Chapter 8: OD interventions: Strategy and structure

Techno-structural intervention

A change program focusing on the technology and structure of organizations.

- Techno-structural intervention deal with techno-structural issues including how the overall work of the organization is divided into units, who reports to whom, methods of control, arrangements of equipment and people, workflow arrangements, and changes in communications and the authority.
- Techno-structural interventions concerned with restructuring organizations.
- 3 types of techno-structural interventions:
  i. Structural design
  ii. Downsizing
  iii. Reengineering

**TYPE 1: STRUCTURAL DESIGN**

Definition of restructuring:

Interventions aimed at structural design include moving from traditional organizational design to more integrative and flexible design.

Organization structure:

- The hierarchical arrangement of lines of authority, communications, rights and duties of an organization.
- OS describes how the overall work of the organization is divided into subunits and how these subunits are coordinated for task accomplishment.

Structural design:

- Concerns the organization’s division of labour - how tasks are subdivided into work units and how those units are coordinated for task completion.
- Includes moving from traditional structural designs (e.g. functional, self-contained unit, and matrix structures) to more integrative and flexible forms (e.g. process-based, customer-centric, and network-based structures).

Types of structural design:

1. Functional structure
   - Organization is divided into functional units such as marketing, operations, R&D, Human Resource, Finance etc.
   - Based on early management theories regarding specialization, line and staff relations, span of control, authority and responsibility.
   - The major functional units are staffed by specialists from those functions.

2. Divisional Structure
   - Also known as product or self-contained-unit structure.
   - It groups organizational activities on the basis of products, services, customers or geography.
   - All or most of the resources and functions necessary to accomplish a specific objective are set up as a division headed by a product or division manager.
3. Matrix Structure
- A combination of functional and self-contained unit.
- It superimposes a lateral structure that focuses on product or project coordination on a vertical functional structure.
- Now widely used in manufacturing, service, non-profit, governmental, and professional organizations.

![Matrix Structure Diagram]

4. The Process Structure
- A structure consist of multidisciplinary teams around CORE/MAJOR processes such as product development, customer support etc.
- “Process Owners” are identified to manage the process.
- Emphasizes on lateral relationships.
- There are several hierarchical levels, and the senior executive is relatively small, typically consisting of CEO, COO, and the heads of a few key support services such as strategic planning, human resources, and finance.

![Process Structure Diagram]

5. The Customer-Centric Structure
- A structure focuses subunits on the creation of solutions and the satisfaction of key customers or customers groups.
- These customer or market-facing units are supported by other units, manufacture components and products, and manage the supply chain.
- The organization develops the best solution for the customer by offering a customized bundle of products, services, support, and education.
- Their core structures focus attention and resources on customers with market-facing units organized around large individual customers or customer segment teams that attempt to maximize customer profit and loss.

6. Network Structure
- Manages the diverse, complex and dynamic relationship among multiple organizations or units.
- Organizations that use network structures have been called shamrock organizations and virtual, modular, or cellular corporations.
- 4 basic types of networks:
  i. Internal market network – exists when a single organization establishes each unit as an independent profit centre that is allowed to trade in services and resources with each other as well as with the external market.
  ii. Vertical market network – composed of multiple organizations linked to a focal organization that coordinates the movement of resources from raw materials to end consumer.
  iii. Intermarket network – represents alliances among a variety of organizations in different markets and is exemplified by the Japanese “keiretsu” the Korean “chaebol”, and the Mexican “grupos”.
  iv. Opportunity network – most advanced form of network structure. It is a temporary combination of organizations brought together to pursue a single purpose. Once accomplished, the network disbands.

![Network Structure Diagram]

TYPE 2: DOWNSIZING
Refers to interventions that are aimed at reducing the size of the organization.

Reducing the size of the organization can be done through decreasing the number of employees such as layoff, early retirement, VSS, reducing the number of organizational unit and managerial level.

Application stages:

i. Clarify the organisation's strategy (e.g. Major restructuring of MAS)

ii. Assess downsizing options and make relevant choices (Who, how)

iii. Implement the changes (plan execution)

iv. Address the needs of survivors and those who leave (e.g. reskilling, redeployment)

v. Follow through with growth plans (formative evaluation e.g. quarterly)

**Downsizing Tactics** (Cameron, Freeman and Mishra, 1991) Figure 8.6

<table>
<thead>
<tr>
<th>Tactic</th>
<th>Characteristics</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workforce reduction</td>
<td>• Reduces headcount</td>
<td>• Attrition</td>
</tr>
<tr>
<td></td>
<td>• Short-term focus</td>
<td>• Retirement/buyout</td>
</tr>
<tr>
<td></td>
<td>• Fosters transition</td>
<td>• Lay-offs</td>
</tr>
<tr>
<td>Organisation redesign</td>
<td>• Changes organisation</td>
<td>• Eliminate functions, layers, products</td>
</tr>
<tr>
<td></td>
<td>• Medium-term focus</td>
<td>• Merge units</td>
</tr>
<tr>
<td></td>
<td>• Fosters transition and transformation</td>
<td>• Redesign tasks</td>
</tr>
<tr>
<td>Systemic</td>
<td>• Changes culture</td>
<td>• Change responsibilities</td>
</tr>
<tr>
<td></td>
<td>• Long-term focus</td>
<td>• Foster continuous improvement</td>
</tr>
<tr>
<td></td>
<td>• Fosters transformation</td>
<td></td>
</tr>
</tbody>
</table>

Results of Downsizing

i. Negative consequences e.g. employee dissatisfaction, lower productivity.

ii. Positive consequences e.g. reduce cost etc.

- The way (how) in which downsizing is conducted may explain these divergent outcomes.
- Following a well-planned application of the process seems to improve outcomes.

**TYPE 3: REENGINEERING**

- A radical redesign of core business processes in order to achieve dramatic improvements in performance.
- It transforms how organizations traditionally produce and deliver goods services.
- Re-engineering frequently takes advantage of new information technology e.g. teleconferencing, expert system, shared database and wireless communication.
- Re-engineering will permit entirely new ways of producing and delivering products/services – how to produce products and services.
- Reengineering has been applied to work processes in manufacturing and service industries, in business firms, not-for-profits, and government agencies; and in diverse global settings.

Implementation Steps:

i. Prepare the organization – assess the competitive environment, strategy and objectives.

ii. Fundamentally rethink the way work gets done – understand the business process, work process, value chain and plan for change to the new business process.

iii. Restructure the organisation around the new business processes – changing the organization’s structure to support the new business process.

**WORK DESIGN**

Definition: Creating jobs and work groups that generate high levels of employee fulfillment and productivity.

Three Approaches to Work Design:

I. **Engineering approach**

- Focuses on efficiency and simplification and results in traditional jobs (usually repetitive work done by individual) and work groups redesigns (member perform jobs relatively routine jobs and interrelated task).
- Most prevalent approach to design a job – based on engineering concepts and methods.
- It proposes that the most efficient work designs can be determined by:
  i. Clearly specifying the tasks to be performed (task identity)
  ii. Work method to be used (how to perform the job)
  iii. Workflow among individuals (task significant).

II. **Motivational approach**

- Uses motivational theories
- Job enrichment – Focuses on enriching the work experience by give more opportunity for autonomy, responsibility and performance feedback.
- The motivational method provides people with opportunities for autonomy, responsibilities, closure (that is doing a complete job), and performance feedback.
Example: For example, let’s say Molly works as a receptionist at a beauty salon. Because Molly is also a marketing arm of the salon, the manager might assign Molly to do research and develop new promotional campaigns each month to increase the amount of clients that come into the salon. Molly’s manager would need to also give Molly the authority to make decisions relating to promotional campaigns.

Job Enrichment: Obstacles and Results

- Not all people react in similar ways to job enrichment interventions.
- Individual differences can impact negatively:
  i. a worker’s knowledge and skill levels
  ii. growth-need

Four system level barriers have also been identified:

i. Technical system
   - The technology used by an organization can limit job enrichment by constraining the number of ways job can be changed.
   - For example, long-linked technology like that found on an assembly line can be highly programmed and standardized thus limiting the amount of employee discretion that is possible.

ii. Personnel system
   - HR systems can constrain job enrichment by creating formalized job descriptions that are rigidly defined and limit flexibility in changing people’s job duties.
   - For example, many unions demand specific job descriptions in collective bargaining. This will restrict an employer to conduct job enrichment.

iii. Control system
   - Control systems, such as budgets production reports, and accounting practices, can limit the complexity and challenge of jobs within the system.
   - For example, a company working on a government contract may have such strict quality-control procedures that employee discretion is effectively curtailed (restricted).

iv. Supervisory system
   - Supervisors determine to a large extent the amount of autonomy and feedback that subordinates can experience.
   - To the extent that supervisors use autocratic methods and control work-related feedback, jobs will be difficult to enrich.

III. The Sociotechnical Systems Approach (Self-managed team)

- Seeks to optimise both the social and technical aspects of work systems
- Require employee involvement and innovative work design.
- Work design based on STS derived from action research.
- Also refers to self-directed, self-regulating, high performance work systems – member performing interrelated tasks.

STS Conceptual Background

- STS theory is based on two fundamental premises: sociotechnical system and environmental relationship.

1. Sociotechnical system:
   - The first assumption suggests that whenever human beings are organized to perform tasks, a joint system is operating – sociotechnical system.
   - This system consists of two independent but interrelated parts: a social part (the people performing the tasks and the relationships among them); and technical part (the tools, techniques, and methods for task performance).
   - The social part operates according to biological and psychosocial laws, whereas technical part functions according to mechanical and physical laws.
   - It will produce two kinds of outcomes: products (goods and services); and social and psychological consequences (job satisfaction and commitment).

2. Environmental Relationship
   - The second major premise underlying STS theory is that such systems are open to their environments.
   - Open systems must interact with their environments to survive and develop.
   - The environment provides the STS with necessary inputs of energy, raw materials, and information, and the STS provides the environment with products and services.
STS Application Stages:

1. Sanction the design effort – support (top management, union, expert) to diagnose the work system
2. Diagnose the work system
3. Generate appropriate designs
4. Specify support systems (e.g., for self-managed team require team performance evaluation instead of individual performance appraisal).
5. Implement and evaluate the work design
6. Continually change and improve

Effective work design: Depends of technical and personal factors

(1) Technical Factor

1. Technical interdependence
   - Extent to which cooperation among workers is required to produce a product or service
   - Determines whether work should be designed for individual jobs or work groups.
   - When interdependence is low, there is little need for worker coordination.
   - When interdependence is high, employees must coordinate their task activities (e.g., oil refining, assembly lines, and major surgery).

2. Technical uncertainty
   - Amount of information processing and decision-making that employees must do to complete a task.
   - Determines whether work should be designed for external forms of control, such as supervision, scheduling, and standardization, or for worker self-control.
   - When technical uncertainty is low, there is little information that needs to be processed by employees during task performance, work can be designed for external control, such as might be found on assembly lines and in other forms of repetitive work.

When technical uncertainty is high and people must process more information and make decisions, work should be designed for high levels of employee self-control, as might be found in professional work and hospital emergency room.

(2) Personal Factors

1. Social needs
   - The desire for significant social relationships
   - Determines whether work should be designed for individual jobs or work groups.
   - People with low needs for social relationships are more likely to be satisfied working on individualized jobs than in interacting groups.
   - People with high social needs are more likely to be attracted to group forms of work than to individualized forms.

2. Growth needs
   - Determines whether work designs should be routine and repetitive or complex and challenging.
   - People with low growth needs are not attracted to jobs offering complexity and challenge but more satisfied performing routine forms of work that do not require high levels of decision making.
   - People with high growth needs are satisfied with work offering high levels of discretion, skill variety, and meaningful feedback.

Employee Involvement in techno-structural intervention

- Employee involvement (EI) refers to participation and commitment in decision-making processes that affect the organization's performance and employee well-being.
- Seeks to increase members' input into decisions that affect organization performance and employee well-being.
- Four key elements of employee involvement:
  i. Power to make decision
     - Providing people with enough authority to make work-related decisions.
  ii. Access to information in making decision
     - Access to relevant information is vital to make effective decisions.
Can include data about results, business plans, competitive conditions, and etc.

iii. Employees have requisite skills and knowledge to make decision
- Employees should have requisite skills and knowledge to make good decisions.
- Provide training if employees lack of skills and knowledge.

iv. Linking reward to the contribution and performance
- Rewards can encourage people to get involved in the organization.
- Internal rewards: feelings of self-worth and accomplishment.
- External rewards: pay and promotions

How Employee Involvement Affects Productivity

I. They can improve communication and coordination among employees and organizational departments, and help integrate the different jobs or departments that contribute to an overall task.

II. EI interventions can improve employee motivation, particularly when they satisfy important personal needs.
- Motivation is translated into improved performance when people have the necessary skills and knowledge to perform well and when the technology and work situation allow people to affect productivity.

III. EI practices can improve the capabilities of employees, thus enabling them to perform better.