UNIVERSITY

ACADEMIC THESIS

MANAGING PEOPLE AND ORGANISATIONS

ASSIGNMENT TYPE: CASE STUDY

Case Study:
Identify the real problems and suggest possible
solutions and make recommendation
for organisational change in
High Tech Company

Name: Edmond Ng

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Contents

EXECUTIVE SUMMARY

The purpose of this report is to provide an insight to the organisational issues that are encountered within Hi Tech Co, and recommend solutions for improving the structure and practices in the organisation.

Through a process event study of the organisation, and working together with the divisional managers, communicating with staff at different levels, and obtaining feedback from employee surveys, we have observed primarily three priority issues that need addressing. These are: organisation design, organisation culture and conflict management.

As an organisation producing products that require fast turnaround, the present mechanistic design does not allow sufficient flexibility in handling frequent changes required by the company's nature of business. An organic design is recommended to provide the necessary flexibility. This design helps in team building and problem handling. The current organisation culture indicates a preferential reward system, which lacks shared values and team collaboration. A learning organisation culture, on the other hand, builds on knowledge and provides fair rewards. Conflict management is another area requiring attention, and a win-win methodology is recommended for the necessary resolution.

PROBLEM IDENTIFICATION AND ANALYSIS

The Board of Management is currently looking into process consultation to identify organisational issues for the improvement of the organisation (Tosi *et al.*, 1994, pp. 95-97).

Through a process event study of the organisation, the following observations have been derived as key problems requiring change.

ORGANISATIONAL ATTRIBUTES

Goals. While the vision of the organisation is clear, it is not communicated to every employee. The nature of the company's business requires quick responses to meet targeted schedules, but this understanding is not perceived by the employees (Bailey *et al.*, 1991, pp. 171-176; Hamner, 1990, pp. 45-47).

Culture. The organisation culture lacks attention on a system of shared values in ensuring consistency between individual and organisational goals (Tosi *et al.*, 1994, p. 70). The failure to reward particular activities according to distinctive competency measurements, and the preferential treatment to the employees of the research group in rewarding them with opportunities for advancement, well located offices and advanced laboratory facilities, show a measure of inequality in the reward system (Bailey *et al.*, 1991, pp. 286-287; Hamner, 1990, p. 36). This is translated into degrees of dissatisfaction toward the present reward system, as revealed from the employee survey conducted. Another area of neglect in

the organisation culture is the building of a value system for cultivating

qualities, such as, innovation, risk taking, respect for people, orientation for

the required high expectations for results, team collaboration (Tosi *et al*.,

1994, p. 73).

ORGANISATIONAL DYNAMICS

Centralisation. The organisation uses a centralised control for approving

marketing and other programs by the executive group. Divisional units are

located at different locations, some at the proximity of main offices, while

others relatively far away (e.g. Marketing). This results in unnecessary

delays for obtaining approval by the different members of the executive

group (Bailey *et al*., 1991, pp. 313-314; Carnall, 1999, pp. 35-36).

Planning. Decision on product specification is pre-determined by several

people in the company, and not through market or technical research (Dess

and Miller, 1990, pp. 55-61). Resource planning are not determined prior to

commencement (Duncan, 1996, pp. 75-76), resulting in the reshuffling of

vital members in project groups and contributing to project deficiencies.

Schedule control for project management is also neglected (Duncan, 1996,

pp. 71-72; Robbins *et al*., 2000, pp. 322-340).

ORGANISATIONAL DESIGN

Mechanistic. The present organisation design is based on a mechanistic

management system, appropriate for stable environmental conditions

(Bailey *et al*, 1991, p. 335; Burns and Stalker, 1990, pp. 248-254), but

lacks the fostering of an innovative culture, which is essential to the company (Robbins *et al*., 2000, pp. 466-469). This is reflected in the formation of project groups consisting of members with functional roles from cross-divisions, hierarchic structure of control in decision-making, and operations governed by instructions and decisions pre-determined by superiors (Burns and Stalker, 1990, pp. 249-250). The appointment of horizontal functional divisions with each manager holding clear responsibility in their area of work stimulates a divergence of conflicting interests. Official channels for approval (e.g. marketing programs) are highly inflexible and result in unnecessary delays. Members of project groups selected are based on functional responsibilities and provide little room for interaction (Bailey *et al*., 1991, p. 289).

Decision Making. In order to make good decisions, a manager must be able to get the correct information at corporate level and interpret it accurately according to perception (Dess and Miller, 1993, pp. 22-32; Robbins *et al*., 2000, pp. 168-172). This, however, seems to be an issue in the organisation, as the information flow is not consistently communicated to other levels. To make decisions, the manager must also be empowered at a lower point of divisional units (Robbins *et al*., 1994, pp. 809-812).

PEOPLE

Perception. People process information inputs into decisions and actions based on how they interpret information from their environment (Bailey *et al*., 1991, pp. 361-373; Carnall, 1999, pp. 77-104). The current

organisational behaviour in the company indicates several 'mental' blocks in sustaining organisational effectiveness. These include the absence of supportive environment, unmanaged conflicts, preference for judging instead of generating ideas, lack of problems resolution, undefined goals, and others (Bailey *et al*., 1991, pp. 361-384; Carnall, 1999, pp. 77-80, 89; Robbins *et al*., 2000, pp. 485-504).

Communication. Effective communication occurs when the intended meaning of the source are perceived correctly by the receiver, and this plays an important role in making decisions that affect the organisation (Bailey *et al*., 1991, pp. 393, 395; Robbins *et al*., 2000, pp. 633-644). This is lacking in various units of the company as seen in the unsynchronised information dissemination and the lack of communication between supervisors and subordinates. The absence of team building and a listening ear by the management, show barriers to effective communication (Bailey *et al*., 1991, p. 403; Robbins *et al*., 2000, pp. 644-647).

Conflict. The term 'conflict' refers to perceived incompatibilities resulting in some form of disagreement or opposition (Bailey *et al*., 1991, pp. 407-413; Robbins *et al*., 2000, pp. 657-664). This is clearly earmarked by the top management's concern for technical matters more than marketing issues, the judgmental conclusion when things go wrong, and the absence of conflict resolution.

Leadership. Leadership is essential quality in shaping the organisation, where people learn to contribute, solve problems, and apply knowledge from experience (Bailey *et al*., 1991, p. 458; Carnall, 1999, p. 131; Dess and Miller, 1993, pp. 320-329; Robbins *et al*., 2000, p. 593). Our analysis reveals a lack of these qualities, especially in the area of participating leadership (Robbins *et al*., 2000, p. 604) and the leading of informal groups in project discussion.

STATEMENT OF MAJOR PROBLEMS

As can be seen from the previous section of this report, there are numerous issues that require resolution. For the remainder of this case study, we will focus on the high priority key issues that must first be addressed.

ORGANISATION DESIGN

Mechanistic organisation design emphasised on vertical and horizontal hierarchy in decision-making, which may not be the most appropriate method for a hi-tech company with frequent changing conditions.

CULTURE

A preferential reward system will result in dissatisfaction of employees. A culture lacking in shared values will fail to meet personal and corporate objectives, and a lack of respect and team collaboration will result in low morale.

CONFLICT

Conflicts among different functional groups, and supervisors with subordinates require proper resolution, without which, an organisation cannot succeed in achieving its corporate goals.

EVALUATION OF ALTERNATIVE SOLUTIONS

In evaluating the solutions for the three major issues, organisation design, culture and conflict, we list below, several available alternatives to the organisational change.

ORGANISATION DESIGN

Organic. The organic organisation is highly adaptive and flexible in structure. It allows change rapidly and is adaptive as needs require. Employees are empowered to handle diverse job-related problems, and frequently use employee teams. Employees require minimal formal rules and direct supervision. Team relations form a supportive environment through cross-functional interactions, and expertise is available across different functional teams. In short, organic design introduces cross-functional and cross-hierarchical team building, low formalisation, free flow of information with wide spans of control and decentralisation (Bailey *et al*., 1991, pp. 335-346; Robbins *et al*., 2000, pp. 361-362). The disadvantages of the organic design, however, are the lack of structural control, and the difficulty to implement an organisation-wide response to changes detected in the environment (Bailey *et al*., 1991, p. 342; Robbins *et al*., 2000, p. 361).

Matrix. A matrix organisation is a structural design that assigns specialists from different functional divisions or groups to work on one or more projects being led by a project manager. Each project is directed by a manager who staffs his or her project with people from each of the functional departments. Matrix design introduces a dual chain of command, of which employees in the matrix have two bosses: a functional divisional manager and a project manager. Authority is shared between the two managers, in which typically, the project manager supervise employees relative to the project's goals, while the divisional functional manager decides on the promotions, salary recommendations and annual reviews (Robbins *et al*., 2000, pp. 372-373). The advantages of the matrix system include shared resources, selectable employees of required skills to meet project objectives which can be disband and form again as the work requires. The disadvantages include the lack of measurement on employees' performance, unclear reporting structure and undefined project members' availability.

CULTURE

Learning Organisation. In a learning organisation, employees are continually acquiring and sharing new knowledge to apply in making decisions or performing their work. This would mean acceptance of high adaptability to change continuously, as employees form teams and take on active roles in identifying and resolving issues (Robbins *et al*., 2000, pp. 376-377). Following this culture, supervisors, peers and subordinates adapt

themselves in team relationship, while openly sharing information across functional and structural roles (Robbins *et al.*, 1994, pp. 815-817; Senge, 1990). The advantages of a learning culture includes better dissemination of information at all levels, better quality solutions as a result of knowledge sharing, closer reach to meeting high tasks with high relationship. The disadvantages would be the need for more collaborative effort before a decision is derived and the difficulty in measuring performance based on teams instead of individuals.

Motivation. Robbins *et al.*, (2000), in his book on the topic of '*motivating employees*', defines motivation as 'the willingness to exert high levels of effort to reach organisational goals, conditioned by the effort's ability to satisfy some individual need' (p. 549). This would include rewards contingent on performance (Robbins *et al.*, 2000, pp. 575, 583; Hamner, 1990, pp. 36-37), participative goal settings, equity, and job enrichment (Robbins *et al.*, 2000, pp. 558-567; Latham and Locke, 1990, pp. 156-158).

Reinforcement Theory. The reinforcement theory is about influencing changes in people's behaviour as a result of an imposed modification in the work environment by the organisational leaders. This involves a conditioning of people through a stimulus to force a learning process on individuals in adapting to a voluntary (operant) behaviour or a reflex (respondent) behaviour towards work and the organisation (Hamner, 1990, pp. 30-51; Robbins *et al.*, 1994, p. 797). The advantage is that management can remain centralised in control, while altering staff's behavioural

responses to meet organisation's objective. The disadvantage is the manipulative results, which tends to stifle innovative ideas and knowledge sharing.

CONFLICT

Win-Win. This approach involves recognition by all conflicting parties that something is wrong and needs attention and through confrontation of the issues using problem solving skills, attempt to reconcile the differences. The advantage of this method is that the conflict is openly resolved by examining alternatives, and brings to an ultimate closure to the issue. This method is particularly less difficult to handle if team building is already in place, without which, this approach may encounter unfavourable results in the working relationship of the two parties (Bailey *et al.*, 1991, p. 414; Verma, 1996, p. 365).

Win-Lose. One party achieves its desires at the expense of the other, through force or as a result of authoritative command. The advantage is that the issue get resolves at higher level, but the disadvantage will prevail with hard feelings coming to surface in possibly other areas of work (Bailey *et al.*, 1991, p. 414; Verma, 1996, p. 365).

RECOMMENDATION

Based on the various alternative approaches available, we recommend the following be implemented in the organisation as a positive step towards resolving the identified major problems.

ORGANIC ORGANISATION DESIGN

The organic organisation design is highly adaptive and flexible in structure, providing greater generation of innovative ideas, which is what a high-tech organisation needs (Robbins *et al.*, 2000, pp. 361-362). Decentralisation and empowerment reduces the need for the many levels of vertical and horizontal channels for approving of marketing programs, shortens unnecessary delays, and frees up the higher management to focus on strategic management.

LEARNING ORGANISATION CULTURE

Team relations eliminate most areas of conflict and self-sufficiently resolve issues through problem solving methods, tapping on the expertise across functional units, resulting in better communication and working rapport (Robbins *et al.*, 2000, pp. 376-377). A reward system contingent on performance, abolish employees' dissatisfactions and produces staff's willingness to exert high levels of performance (Robbins *et al.*, 2000, pp. 575, 583; Hamner, 1990, pp. 36-37).

WIN-WIN CONFLICT RESOLUTION

Conflict needs to be resolved once and for all, instead of allowing it to re-surface in another form. The win-win approach is the best approach in conflict resolution, as it closes an issue troubling different parties without losing something on each side if compromised (Bailey *et al.*, 1991, p. 414; Verma, 1996, p. 365).

IMPLEMENTATION

In order to implement the changes to the organisation based on the

abovementioned recommendations, actions by different parties will be

required. Below is an estimate of the costing, and an action list for the task

owners to carry out their area of scope as required:

COSTING

- Consultation   20 days $30,000.00

- Communication to
  management and
  business units   3 days $4,500.00

- Training   14 days $21,000.00

- Internal Adjustments
  and Implementation   21 days $31,500.00

- Post-Implementation
  Support   14 days $21,000.00

  TOTAL   **$108,000.00**

TASK ASSIGNMENTS

- Organisation Design Change: Executive Management

- Organisation Culture Change: Executive and Divisional
                                     Management

- Conflict Management: Executive, Divisional
                                     Management and Team
                                     Leaders

- Training: Consultant

- Implementation & Change   Consultant's Agency
  Support:

ORGANIC ORGANISATION DESIGN

To enforce the organisational changes required in the structural design, the executive management must convey to its management, divisional managers and group leaders of the purpose and requirements for these changes. The information must then be communicated to all staff, and the respective unit managers must be ready to provide the necessary support for these adjustments and implementation (Carnall, 1999, pp. 66-76, 105-128, 143-157, 194-235).

LEARNING ORGANISATION CULTURE

Team Building. Teams have to be built at every level. Regular communication sessions at corporate levels, in teams of varied sizes, across divisions and functional roles should be encouraged. Ensure everyone in the team is pulling in the same direction. This means exchanging information freely. Help anyone who is unwilling to participate (Kant, 2001, p. R58).

Avoid Blaming. When something goes wrong, do not jump to conclusions. The issue is probably due to something we have not trained our staff to handle or something we had said which was ambiguous. Assume the best, honour your people, tolerate mistakes and avoid embarrassing self (Kant, 2001, p. R58).

Reward Fairly. Replace preferential rewarding with genuine performance and merit rewards. Be fair in executing recognition by rewarding staff with

monetary benefits, job enrichment, and other forms of gratuity. Always be on the look out at the market rates on the range of compensation for the respective type of work. Management should be always mindful in knowing what contributes to making the company as one of the best employers (Kant, 2001, p. R58).

WIN-WIN CONFLICT RESOLUTION

In order to implement conflict management techniques, the management will need to cultivate in all the staff, a cultural change, whereby staff will not feel threatened when confronting supervisors, peers or colleagues in implementing the win-win conflict resolution. As an initial start, staff must be adjusted in their mind frame to be able to approach anyone with statements such as the following:

"I want a solution that achieves your goals and my goals and is acceptable to both of us" or "it is our collective responsibility to be open and honest about facts, opinions and feelings" (Bailey *et al*., 1991, p. 414).

Supervisors and management must be willing to listen and come to agreement with staff to work out a resolution, using the various techniques that will be recommended in the training sessions as part of this change process.

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