OVERVIEW

Managers must identify the best organizational structure for a company that will allow them to achieve the goals established during the managerial planning function. After strategies are devised, organizing defines the structure in which these plans will be accomplished through departments, specific jobs and lines of authority and responsibility. As with planning and decision making, the degree of uncertainty in a business’s environments may dictate the need for a traditional structure or more flexible approaches.

Organizational cultures fight change to preserve their norms, values, and practices. However, when change cannot be halted, organizational cultures adapt and change in significant ways. Change, which is generally defined as a transition state created by moving from one state of being to another, will manifest itself in many forms, including culture change and paradigm shift. Managers must identify the need for change and how to implement these shifts within the organization.

COMPETENCIES

APPLY ORGANIZING TERMS AND CONCEPTS

This learning plan addresses the following learning objectives to help you master the competency:

a) Identify terms used in managerial organizing.
b) List techniques managers can use to delegate more effectively.
c) Identify factors that influence span of management.
d) Distinguish among various types of departmentalization.

MANAGE ORGANIZATIONAL CHANGE

This learning plan addresses the following learning objectives to help you master the competency:

a) Identify barriers to organizational change.
b) Identify implementation tactics to overcome employee resistance to change.
c) Conduct a basic force-field analysis to enable change in a specific scenario.
d) Define organizational development.
e) Describe the basic steps in organizational development for achieving behavioral and attitudinal change
THE MANAGERIAL FUNCTION OF ORGANIZING

OVERVIEW

Managers must identify the best organizational structure for a company that will allow them to achieve the goals established during the managerial planning function. After strategies are devised, organizing defines the structure in which these plans will be accomplished through departments, specific jobs and lines of authority and responsibility. As with planning and decision-making, the degree of uncertainty in a business’s environments may dictate the need for a traditional structure or more flexible approaches.

A MANAGER’S TOOLKIT

All managers need a management toolkit in the same way that all professionals need the tools of their trade. One essential component of this kit is a good understanding of organizational structures, management functions and delegation. In this module, we will dive into these concepts and review various types of organizational design, as well as what makes them effective and what risks one might expect with management structures.

It is often said that form follows function. This means that the design and structure of an organization is influenced by the purpose and role that it serves. You might imagine that some major categories of influence on the structure are the strategy that the organization adopts, the environment in which the organization exists and the changing nature of technology. Consider the effects of globalization and just-in-time inventory and delivery strategies. Many of us take e-mail, Internet, cell phones and other communication technologies for granted, but these forces are changing the structure of modern organizations. Still, when work specialization is extensive, employees perform a single task.

As we move into the discussion on organizational structure, one of the first topics that come to mind is the organizational chart. The organizational chart is a graphical depiction of the structure of the organization. These depictions typically show us the reporting relationships and the relation of one functional area to another. Let’s look at some examples.
THE VERTICAL ORGANIZATION

The vertical organization might be depicted in the graphic below. As you can see, the relationship resembles a pyramid in which authority rests with senior levels of the organization, and each successive step on the ladder has less authority than the previous. This is often called a traditional organization and sometimes referred to as a bureaucracy.

![XYZ Organizational Chart]

THE MATRIX ORGANIZATION

In contrast to the vertical organization is a matrix organization where members from one functional area join members from a department area as a team. The idea is to have all parties represented at the planning meetings so that there is a variety of input and all relevant areas are at the decision-making table. A general example would be:

<table>
<thead>
<tr>
<th>Department /Function</th>
<th>HR</th>
<th>Finance</th>
<th>Marketing</th>
<th>Quality Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Staff</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Support staff</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
</tbody>
</table>

The matrix organization is a close cousin to team-based management, because the members of the matrix typically meet as a team. However, teams' management structures can also be formed that do not include the cross-functional membership found in matrices. A pure team structure might look something like this:
SPAN OF CONTROL AND UNITY OF COMMAND

Not surprisingly, much of management understanding began in the military, and we still have terminology that is consistent with this today. Two important concepts are the span of control (sometimes called span of management) and the unity of command. The span of control refers to the number of people that a manager must be responsible for. The idea is to achieve the most productive span of control given the organization and its function. Too wide a span of control makes the manager's job impossible to do with quality results, and too small a span of control is an inefficient use of management resources. In recent years, the trend has been toward a wider span of management.
The second principle is unity of command. In its simplest form, this principle states that each person should report to only one superior in the organization. The more people that the person reports to, the greater the chance for confusion and conflict.

In this discussion, it is important to know the difference between line and staff functions and reporting relationships. Line relationships are those direct links between a person and the person to whom he or she reports. This is the typical boss-employee link. There are also staff functions. These are more indirect relationships and often serve in an advisory capacity. One common example is the human resources department. Employees, with the exception of the HR staff, do not report to the HR department, but this department serves in a support capacity to both managers and staff.

Unity of command is the sole principle behind teamwork or organizational cohesiveness. Working together to build a product or supply a service better than one's competitors is the sole directive in most companies. Having unity of command allows each organization to have one direction or one voice in the community and marketplace it serves. Management initiates this by providing a firm set of policies, standards and guidance for overall decision-making and by providing set directives with their intentions to all so that everyone has a full understanding of the direction of the company.
Hierarchical Structures

**Chain of command** represents the hierarchical structure within an organization for decision-making and delegation of authority. Formal chains of command exist within all organizations. Typically, they follow a hierarchical pathway in which decisions either flow upward through the chain or downward through the delegation authority within the organization.

Authority represents the ability to make decisions within an organization. Often, organizations establish a set of decision-making levels that enable only those personnel that have authority to make certain decisions. Responsibility goes hand in hand with authority because responsibility represents the ownership over an item once it is put into action. Typically, the owner of a process or decision is the one responsible for the action.

Decision makers are often held accountable for their decisions or actions with regard to the organization and its components. Accountability links a person to a particular event as the responsible party for the action or item. That person has sole responsibility for it.

Delegation in an organization can be achieved in several ways. Typically, delegation occurs through the organizational chain or management structure from a top-down perspective. An upper-management individual delegates the responsibility over an item to a lower-level manager. Delegation is the act of taking one's responsibility or accountability over an item and giving it to someone else for their care-taking and responsibility.

Many organizations split their authority structures between line or operational individuals and staff or administrative workers. Line authority is often driven by the needs of the business because upper managers often delegate much of the decision-making ability to the managers down the line or working directly with customers so that they have all the tools needed for their jobs. They also have a higher need to make adjustments on the fly to the operations area to ensure that it continues and improves. Upper management has more responsibility over the general operational environment and structure in this area. Staff authority is a bit different. In the staff area, the authority structure is more directed at a team level rather than at the lower or higher levels. Often, the level of decisions needed and the support garnered require that all individuals have input and some level of authority. However, most of the authority in this area resides at the top of the decision-making ladder.

Organizational Structures

As noted previously, the control of the management structure is often referred to as the span of control (or span of management). How far within an organization does a particular management position have influence or control? The person's span of control encompasses this and allows for an understanding of his or her responsibilities and ownership within the organization.
Organizations have several structures and organizational structures from which to build them. Tall structures are those that focus on the top-down approach. They establish higher-level positions and continually fill lower-level decision-making positions to grow the organizational structure and decision-making structure. Tall structures often have a linear decision-making relationship. One manager reports to the manager above him or her in the chain of command.

The other big type of organizational structure in comparison to tall structures is the flat structure. The flat structure, unlike the tall model, has a greater span of control for each level, and the decision-making structure is much smaller. Upper management often delegates items of responsibility directly to the line management. Much of the middle management is eliminated in this structure through increased spans of influence and control and more decentralization of control.

Decentralization of control involves the delegation of control to a wider set of people within an organization. Control over actions or processes can be spread to individuals who are directly responsible for them, rather than keeping the control closed in with upper management. This often increases the organization's flexibility and allows quicker more efficient decision-making within the firm. Managers in this organizational structure have greater responsibility. In recent years, the trend has been to have greater work specialization.

Centralized organizations are the opposite of decentralized. They keep most of the control close within the management structure. Upper management makes most of the decisions in this type of organizational structure. Managers have limited control and influence over the organization. Decisions within this type of structure often take more time, and the structure leads to more inflexibility within the organization to change or adapt to change quickly.

It is obvious that managers cannot carry out all of the functions necessary to fulfill the areas under their areas of responsibility. Therefore, the assistance of others is necessary. Enlisting the aid of others in a coordinated fashion is one of the goals of effective delegation. Delegation lets managers get things done by coordinating the efforts of others. It is important to realize that we cannot delegate and expect good results without empowering others with the resources and authority to complete the task. Thus, delegation and empowerment are best seen as two sides of the same coin.
Organizational cultures fight change to preserve their norms, values, and practices. However, when change cannot be halted, organizational cultures adapt and change in significant ways. **Change**, which is generally defined as *a transition state created by moving from one state of being to another*, will manifest itself in many forms, including **culture change** and **paradigm shift**.

**Culture change** is the change that results as actors acquire new symbolic resources, such as new knowledge and skills, in changed structural contexts, such as new work processes or a new physical setting. Like culture change, a **paradigm shift** is a change in thinking.

The impetus for organizational change is usually external. Forces of organizational change include the following:

- **Competition**: Strong global markets and the consolidation of major companies and brands have created heightened competition.
- **Economy**: Currency and interest-rate fluctuations create instability and require new approaches and strategies.
- **Technology**: The prevalence of technology and automation are changing work environments.
- **Social trends**: Trends in education patterns, marriage and divorce rates, and expectations for family-work balance are changing.
- **Globalization**: The interrelationship between cultures and companies has resulted in many multinational corporations (MNCs) and a strong global marketplace.
- **Workforce demographics**: The demographics of the available workforce are changing worldwide and organizations are adapting.

These forces usually drive organization-wide change rather than smaller changes like changing a work procedure or adding a new employee. Organization-wide changes usually include changes in structure, technology, physical setting, or workforce. Examples of organization-wide change include downsizing, rightsizing, mergers, addressing the requirements of new markets, acquisitions, changing organizational structure from hierarchical to team-based, or implementing new technology in offices or production areas.
For individuals and organizations in general, resistance to organizational change is common. Organizations like religions and government agencies are self-preserving entities that do not court, invite, or allow change without great provocation.

Individual resistance to change may be motivated from a need for security, stable income, and routine. Individuals may not understand the need for change or may fear the unknown. In addition, organization-wide change usually challenges the organizational culture that the employees have internalized, lived, and come to know as their own.

Before, during, or after change, organizations and their members will often work against the new situation. Organizational resistance to change manifests itself in two main areas:

- Structural and group practices.
- Balance of expertise, power, and resource allocation.

**STRUCTURAL AND GROUP RESISTANCE**

Structural and group resistance most often comes in the form of structural and group inertia. Structural inertia comes from the procedures and policies that were established to produce and maintain stability. Structural and group resistance is often passive—resistance to change is built into the structure in the form of physical and organizational environment and group practices in the form of work processes and schedules. For example, the employee-selection process functions to preserve organizational culture by hiring people who will integrate well into the system and not cause disruption. In addition, group inertia exists as performance norms that govern and control employee behavior. Active forms of resistance usually come from challenges to the current power, relationships, or resource allocation.

**EXPERTISE, POWER, AND RESOURCE ALLOCATION RESISTANCE**

Threats to the existing balance of expertise, power, and resource allocation may be met with resistance strategies such as avoidance, refusal, obfuscation, resentment, or work strikes. Some organizations resist changes to the expertise of specialized groups, some resist changes to existing power relationships, and some resist changes to the ways in which resources are allocated throughout the organization.

Resistance to change may or may not be successful depending on situational factors. For example, a merger between two companies may be resisted and stopped if employees from the subordinate company unify to buy out the company themselves. In contrast, employee resistance to a company-wide change from postal to e-mail communication will likely be unsuccessful, as organizations need e-mail communication to participate in a global marketplace that operates 24 hours a day.
In general, employee and organizational resistance to change is simply a stage in the larger process of organization-wide change. Resistance to organizational change can be mediated and controlled by management techniques. When resistance to change cannot be resolved alone or with the help of management, individuals experience the phenomenon of change-related work stress, which will be discussed later in this learning plan.

**FORCE FIELD ANALYSIS**

Kurt Lewin introduced Force Field Analysis. He described the driving and restraining forces of situations involving change. The process of change begins with driving forces to promote the transformation. Along with these driving forces, restraining forces occur. Restraining forces are the objections, assessments, or counterbalances of the driving forces.

Change causes driving and restraining pressures which are identified in a situational analysis tool, the **Force Field Analysis**. This tool will help strengthen the change decision.

Do you want to buy a car? Look at some of the driving and restraining forces you may encounter.

<table>
<thead>
<tr>
<th>Buy a Car</th>
<th>Driving Forces</th>
<th>Restraining Forces</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Need transportation</td>
<td>Have no money</td>
</tr>
<tr>
<td></td>
<td>Want a nice-looking vehicle</td>
<td>Those cost more</td>
</tr>
<tr>
<td></td>
<td>Need good fuel economy</td>
<td>Can’t afford a hybrid</td>
</tr>
<tr>
<td></td>
<td>Need insurance</td>
<td>Don’t know where to buy it</td>
</tr>
</tbody>
</table>

To begin to using this tool, write the reasons for the change (THE DRIVING FORCES) in column 1. For each reason against (con) each driving force, notate the opposing reason(s) or the RESTRAINING PRESSURES. Think of internal and external forces that will have an impact on the proposed change.

Once you have listed each force, give each pressure point a score from 1 to 5 in importance. Total up the scores and analyze the results. Force Field Analysis can help you decide the likelihood of success of the change.
MANAGING ORGANIZATIONAL CHANGE

Organizational managers are responsible for implementing and sometimes initiating changes, and, as such, they must address human resistance to change in the workplace. The human resistance conditions most often faced by managers include employee desires to not lose something of value, misunderstandings of the change and its implications, beliefs that the change does not make sense for the organization, and low tolerances for change.

EMPLOYEE RELATIONS

Organizations are turning to more creative methods for motivating employees’ dedication to change and guiding performance. They are experimenting with entrepreneurial incentives that value and award group initiatives. With change often reducing the lines previously known for employee positions within an organization, firms are now directing employees to drive their own future through greater job growth and empowerment within the organization. One important element of employee motivation to overcome change by empowerment is the desire and ability to learn new skills and apply them to fostering new areas of the business. This in turn increases the overall ability of the firm to adapt to needs reflected in change activities over time. This also ensures that employees continue to grow and pursue new career paths within the firm. Compensation is also used by closely relating bonuses and salaries to flexibility and learning activities within the firm.

Greater levels of competition for resources have pushed many firms to re-evaluate their operations and often downsize functions to reduce costs, improve productivity and increase efficiency. This has created a new working climate for workers. This new climate is one of rapid change and work intensification that employees must be flexible and able to take control of their employability and career advancement.

Firms often offer training, assessments, and mentors to assist employees in developing their skill sets. Those who accept this new agreement between employer and employee often see themselves rewarded intrinsically over time because of the shift in the organization and their overall fit to the new needs of the firm. Those who do not accept this new arrangement often view this as a violation of the employer-employee relationship and previous agreement. This often reduces their overall commitment to the organization and job performance.
The most important issue with this type of situation is for management to understand how to keep employee commitment while changes are underway in an organization. How might they do this, you ask? Communication is key to this commitment, along with honesty on the part of the employer. Individual support paired with overall communication fosters endured trust and reciprocity throughout the organization. Therefore, employee commitment is often strong in firms where communications are frequent, and employees are left feeling confident, feeling important, and treated with a level of respect. They also relate a strong feeling of commitment to the organization when they feel like their own individual contributions and achievements have not gone unnoticed and have been appreciated. Feedback and consideration for these events can create a very strong bond between the organization and employer. This commitment is often weakened if employees feel as though what they value is not valued by the employer.

The significance of theories behind the success and or failure of change in an organization is paramount. Theories assist in making sense of a situation and not getting tied to information that is not valuable to a change event. Theories can be utilized as an organization’s frame of reference or a way to make sense of a situation quickly and methodically. Theories can influence what management sees, understands, what you do, and ultimately how effective management is. Each perspective can be used to apply a theory to it for decision-making purposes. However, the same individual might look at identical situations differently and thus choose different outcomes.

Often managerial work is dynamic in nature, being complex and ambiguous in its existence. It is very important that, knowing this, a manager does not rely on one perspective for understanding a set of circumstances. Experimentation should be used when selecting from the various theories and applications of management theory for the situation they are evaluating. Doing this will better allow the manager to capture the full extent of the situation and make more evaluated decisions to improve the situation for the firm.

Since managerial work is a dynamic, complex, and ambiguous activity, it is important to not rely on one perspective for understanding the situation. Rather, managers need to experiment switching from one perspective to another. This reFraming of the situation will capture multiple perspectives and allow you as a manager to understand what is going on, why it is happening, and importantly, alternatives for improving the situation.

Taken as a whole, these perspectives state that organizations change to survive in environments that have limited resources, and that the demands of the resource provider must be met. However, directing a change along the desired path requires the ability to influence the internal behavior of the members in a direction that is consistent with the organization as a whole. Therefore, when change is forced by environmental conditions or by resource providers, the ability to accomplish successful change requires the understanding and the cooperation of various individuals and groups within the organization (Shafritz & Ott, 1992). To define the actual change process further, the discussion returns to concepts introduced in the theoretical basis for this study.
Managers must implement change in response to external forces, mediate the problems caused by change, and initiate change as part of the process of organizational development (OD). Managers who attempt to create constructive change or mediate a newly changed environment often use one of the following three models:

- Unfreezing-changing-refreezing model
- OD
- Action research

**UNFREEZING-CHANGING-REFREEZING MODEL**

The *unfreezing-changing-refreezing model*, which was developed by psychologist Kurt Lewin, is a three-step analysis of organizational change. This model is intended to guide the initiation of change process.

The first stage is *unfreezing*, which involves planning and implementing strategies for reducing or eliminating resistance to change. The most challenging stage of the unfreezing-changing-refreezing model is the unfreezing stage. Organizations often fight change, and the unfreezing stage is designed to take the organization from a state of equilibrium to destabilization.

The second stage is *changing*, which is the actual process of moving onto a new level or way of being through two-way communication.

The last stage is *refreezing*, or publicizing the success of the organizational change and rewarding employees involved in the implementation of change.

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**Unfreezing**

Delicious Sports, a company that makes sporting goods, makes the decision to outsource production of all its racquets and balls. This will save the company money, but it may put the quality of the products in jeopardy and reduce its workforce. Employees oppose the change and show their anger through absence from work, disobedience, and low morale. The company attempts to fight opposition by explaining that the company must sacrifice a few jobs to save the rest.

**Changing**

Delicious Sports moves forward with its plan for change, signs the contract with the production facility, and reduces staff as necessary.

**Refreezing**

Delicious Sports publicizes its profits and rewards employees affected by the change a percentage of the profits it has achieved since the change in organizational structure.
ORGANIZATIONAL DEVELOPMENT

Organizational development is any strategy or method for making organizations more effective by initiating planned change. Organization development initiatives like development of the work team model or conflict resolution have at least seven steps:

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preliminary problem identification</td>
<td>Management identifies and defines a problem that interferes with employee performance.</td>
</tr>
<tr>
<td>Management commitment to change</td>
<td>At this point, management commits to the required change.</td>
</tr>
<tr>
<td>Data collection and analysis</td>
<td>During the data collection and analysis stage, management interviews, observes, and analyzes information to develop objectives and goals for change.</td>
</tr>
<tr>
<td>Data feedback</td>
<td>To gather data feedback, management shares research findings with subordinate employees.</td>
</tr>
<tr>
<td>Development of change strategies</td>
<td>When change strategies are developed, management identifies the root causes of problems and develops solutions in the form of action steps designed to address problems.</td>
</tr>
<tr>
<td>Initiation of behavior</td>
<td>In this stage, management chooses and initiates one or more solutions or action steps to address the problem.</td>
</tr>
<tr>
<td>Evaluation</td>
<td>In an evaluation, management reviews whether solutions or action steps have met change goals and objectives.</td>
</tr>
</tbody>
</table>

Organizational development is not a single activity; instead, it is a process and a philosophy. It values collaboration and inquiry and characterizes the processes of change that occur in learning organizations.

ACTION RESEARCH

Action research is a process of change based on the systematic collection of data and the selection and implementation of a change action that varies from organizational development processes in its strict use of a scientific methodology. It uses scientific methodology to manage change.
Action research involves five steps:

1. Diagnosis
2. Analysis
3. Feedback
4. Action (creation of a change strategy)
5. Evaluation

In addition to the systematic and formal approaches of organizational development and action research, managers can initiate change and help their colleagues and subordinates overcome resistance to organizational change through one-time or ongoing initiatives. These management actions may include educational endeavors, such as workshops; communication methods, such as newsletters; collaborative endeavors, such as team projects; multilevel involvement, such as management-work team projects; support, such as expressing interest and concern about the personal lives of employees; manipulation, such as the use of guilt; and coercion, such as threatening to fire an employee.

**SUGGESTED READINGS**


**TERMINOLOGY**

**Authority**: The right or power to command or compel people to act in a particular manner.

**Chain of command**: The reporting relationships in an organization that delineate the superior employee relationships.

**Change agent**: A person who acts as a facilitator in organizational change.

**Cultural change**: The process of changing the various components of organizational culture. Typically referring to changing the pattern of interaction and attitudes of the people in the organization.

**Decentralization**: An organizational structure that has authority spread out in the organization. This concept is the opposite of a centralized hierarchy.

**Delegation**: The act of tasking another with the responsibility of carrying out a function.

**Flat organizational structure**: An organization with few levels of reporting relationships. The opposite of a tall structure.

**Organizational Chart**: A graphical depiction of the reporting relationships in an organization.

**Organizational change**: The movement of the organization from one set of conditions to another.

**Performance gap**: The difference between the expected outcomes and the actual outcomes achieved.

**Re-engineering**: The process of evaluation and adjusting organizational practice with an aim toward improvement.

**Span of control**: The number of people a manager or supervisor is responsible for overseeing. The greater the number, the larger the span of control.

**Tall organizational structure**: An organization with many levels of reporting relationships.