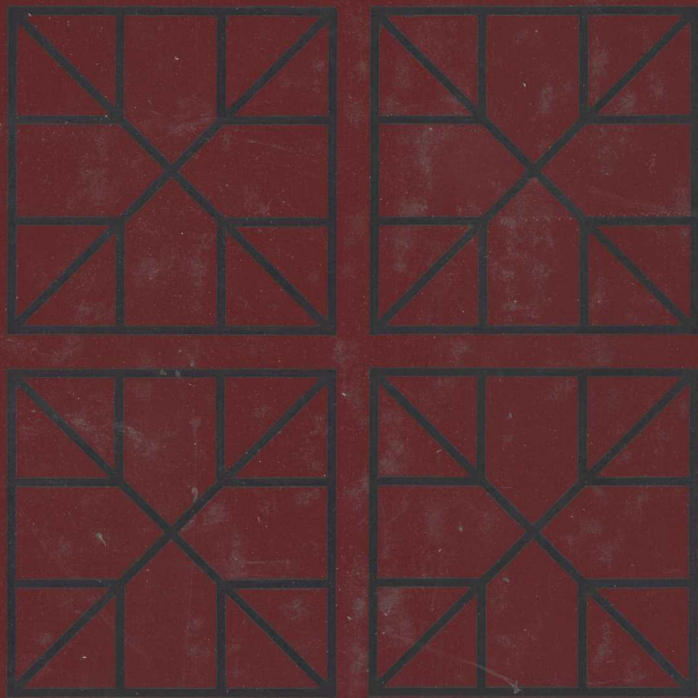


DESIGNING ORGANIZATIONS

A MACRO PERSPECTIVE



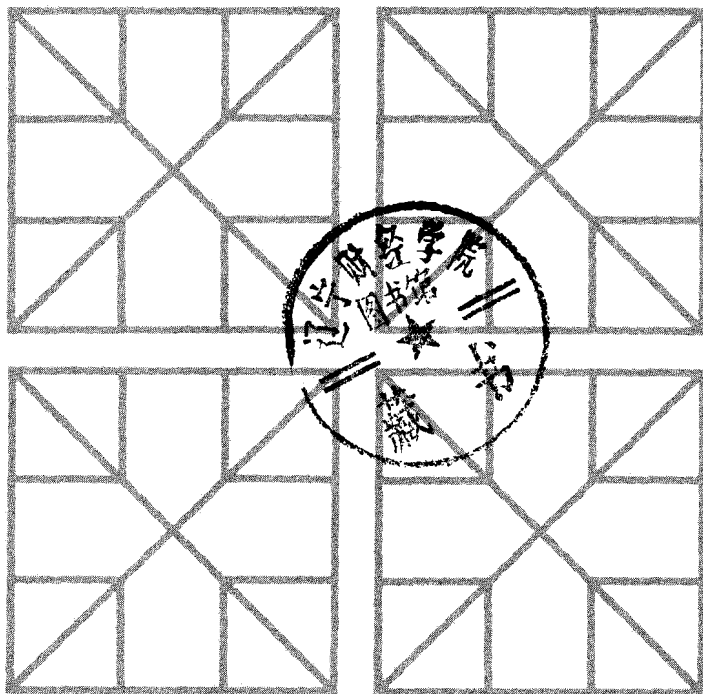
DANIEL ROBEY

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A MACRO PERSPECTIVE

DANIEL ROBEY

School of Business and Organizational Sciences
Florida International University



1982

RICHARD D. IRWIN, INC.
Homewood, Illinois 60430

Irwin-Dorsey Limited Georgetown, Ontario L7G 4B3

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ISBN 0-256-02513-4

Library of Congress Catalog Card No. 81-82373

Printed in the United States of America

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Preface

Several years ago I was introduced to a fascinating set of ideas about the way organizations respond to various external conditions, and for the first time I began to appreciate what has now become known as the “macro perspective” of organizations. In contrast to a restricted focus upon individuals or groups within organizations, the macro view permits new insights for understanding how and why organizations operate as they do. The level of analysis in the macro perspective becomes the entire organization rather than the isolated behavior of individual workers or work groups.

The value and usefulness of this macro perspective to management has not always been apparent. Sociologists and administrative scientists have often been content to use the macro view to analyze organizations without offering normative suggestions for design and management. This weak link between organization theory and the management of organization design has often proved frustrating. While abstract theory and research findings about organizations have advanced rapidly during the past two decades, prescriptions for designing organizations have lagged considerably. Managers have been left with a choice between simple classical prescriptions or the vague abstractions of modern theory.

This gap between theory and practice has been most noticeable in the materials developed for courses in organization theory and analysis. Now that specific courses in the macro perspective are common, it has become necessary to provide texts and supporting materials which integrate theory with applied design considerations. After years of struggling with odd combinations of books, cases, and reading lists, I felt compelled to write a single text which would meet the needs of many macro organization courses for integrated and complete coverage of both theory and design.

Designing Organizations: A Macro Perspective was written for the undergraduate or graduate student studying organization theory and design. While such courses appear mainly in business schools, the text may also be used successfully in other programs where knowledge about organization design is vital: health care, public administration, and educational administration, for example. My intention was not to develop new theories or research findings, but rather to take the existing wealth of knowledge in the area and organize it, clarify it conceptually, and show directly its relevance to management at all levels of an organization. In doing so, I hope that more people will come to appreciate the enormous potential organization design has for improving the effectiveness of complex organizations.

No author achieves his writing objectives without a great deal of help from other people. Those who have influenced my thinking about organizations are too numerous to mention, but several individuals deserve special acknowledgments. Arlyn Melcher and Anant Negandhi successfully turned me on to the macro perspective at Kent State University over 10 years ago. In retrospect, our seminars not only showed the way for me and my fellow doctoral students, but anticipated correctly most major developments in theory since that time. At Florida International University I have found substantial academic, administrative, and emotional support for my efforts. In particular, Steve Altman, Len Rodriguez, Karl Magnusen, and Enzo Valenzi have made resources available and continue to provide the professional climate necessary for productive scholarship. Typing of the manuscript was handled competently by a great team, including Ruth Chapman, Toby Levin, Aida Massana, and Gloria Miro. Finally, I must acknowledge the contributions of the many students who suffered through my courses with various versions of a partial manuscript. Their reactions, both positive and negative, have proven invaluable in developing this book. Several students have specifically granted me permission to use their class projects as the basis for cases in the book. These contributions and the work of Todd Anthony, who helped to write most of the cases, are gratefully acknowledged within the text.

Several people provided specific comments on the entire manuscript. Larry Cummings, Northwestern University; Kirby Warren, Columbia University; Bernie Reimann, Cleveland State University; and Karl Magnusen, Florida International University, overwhelmed me with suggestions for improvement and clarification. Their caring, supportive criticism has been invaluable. Karl Magnusen's thorough comments on virtually every page deserve special acknowledgment as he led me out of many blind alleys with his constructive remarks. Bill Taggart, Val Silbey, and Bryant Robey also made helpful suggestions on individual chapters, and I thank them for their useful ideas.

At this point in the preface, the author often apologizes for robbing his family of valuable "home" time while he was chained to the typewriter

behind closed doors. I can claim no such seclusion from my family in producing this text. It was written at home and I grew to welcome the interruptions from my closest associates. The musical muses and happy people that dwell in our home have made intangible contributions to the quality of my efforts.

Accordingly, I dedicate this book to my family.

Daniel Robey

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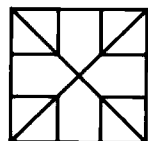
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Part I

Introduction to organization theory and design



Case 1

Mike Lewis

In June 1967 Mike Lewis chose between sitting on his high school football team's bench and earning some money to buy a car. He chose the car, and took a part-time job with Wholesum Food Company. The company was a dynamic firm with a goal of becoming the largest and most complete full-line wholesaler of specialty foods in the state. Mike's first job was to sort the returned goods in the warehouse for credit for Wholesum's suppliers. It was a messy but necessary job, one traditionally given to the last person hired.

During the next two years Mike worked every job in the warehouse and in sales: truck driver, order filler, stock man, and salesperson. He knew all the accounts and products and was taught by one of the founders of the company, a man known to all his employees as Ben. Ben was an older man, regarded as the best salesman in the business. Mike was pleased and flattered when he was promoted to be Ben's assistant.

When Mike began college he only worked for the company during college breaks and summers. Every time he came home from school he was asked to help Ben, and they both enjoyed it. During those years the market grew, and the company doubled in size from 15 to 30 employees. In college Mike studied accounting and business administration while harboring a strong desire to work for Wholesum after graduation. As luck would have it, he received a call to go to work with Wholesum the day he returned home from his commencement ceremonies.

The president of the company, Donald Bourne, was a man about 40 years old. Through the years Mike and Mr. Bourne had developed a close relationship. The market and the business were expanding, and Donald

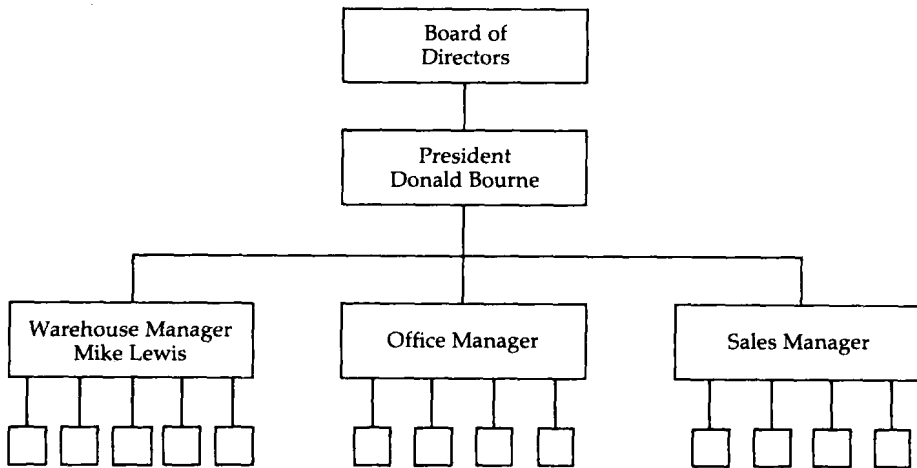
This case was prepared in collaboration with Mark Levin.

Bourne saw the need for some good young blood to grow with the firm. He told Mike: "There will be a place at the top for you someday." Elated, Mike accepted an offer to begin in sales at Wholesum. Although he was given all the least-preferred accounts at the beginning, he accepted the challenge and before long became one of the top sellers in the company.

In 1975 the warehouse manager became terminally ill, and a replacement was needed. Mike was offered the job, and he accepted. At first he maintained a few sales accounts but eventually gave up all of his customers as more time was needed to manage the warehouse.

By 1976 all of Mike's time was devoted to management. Even though he missed selling, he was proud and happy with his work. He was 25 years old and managing a multi million-dollar warehouse with 30 employees working for him. That year went well, as Wholesum continued to grow. The company was split into three departments and had a fairly sophisticated corporate structure, as shown in Exhibit I.

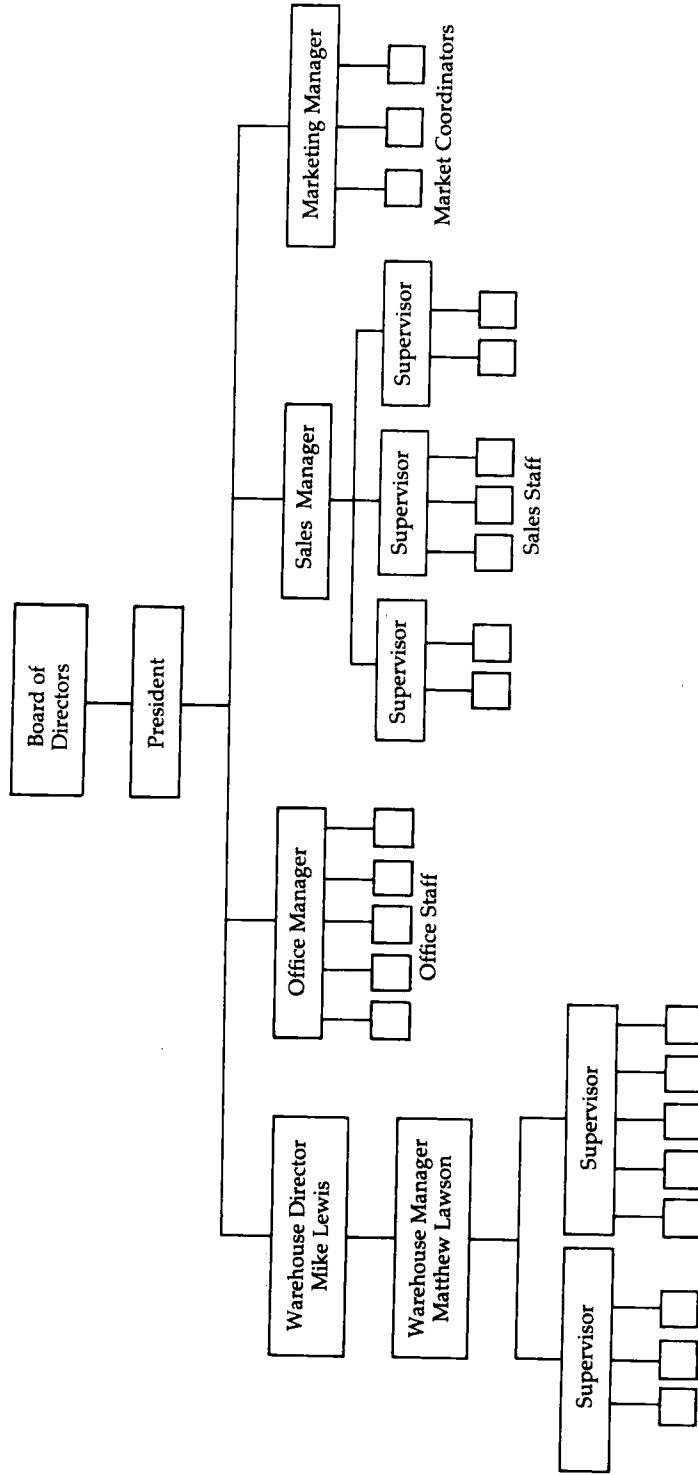
Exhibit I
Wholesum Foods organization—1976



In 1977 the company took another leap. The board of directors wanted to have someone take over the duties of warehouse manager so that Mike could devote more time to inventory control and administration. Mike was promoted to warehouse director, but he was unclear about his duties in the warehouse.

Friction developed immediately between Mike and the new warehouse manager about how to handle situations in the warehouse. Many times these disagreements ended up damaging the productivity of the company. Within a few months the new man left, but the relationship between Mr.

Wholesum organization structure in 1977



Bourne and Mike Lewis was never as close as before. Mike felt betrayed and thought Mr. Bourne was disappointed in the way he had related to the new man.

All went fairly well for a few weeks until another new man appeared on the job. Matthew Lawson stood about five feet tall, had an ego twice his size, and took over like a mad bull. Mike didn't like what was happening in his warehouse but was told to let Lawson run the show.

Mike's duties were more clearly administrative ones such as buying, policy, and special projects. He became isolated and didn't like it. His work began to suffer, and the confidence that upper management had in him began to fail. Every project or order he worked on now required approval by the president. This eroded Mike's confidence in himself and led to further friction in the office. He asked for a transfer back to sales but was denied the request.

Determined to succeed, Mike tried to work within the system, but he found that the formal system and the way things happened were two different things. The published corporate structure is shown in Exhibit 2. Mike's position as warehouse director lacked any sort of control over warehouse operations. Matthew Lawson reported directly to upper management, and Mike was powerless to change things. The ultimate indication of Mike's lack of power was when he once ordered an employee to leave for not following work rules, and was overruled by Lawson on the platform. Mike sensed that the end was in sight.

Further complications occurred during the temporary loss of the president because of ill health. Mr. Bourne was Mike's only close friend on the board of directors, and Mike felt abandoned during his absence. The tension and friction was high during the president's illness as high-level personnel began jockeying for his position.

Mike began to look for another job, knowing he would stay only until Mr. Bourne returned to full-time work. It took five months, and toward the end Mike just wanted out.

Right after one of the company's busiest seasons ever Mike submitted his resignation.

Questions

1. What is your diagnosis of the problems at Wholesum Food?
2. How might the problems have been avoided?
3. What steps might be taken by management now?

Chapter 1

Perspectives in organizational analysis

Perspectives on organizations

The need for multiple perspectives

A micro perspective of organizations

A macro perspective of organizations

Summary

The sales– credit controversy: An illustration

The conflict

Conflict resolution through team building

A structural change

Lessons and a caveat

Strategy of this book

Notes

Organizations dominate modern life. Individuals exist, to be sure, but organizations profoundly affect most aspects of individual existence. We are educated in organizations, work in them, rely upon them for material satisfactions, and look to them for vital social and health services. They serve our spiritual needs as well.

Organizations often convey impressions of inefficiency in the delivery of goods and services. We describe our more unfortunate encounters with organizations as examples of mismanagement, red tape, and bureaucracy. Universities are perceived as inefficient when grade reports are mailed late or classes are canceled because of insufficient enrollment. (This, of course, rarely happens for courses in organization theory). We blame hospitals for long delays during admission and for billing errors, airlines for failing to operate on schedule, and government for misdirected uses of our tax dollars. Managers, from supervisors to presidents, frequently call for wars on inefficiency and propose mighty reorganization plans to do away with unnecessary procedures and unproductive positions. However, from the outside it seems that change rarely occurs in these social leviathans that affect our lives. As a consequence, the organizational world often leaves us feeling powerless and insignificant, unable to control our personal destinies.

While these negative sentiments toward organizations do persist to an extent, we must also recognize the incredible accomplishments of organizations. Through the organization and management of human and technical resources, universities are capable of registering 30,000 or more students for classes within a single day. Hospitals routinely handle cases of illness which a generation ago had no known cure. Ease of air travel today bears no resemblance to the air travel of 20 years ago. Much of our present quality of life can be directly attributed to the efficient delivery of goods and services by complex organizations.

In the case preceding this chapter we met Mike Lewis, whose experience is common to many younger managers. Possessed with great drive and enthusiasm, Mike confronts an organization which seems to make poor use of his talents. His unhappiness, and employee disenchantment in general, often produces lower organizational effectiveness as well as personal stress and psychological costs to the individual. An important question becomes how we choose to diagnose and cope with these problems so that individuals and organizations can turn potential negatives into productive positives.

This book is about designing organizations. One of the essential functions of management anywhere is organizing. A book about organization theory and design is necessarily, therefore, a book about *management*. To the extent that effective organization design depends on an understanding of organization theory, this is also a book on the theory of complex organizations. However, we are not constructing a new theory of organizations here. Our primary objective is to stress the *design* aspects in organizational

analysis by drawing upon existing theory to guide design decisions. Many important theoretical developments have occurred in the past 20 years, but they have only sporadically influenced management thought. *It is the intention of this book to demonstrate the relevance of organization theory to organization design and to do so from a management perspective.*

This first chapter deals with different perspectives in organizational analysis. The term *perspective* refers to the way we examine problems like those of Mike Lewis. It gives us a set of lenses to look through, and no two perspectives give the same insights. Since organizations are so ubiquitous and complex, it is not surprising that different perspectives have been used to try to understand them. In this chapter we shall examine the *macro* perspective of organizations, and contrast it with the *micro* view. We shall illustrate the applied difference between these viewpoints with an example and see how they provide complementary diagnoses of the same problem. Finally, this chapter will set the strategy for our investigation of organization theory and design in the remainder of this book.

Perspectives on organizations

The need for multiple perspectives

In our personal relationships with large organizations we often think of the organization as a whole without specifically thinking about any individual member of the organization. We use the term *macro perspective* to refer to this broad perception of an organization. Statements like "Metro government is backing mass transit," "Mutual Insurance Company provides excellent service to its policyholders," or "State University places priority on graduate and professional education rather than undergraduate programs," are surface evidence that people commonly use this perspective. Businesses, government agencies, and universities appear to have consistent policies, and their actions are often perceived as distinct from the actions of their members. Some organizations, like corporations, have the legal status of independent entities, shielding individual owners from extended liability for corporate action. They also have indefinite life spans and usually outlive their founders.

In spite of this perception of corporate unity, we can also assert that all corporate action can be traced to the decisions and behavior of individual members. The term *micro perspective* describes this more reductionist view of organizations. When broken down into its smallest components, we find that an organization really is a collection of individuals. Among the lessons from Watergate is that decisions *can* be traced to their origin and responsibility for them established. Could not the study of organizations, therefore, be better undertaken by looking at *individual* behavior and decision making?