan, 2006:

19). Without clear boundaries, organisational conflict between functional and project managers can emerge, the autonomy of line managers can be eroded and

decision making becomes more inefficient leading to increased overheads (Clegg et al, 2011: 545).

## Organisational culture

Having recognised that organisations do not operate in a vacuum and that it is important to create a structure that maximises the business return from the

environment within which it operates, it is important to consider how culture (the shared ways of thinking and behaving) shapes success (Cole & Kelly,

2011: 590).

Eight cultural characteristics have been identified as being critical for organisational success:

* A bias for action – doing rather than discussing;
* Staying close to the customer – learning about their requirements and meeting them in full;
* Autonomy and entrepreneurship – being encouraged to think;
* Productivity through people – recognising and rewarding best efforts;
* Hands on – executives keeping in touch and displaying corporate values;
* Core competences – focussed on what you do best;
* Simplicity where possible – lean organisations with the fewest possible layers;
* Loose-tight properties – focussed on core values whilst allowing tolerance to explore and challenge.

(Peters & Waterman, 1982: 89-318)

In shaping an organisation in an attempt to maximise the potential return from these cultural characteristics, it is sensible to recognise the origins of

corporate culture which are essentially:

* The societal or national culture within which an organisation is physically situated. For large, multi-national organisations this introduces the

challenge of understanding and incorporating different and cultural frameworks;

* The vision, management style and personality of an organisation’s founder or dominant leader;
* The type of business an organisation conducts and the nature of its business environment.

(Brown, 1998: 42)

Culture is therefore about an organisations history, stories, language and values rather than the application of theoretical models (Cunliffe, 2008: 55).

Culture in the organisational context becomes a critical success factor because:

* It shapes the image that key stakeholders (including customers) have of the company and can become a crucial element of product or business

differentiation within a market segment;

* It influences performance as a positive culture (supporting the image and success of the business) that is essential to meeting corporate goals and

the requirements of the wider business environment. A negative or counter-culture – such as that which could emerge during a period of

restructuring – can work against organisational effectiveness;

* It provides direction, as mission, vision and values statements identify where the business is going and how it plans to get there. A culture that

creates a shared ownership of goals and which guides decision making can reduce the need for direct control because people know what is expected of

them, how to behave and what they will be rewarded for.

* It can attract and retain skilled and motivated staff. Strong cultures can have a powerful effect on the behaviour and commitment of employees.

(Cunliffe, 2008: 58–59)

In terms of cultural analysis, three levels of review can be considered:

* Observable culture, often described as “ the way things are done”, which are often the methods, rituals, ceremonies and symbols used to

impart an organisations shared values and approaches to new members (such as within induction programmes);

* Shared values, often manifested through statements aimed at delivering direction and cohesion and underpinned by identifiers such as the wearing of

a uniform;

* Common assumptions i. e. the accepted truths (often implicit and unspoken) that members of an organisation share as a result of their joint

experiences.

(French et al, 2008: 380–382)

Attempts have been made to codify the core organisational cultures that are presented and the commonly found models are:

* Role Culture – focussed on rules, tasks, procedures and job descriptions;
* Power Culture – power exercised by a central figure with few formal rules;
* Person Culture – the organisation exists for the benefit of its members;
* Process Culture – the following of highly regulated processes;
* Tough-guy Culture – driven by the need to take quick decisions, underpinned by risk-taking and a competitive ethos;
* Work Hard/Play Hard Culture – aiming to balance performance with work-place enjoyment;
* Bet-Your-Company Culture – a long-term outlook built upon significant (early) investment;
* Bureaucratic Culture – a focus on consistency, control, efficiency and conformity;
* Clan Culture – focussed on commitment, involvement, teamwork and participation;
* Task/Mission Culture – goal oriented with rewards based on achieving mission and goals;
* Adaptability Culture – focussed on flexibility, innovation, risk-taking, empowerment and learning.

(French et al, 2008: 394–395; Cunliffe, 2008: 65, Cole & Kelly, 2011: 146-149)

If strategies are to be developed that may change the structure of an organisation then it will also be necessary to potentially challenge and change the

underpinning culture (Hayes, 2010: 438-447) – considering purely rational processes such as planning and resource allocation will not be enough

(Johnson et al, 2011: 181). However, dangers do exist when conducting any analysis of organisational culture as it is too easy to over-simplify or even

trivialise the issues involved – it is not something that can be reduced to a few traits, easily linked to performance issues or readily managed

(Johnson et al, 2011: 182).

Managers can shape culture through vision and value statements, supported by their own actions and expectations and this includes the organisational

structure applied (Cunliffe, 2008: 67). The power levers to be applied within the organisation and the cultural interaction that results should also be

considered (see Appendix 3). However, perspectives on culture will influence the corporate view as to its relevance and importance to the sustainable

success of the business and these views are essentially:

* Integration – the culture of the organisation is relatively clear, unambiguous and straightforward;
* Differentiation – recognising the existence of sub-cultures within groups that are not easily identified or understood and which can inhibit

change or development initiatives if not addressed;

* Fragmentation – no real cultural consensus can be identified around which any business strategy or organisation can be built

(Brown 1998: 296-297)

## Summary and conclusions

Ultimately, organisational design is taken forward by corporate leaders and key decision makers whose choices are based upon their own predispositions

(experiences, values and beliefs) (Cole and Kelly, 2011: 256, Nadler & Tushman, 1997: 21). Therefore, although decisions are overtly based upon what is

seen to be the best and most efficient construct for the business, in reality cultural factors prove to be just as important.

Organisational culture is the basic assumption and beliefs shared by the members of an organisation, operating unconsciously and which help to define a

company’s view of itself and its operating environment (Schein, 2010: 219-234). Culture may contribute to the capabilities and strategic

direction/effectiveness of an organisation, but it can also stifle necessary development and evolution if internal values and mores do not reflect external

changes.

Organisational structures and cultural influences can therefore both inform and constrain the strategic development and ultimately the competitiveness of a

business In order to maintain competitive advantage and to avoid any strategic drift (where culture and organisational factors drive the business rather

than the needs of customers and key stakeholders), both should be critically reviewed and their impact considered regularly by leaders and senior managers.

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APPENDIX 1

## MODELS AND ASPECTS OF ORGANISATIONAL