Contributions to Management Science

Nelio Oliveira

Automated Organizations

Development and Structure of the Modern Business Firm

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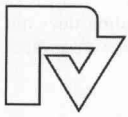

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To my mother
To my wife
To my daughter

Preface

This is a descriptive work.

This information needs to be initially provided for two reasons. First, it takes into consideration the large number of people who look into books to discover infallible techniques, secrets and magic formulas for success in business and management. If such formulas exist – that I do not believe – the reader will not find them here! Secondly, it considers the managers, students, researchers and other interested people who seek to unravel the intricacies of organizational life carefully. These people should be alerted to the fact that this study has the primary intent of portraying a reality, and not of advising or prescribing the most appropriate forms of management for specific situations.

The 'Management', area of knowledge related to organizations, has come a long way since initial studies were performed in this field; consequently, there is currently a set of theories, principles, and especially concepts that qualify it as a mature science. Therefore, whenever there are changes and new realities in the world of organizations, descriptive studies should first be carried out to understand these changes and later, in prescriptive intent, alternatives to the actions of managers should be presented. Unfortunately, the opposite situation is often seen: prescriptions are provided before understanding the reality. Based on this idea, this study aims to contribute to the understanding of the changes that have occurred in companies, given the questioning of organizational models that had prevailed until recently.

At a certain point in time, some scholars began observing profound changes not only in organizations, but in society as a whole, and began writing about them. In this endeavor, they proposed the Post-industrial, Post-capitalist, Knowledge, Informational, Post-bureaucratic, Post-Fordist society, and so on. Important works were generated mainly for its initiation, though many more empirical investigations were required. This fact is justified because the change process was in its starting phase, presenting many future possibilities, much conceptual confusion and little homogeneity in social and organizational reality. Many optimistic words were written, followed by criticism and skepticism. However, little was actually known on what was happening in society and in businesses.

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Since this pioneering and somewhat confusing period, many studies followed, researches were conducted and theories presented. Studies intending to clarify and give a better understanding of the process that followed have appeared; however, despite the noble intention of capturing organizational reality and questioning the validity of old theories, the studies appeared loosely and without connection with each other. This fact generated isolated works and several theoretical constructs were created. There is no question about their importance, but the reality for many remains as confusing as in the beginning, at the time of the pioneering studies.

Thus, this book was written with the intention of linking several of these works and theories, combining them in a way to better characterize today organizations and, specifically to present a model for a new type of organization that has emerged and expanded in the business world.

The present study came up mainly from my recent academic studies; however, my curiosity about the subject was born long ago, specifically in an organizational practice in which I often felt bewildered in the face of changes in the firms I labored in. Bewildered by not understanding what was really going on.

I hope the description helps!

Nelio Oliveira

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Chapter 1
Introduction

From the very beginning of organizational studies, the task of pointing out more appropriate models, forms, and types of organizations has been of general concern. This concern is evidenced by both descriptive and prescriptive objectives. In the first case, scholars have attempted to explain the phenomenon of organizations that have strengthened with time, mainly after the so-called Industrial Revolution. In the second case, other scholars have appeared with more pragmatically intentions, presenting rules, paths, or formulas for success in forming and maintaining organizations.

Whether for descriptive or prescriptive objectives, the initial trend was to present a unique and universal form for the organizations. On the one hand, it would appropriately explain modern organizations (descriptive character), and on the other, it would reveal the key to organizational success (prescriptive character). In this period, the bureaucracy characterized by Max Weber, the rational organization of labor advocated by F. W. Taylor, and even *Fordism*, which was based on the practices employed by Henry Ford, can be highlighted.

Over time, however, other studies questioning the notion of a unique and universal type of organization have appeared. Several typologies began to emerge, and, as a result, studies with increasing complexity and methodological rigor have been presented.

In the 1970s, following such a trend of complexity and as a result of several studies and researches, Henry Mintzberg offered an organizational taxonomy comprising five basic configurations. Such configurations would explain the forms used in organizations, in accordance with a large number of conditions and structural possibilities. In addition to characterizing the Simple Structure related to small organizations and the bureaucracy with its variations related to the large organizations, the author also described in his mentioned taxonomy an organic structure, not bureaucratic, by using the concept employed by Alvin Toffler: the Adhocracy. According to Henry Mintzberg, the Adhocracy would be an appropriate structure for innovation and for dynamic and complex environments, and, in Alvin

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Toffler's vision, it would set itself as a structure standard, and even substitute bureaucracy as a major model for large organizations.

Considering the recent changing scenario, several changes have been imposed on organizations, which, in order to survive, have had to adopt more flexible structures and keep themselves away from the classical model that used to characterize many large firms. Thus, many have argued that the bureaucratic form of organization has become a hindrance for the firms which – from a certain moment – would have to survive in a dynamic and complex environment. Thus, the Adhocracies and their variations would tend to strengthen as post-bureaucratic, post-*Taylorist*, post-*Fordist* organizational forms.

However, the several organizational changes that have occurred do not confirm most forecasts made regarding the end of bureaucracy. Conversely, several of these changes go opposite the forecasts, and structures based on Adhocracy are not suitable for many firms. Thus, despite many predictions of an adhocratic future, formal organizations have not easily lost their major bureaucratic features. Instead of being extinguished, bureaucracy has seemingly adapted and has proved itself able to survive by capitalizing on the several advantages its format has always offered, mostly in production that shows certain standardization and gains in scale.

In the face of the new conditions, a new variation of bureaucracy, as the other variations pointed out by Henry Mintzberg, emerges. A different form of organization other than that used by large traditional companies, although it cannot be characterized as an Adhocracy. A kind of organizational structure that seems to be increasingly established both in industry and service activities. A configuration that, in this book, is called the ***Automated Bureaucracy***.

From this viewpoint, the aim of this book is to characterize the Automated Bureaucracy and to describe the situations in which it has been strengthened up to the point of substituting many times the traditional bureaucratic structures of large companies. In view of a theoretical construction, this book does not intend to refute previous works but to supplement them, mainly that of Henry Mintzberg and its organizational model of five configurations.

For this, Chaps. 2 and 3 review the literature on types of organizations, and Chap. 4 deals with Henry Mintzberg's basic organizational configurations. These chapters are based on the theoretical construct related to organizational structures and formats, which is the support for the characterization of the Automated Bureaucracy. This first part of the book is understood as essential, since it intends to review important contributions that have made possible the development of studies of organizations and structures, and to clear up relevant concepts as well.

The second part, composed of Chaps. 5–7, deals with the main contingency factors, or situational factors, pointed out in the literature as influential for organizational structures: technology, environment, and strategy. This part discusses how such factors or variables have behaved along the history of organizations, as well as the recent changes they have gone through. Each variable is discussed separately for didactical reasons and by virtue of the cited authors usually emphasizing only one of these factors in their studies. As for technology, specifically, it is worth noting that the discussion is made on technologies of production related to

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