

Organisational Change

Bureaucracy was clearly the most common organizational structure in twentieth-century business until the 1980s and, despite the much-vaunted emergence of the new organization forms, still is, even if the modern state became more complex and the need for advanced administration grew. Bureaucracy met the needs of the production capitalist system of the industrial era by focusing on technical superiority and domination, reducing the impact of irrational, personal, and emotional elements on the decision-making process. Consistent, repetitive handling of affairs and organizational activities enabled administrative specialists to strengthen their expertise and become more productive in their activities. Other forms of organization were less unified than bureaucratic systems, and, as a result, operated more slowly and with less precision prior to the mass production era. The business climate, however, has changed dramatically and is presenting different challenges to be met by managers. The standardized production of the mass market era is giving way to short-lived, narrowly specialized products and services due to new information technologies and global competition. Bureaucracy is being seriously challenged by other organizational designs because its rigidity is being viewed as a detriment to organizational survival in the hyper-competitive marketplace of global business. Standardization, homogeneity, and hierarchy are not conducive to meeting the changing demands of a turbulent business environment. As a result, new organizational forms based on flexibility and adaptability are gaining prominence in the business literature and in managerial practice; thus legitimising the corporate use of processes centred on increased efficiencies, such as downsizing, outsourcing, and teamwork. Given that new organizational forms are still emerging, it is difficult to describe their shape and structure. In one hand, the classic bureaucratic company is performing like a locomotive, chugging along consistently on a charted, straight track; on the other hand, new organizational forms, operate like an Indianapolis 500 car zigzagging through traffic while continuously making steering and mechanical adjustments in order to adapt to ever-changing race situations and conditions. Organizational forms must adapt to the nature of their environments, a part of which are altered through changes in tasks and technology. In the

case of new organization forms, the flexibility needed for survival in the global marketplace is sought and gained through adapting information technologies (technology) and knowledge work (task). In fact it is impossible to separate form, task, and technology in a discussion of new organization forms because of their interdependencies. For example, automobiles are still sold in the post-industrial era, but the manufacturing process has changed. In order to be more attentive to changing market demands, companies focus on flexibility, which would not be possible without the advancement of information technologies and knowledge work. Additionally, an increased reliance on knowledge work derives from an increased reliance on information technologies, instead of manual labour. Consequently, when one talks about flexibility in the new organization forms, one is also implicitly bringing up information technologies, knowledge work, and other environmental factors, that companies are tracking, such as globalisation. About new organization forms, there is no ideal-type description of the structures. The elimination of middle layers of management allows non-management employees to interact more with top management, which accelerates the flow of information throughout the company. One of the chief reasons Wal-Mart is the nation's leading retailer is that it maintains a flatter organizational structure than its rivals, such as Sears and K-Mart. The second attribute is the decentralization of decision-making, which is attained by granting more authority and accountability to lower levels of the organization than would exist in a bureaucratic structure. Decentralization is accomplished through the use of intra-organisational networks, in which employees are encouraged to work together throughout the corporation rather than safeguard the territory inside their respective departments. The culture and values inside the company must encompass teamwork, openness, and cooperation, and acquire "a kind of self-questioning ability that underpins the activities of systems that are able to learn to learn and self-organize"¹. The third attribute is the development of permeable boundaries with stakeholders. Many companies are integrating their information technologies with suppliers and customers, in order to aid all constituents in the supply chain of the product. If the information technologies are properly integrated, the supplier makes more sales to the middle firm, the middle firm receives more sales from the end consumer, and the end consumer benefits from more information, responsiveness, and flexibility in making purchasing choices². The key to corporate survival in the post-industrial age appears to be

¹ Morgan, 1997

² The Global Logistics Research Team at Michigan State University

designing your organization to gain maximal flexibility through adapting information technology and focusing on knowledge as the key input to the production process. “The new economy, the new enterprise, and the new technology are not unrelated; they are inextricably linked. They are enabling one another, and they are driving one another. If you can understand how the new technology corresponds to the new internet-worked enterprise, you can begin to forge a strategy for competing in the new economy.”³In 1908, the Ford Motor Company revolutionized manufacturing in American business with production of the Model T. Automobile manufacturing had previously demanded that employees individually assemble an entire car and it took 514 minutes. With the introduction of specialized tasks, uniform parts, and the moving assembly line, Ford was able to reduce each assembler’s task to a 1.5 minute cycle time. In fact, modern capitalism became to be known by many as “Fordism, a word that connotes the marriage of mass production based on well-paid jobs on the assembly line and mass consumption of affordable, standardized products” (Barnett and Cavanaugh, 1994). Immense changes have occurred in the market since Henry Ford’s period of maverick automobile production. Today’s business climate is evolving from one that follows long-term strategic planning to one that advocates war-like manoeuvring based on hyper-competition. The organizational species most likely to survive in this quickly changing marketplace is based less on standardized manufacturing than on flexibility. By utilizing information technologies that place emphasis on communications, computing, and content, companies can attain the requisite flexibility. The boundaries of firms blur as employees and stakeholders interact with fewer encumbrances and acquire more information to be distributed between each other. Companies use information they acquire through new information and telecommunication technologies to gain instant access to the needs of each of its external stakeholders; employees who might have been previously separated by department or position will become linked electronically, as well, creating a less hierarchical structure. Both of these factors transform the organization into an environmental adaptive form, as the permeability of organizational boundaries increases. While flexibility is derivative of the new organization form and computers and telecommunications are the key technologies, “knowledge work” becomes the key production input or task. Since manual service jobs are abundant in the information age and the source of most new job growth, manual production labour is non longer a critical component of the post-industrial organization. As vast amounts

³ Tapscott, 1997

of information flow rapidly through the global economy, the company that makes best use of its data will have a huge advantage over its competitors and gain long-term sustainable advantage. Employees must be able to quickly acquire and handle information from stakeholders and, at the same time, communicate with others throughout the organization what will be required to produce the customized products and services. Consequently, knowledge work requires a much better educated and skilled workforce than previously existed. Due to the less adaptive nature of bureaucracies and the current focus on organizational flexibility, management experts are increasingly calling for companies to replace hierarchies with intra-organizational networks and team-based approaches. This obligatory transformation of the workplace is often accomplished through reengineering and similar process oriented managerial movements. Aided by new information and communication technologies, companies can redesign work processes and add value to their products and services by eliminating inefficiencies and increasing the volume and flow of productive activity at every level of the corporation. However, companies typically focus on reducing costs to bring about the dramatic improvement; and the quickest and easiest way to reduce costs for many executives is through cutting labour expenses. Companies initially focus on reengineering and team approaches in order to gain flexibility and to increase value to their customers, but then downsize and restructure around information technologies in order to reduce hierarchies and labour costs). As a result of information technologies and new arrangements with employees, new organization forms can essentially accomplish the same amount of work that was previously performed by a larger workforce. Downsizing is an ineffective response to a business crisis because almost always it means eliminating people, not work. Desperate to improve short-term financial performance, some companies take extreme measures to reduce costs without taking the time and trouble to rethink what is actually driving those costs. In either event, the strategy of eliminating people without eliminating work may lead to short-term payoff but definitely leads to long-term disaster. Reengineering should not be about getting rid of people or jobs but about getting rid of work, specifically work that does not create value for the customer. The emergence of a global economy has become key reason for adopting new organization forms in the turbulent marketplace of the post-industrial era. The global economy, where factors of production, natural resources, capital, technology, and labour as well as goods and services move easily around the world is a fairly recent phenomenon. Given the free flow of information and

resources, time now becomes the critical factor of success in a company's strategy. Since information is disseminated at a rapid pace, imitation and changing tastes afford companies little time to profit from a new product. New organization forms are emerging that will provide the flexibility to adapt to the restless nature of the global marketplace. New organization forms are also attaining ample flexibility through what has become one of their most pliable resources: labour. By utilizing cheap labour sources from around the world, companies can keep wage costs from increasing, which boosts the overall profitability of the company and increase the stock value. The long-term success of these strategies, however, is beginning to come into question, as many companies receive a short-term boost in stock value but then often experience negative consequences a couple of years later. Although companies are increasing flexibility and cutting costs, they are also creating problems for their employees and eventually for themselves. Negative consequences usually begin with the employees left in a company after restructuring. After downsizing and restructuring they have now work harder because of the new job demands and threats of termination if performance expectations are not met. They begin to focus more on upgrading and expanding skills, working longer hours, and maintaining an edge over other employees to ensure employability in the company. The new information technologies also increase stress on employees by increasing the pace of work and minutely monitoring employee behaviour. Unfortunately, this competitive workplace atmosphere motivates employees to perform out of fear, while cooperation, which is emphasized in teamwork rhetoric within many flexible companies, becomes suppressed. The traditional economic social compact based on loyalty and job security can be replaced by one rewarding individual performance and contribution, which will be the things that count for advancement and pay opportunities. Employees start to work harder than ever, and they expect to share the fruits of success but real sharing will never materialize. This, not surprisingly, will be beginning to erode their faith in management and their belief in workplace reciprocity and will decrease their motivation and performance. Employees will continue to feel isolated and disconnected from their company, and collaboration and innovation in the company may drop, eventually leading to a decline in overall corporate performance.