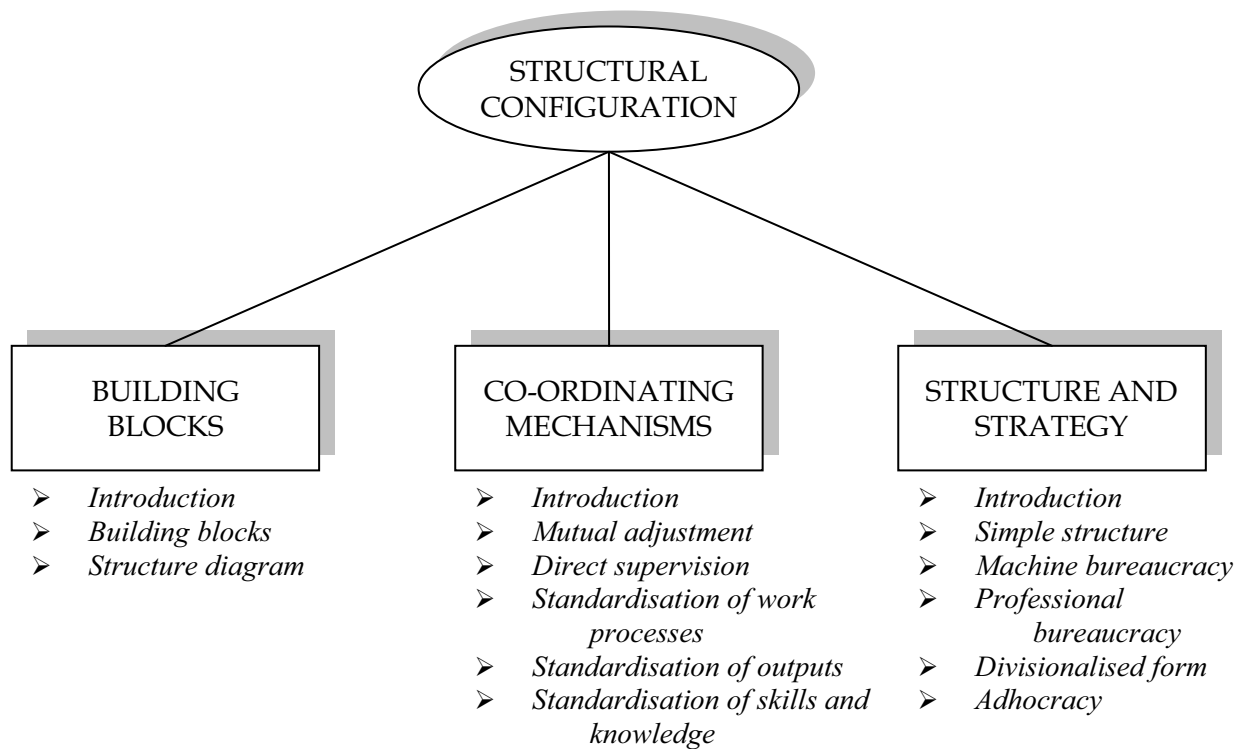




OVERVIEW

Objective

- To discuss Henry Mintzberg's work on structural configurations.



1 BUILDING BLOCKS

1.1 Introduction

Mintzberg (1985) has suggested that organisation structures are more complex than mere different designs of an organisation chart. He describes them in terms of building blocks and co-ordinating mechanisms.

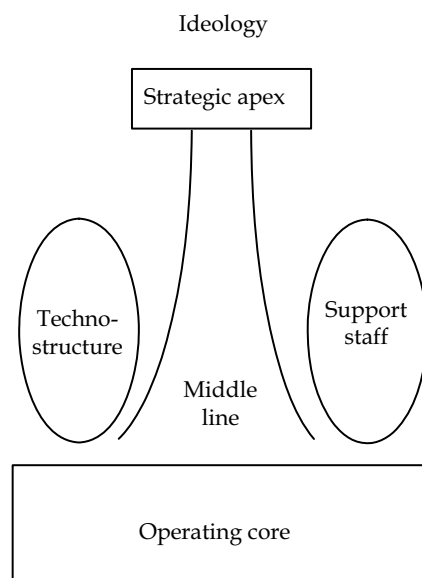
1.2 Building blocks

The six building blocks Mintzberg describes are:

- **Operating core** - Individuals who perform the work of producing products/services.
- **Middle line** - Hierarchy of authority from first line supervisors to senior management.
- **Strategic apex** - Those who formulate and implement strategy.
- **Techno-structure** - Those specialists who co-ordinate work by standardising processes, outputs and skills.
- **Support staff** - Provide assistance to the company in areas outside its operating flow.
- **Ideology** - Culture, values and beliefs.

1.3 Structure diagram

In theory, this diagram can be re-drawn for each of the structural configurations described later, with the component elements shown differently-sized. However, the content of Mintzberg's work is far more important than the diagram.



H Mintzberg, *The structure of organisations*

2 CO-ORDINATING MECHANISMS

2.1 Introduction

Mintzberg identifies five co-ordinating mechanisms which hold together the building blocks.

- Mutual adjustment;
- Direct supervision;
- Standardisation of work processes;
- Standardisation of outputs;
- Standardisation of skills and knowledge.

2.2 Mutual adjustment

This is the co-ordination of work by process of informal communication. In this component, control of work rests in the hands of the “doers”. From the simplest organisations to the most complex, it works in extremely difficult circumstances. (e.g. the space shuttle project requires elaborate divisions of labour – thousands of specialists. At the outset, everyone had to be exactly sure what needed to be done.)

Success depends on groups/ teams of specialists adapting to each other along an uncharted route – rather like a group of people rafting down a turbulent river.

2.3 Direct supervision

This is co-ordination by someone taking responsibility for the work of others:

- Planning;
- Scheduling;
- Allocating;
- Instructing;
- Monitoring actions.

For example, in a rugby team players are distinguished by their work role and even physical requirements; wing-three-quarter, scrum-half, stand-off half, etc. Mutual adjustments do not fully suffice to co-ordinate their play so a captain is named to co-ordinate tactics on the field.

2.4 Standardisation of work processes

When the content of work is specified or programmed. Routinisation of processes is commonplace in business.

Example 1

Suggest some examples of standardised processes from a range of businesses.



Solution

➤	➤
➤	➤

Standard processes facilitate machine control and systems which demand little direct supervision. Automation is possible. A worker on a TV assembly line requires but little supervision or even informal communication with peers (except to be sociable). Work co-ordination is “system” achieved.

Some work standards have discretion built in, e.g. a retail buyer may be permitted to buy up to £10,000 worth of goods each month, but otherwise left free to decide the range of goods to buy. A manager of a fast-food hamburger joint may have some discretion over staff rotas but none in terms of changing the menus or the decor and displays within the restaurant.

2.4.1 Benefits of routinisation

- More goods and services are offered;
- More reliably;
- With better price and delivery;
- At higher quality; and
- With guarantees over the content and processes.

2.4.2 Risks of routinisation

Routinisation and bureaucratisation may reduce opportunities for independent action and creative expression but for those delivering and those receiving the results of routinisation the benefits are substantial in every aspect of life.

The problem for the business person and the consumer is to safeguard against the dulling, conformist, mediocrity that routinisation thrusts upon us particularly when the routinised system is doggedly followed to serve the operators purpose. The fact of the matter may be that we continue to produce as routine our goods and services – but the world has moved on – no-one wants these goods and services any more. The goal-posts too will have been shifted by competitors who have an eye for a chance.

2.5 Standardisation of outputs

With outputs defined, the fit between tasks is pre-determined and can be performance monitored. Work results can be specified by performance dimensions, conversion ratios, profitability, time and cost indicators.

Quality standards will be determined and implemented in a firm that is accredited for ISO 9000. Taxi-drivers are not told how to drive or what route to take – only the address. They can be appraised on the basis that they do not get lost, we arrive at our correct destination on time and the rules on cab charges are applied correctly.

A project manager's performance outcomes are discussed with him/her. The plans and budgets are agreed, progress is monitored with a particular eye on the deliverables from each phase. Unrealistic project targets contribute to disappointment and disorganisation. They seldom motivate or secure commitment – they breed disaffection.

A management by objectives approach was defined by Peter Drucker and John Humble in the late 1960's. The application of standardisation in the M by O approach can be seen for example in relation to the role of a sales person.

2.5.1 Complex organisations

A conglomerate of subsidiaries controlled by a corporate parent company is typically managed by standardisation of outputs. The corporate HQ managers agree strategic objectives and plans/programmes with each subsidiary/division. This agreement is based on:

- Analysis of the division's performance;
- The demands of its competitive environment ;
- Opportunities for growth and profitability;
- How it compares with rivals;
- How it compares with other divisions/subsidiaries;
- How it is funded and how it is using up funds;
- Expectations and values shared between corporate board members and the senior managers of the subsidiary company. These may for example cover matters relating to social responsibility, public relations, internationalisation, down-sizing and community orientation.

The detail agreed in corporate divisional plans will determine the funding of specific strategic programmes and targets will be specified using a range of performance ratios. The analysis of performance was covered in session 23.

Example 2

Suggest appropriate performance measures for a division.



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Divisional Managers in a division interact with HQ managers over such performance standards. Management information systems are installed to monitor divisional performances. There will be reviews of projects, quality, profits and growth levels each year. Heads of Department in a college are required to achieve targets within agreed budgets.

However divisional managers will be left to get on and manage their operation in a largely autonomous way.

2.6 Standardisation of skills and knowledge

Some work or processes cannot be standardised. e.g. in social work or teaching. Control here comes through education and training and the sharing of values and ethical standards which inspire loyalty.

A similar case applies to a hospital administrator. It is very difficult for a high level general administrator to supervise and give directions to a doctor or surgeon. A manager of architects or social workers is in a similar position when it comes to many aspects of analysis, design and decision-making.

Skills and knowledge are standardised through education and training before or after joining the firm. Where an organisation invests in systematic training not only policies, rules and values are being conveyed but also standard ways in which skill should be applied.

2.6.1 Professionalisation

The rigorous training that a doctor, solicitor, accountant or indeed a social worker receives provides admission into “the club of the profession” with its rules of behaviour and ethical values. Workers may appear to be wholly autonomous when working, but “lines have been learned” and the organisation can expect the highest levels of professional conduct and behaviour – externally regulated and espoused by “chartered members”. Such members of the organisation are trusted and given more scope to act.

Above all “members of the professions” are supposed to be self-evaluative and committed to keeping their knowledge and skills up-to-date (continuing professional development). Most importantly they must uphold the highest ethical values and to be critical of the way in which they carry out their duties.

The top professional bodies are permitted (privilege given by society) to be self-regulating. They set standards for admittance into the profession. They define their own educational curriculum and assess the performance of student candidates. They have established structures which meet to make judgements about and even discipline errant members. Society – allegedly – can be confident that these organisational members are reliable.

In organisations wanting to improve product and service design and deliver more complex operations – the value of employee know-how and problem-solving ability is generally recognised. Improving skill levels enables staff to undertake more complex work – guided by policies and (groomed) commitment to the quality standards that are being sought – rather than direct and constant supervisory intervention. Here standardisation of processes and skills are conjoined.

3 STRUCTURE AND STRATEGY

3.1 Introduction

Combinations of the building blocks and co-ordinating mechanisms form five “structural configurations”. Mintzberg explores how strategy-making and its processes can be seen to work in various types of organisations.

Mintzberg concludes that all these types of organisation, in difficult-to-understand environments, find “sophisticated innovation” difficult .

- Simple structure can innovate – simply.
- Bureaucracies are implementation things – they do not find innovative problem-solving easy.
- Divisionalised forms try to mediate problems of strategic inflexibility found in machine bureaucracies.
- If sophisticated innovation is called for a temporary structure – the Adhocracy – may be utilised.

	<i>Environment</i>	<i>Internal factors</i>	<i>Key building block</i>	<i>Key co-ordinating mechanism</i>
Structural configuration:	Simple structure	Simple/dynamic	Small and young Simple tasks	Strategic apex Direct supervision
	Machine bureaucracy	Simple/static	Large and old Regulated tasks	Techno-structure Standardisation of work
	Professional bureaucracy	Complex/static	Professional control Simple systems	Operating core Standardisation of skills
	Divisionalised	Simple/static Diverse	Very large and old Divisible tasks	Middle line Standardisation of outputs
	Adhocracy	Complex/ dynamic	Young Complex tasks	Operating core Support staff Mutual adjustment

3.2 Simple structure

An organisation with a simple structure does not have an elaborate, formal arrangement of reporting relationships. Its “structure” and co-ordination/control enables the organisation to respond quickly to environmental demands. Work relationships are more fluid. There is a small management hierarchy. There are few functional specialists. People doing core operational tasks are often interchangeable. The division of labour is looser with people carrying out multiple roles. There is less role differentiation.

The chief executive (CEO) has a wide span of control (they know everything). The CEO is the key decision-maker/controller and typically everyone reports to them directly and informally.

Thus it is the CEO that shapes strategy. The stereotype of this dynamic, decision-maker is the entrepreneurial, intuitive, non-analytical, risk-taker. He/she feeds off the cut and thrust of uncertainty and pursues business opportunities relentlessly.

Such CEOs need not “publish” the strategy. It will generally reflect what they want, believe in, their interpretation of the world and their commitments. The CEO knows her company and the business environment through and through. It is her personal vision and aspirations for the future that hold sway.

Much rests on keeping continually aware of all the detail. The capacity of the CEO to co-ordinate everything and make consistently correct decisions may fail.

In the simple structure, entrepreneurial strategy involves the vision and the achievement of the concepts involved. The CEO's perspective rules. This vision is personal, so strategies are inclined to be deliberate more than emergent. Where there are no specific plans, then patterns will emerge from contingent actions.

3.3 Machine bureaucracy

The Machine Bureaucracy (MB) is exemplified by the airline, a consumer products manufacturer or a hotel chain. These are large, well-oiled structures that are managed as integrated, regulated systems which make use of

- Specialised, routinised methods and tasks;
- Formal operating procedures governed by well defined rules and regulations;
- Formal organisational communication systems that are well-developed to ensure communication flow between operational units;
- Tasks that are grouped (in terms of organisation structure) on functional lines,
- Decision making powers that are more centralised. Decentralised decision-making is governed by well-defined authorities and monitoring methods; and
- Administrative systems that are well-defined with operating departments (line) and staff sections differentiated.

Strategic managers are constantly looking for efficiencies and improvements, but energy is consumed in efforts to co-ordinate the organisation structure. If conflict occurs and cannot be resolved at middle and lower levels either it is resolved by passing it up to senior managers or the issue is concealed so that the operation can continue.

Strategic managers need to be generalists. Those lower down are often specialists having only the authority delegated to them down the chain of command. Only those at the top can readily have the “overview” picture (if they have access to all the information in a form in which it can be assimilated).

Strategy-making, in the MB, is theoretically made at the top. Top managers receive relevant information from below. Strategic objectives are then communicated to operational units/departments for implementation as programmes of action. The assumptions are clear.

Strategy is made at the top and separated from operations where programmes are implemented. Decisions are communicated down for implementation at unit/operational level.

3.3.1 *Benefits of machine bureaucracy*

Example 3

What do you think are the benefits of MB?



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-
-

3.3.2 *Problems*

Mintzberg, on looking into actual businesses, however found that these planning processes tended to operationalise strategy rather than innovate for new strategy. Planning emphasised analysis and incremental changes more than imagining and generating ideas for new radical strategy.

This is not a problem if the environment of Machine Bureaucracy is stable. If it becomes unpredictable and stormy then typically top managers become stretched and a back-log of decision-making can result.

With the formal, hierarchical organisation structure, middle managers pass the non-routine tasks (which they do not have the scope to handle) up to the apex.

3.3.3 *Management information systems*

An MB needs an efficient management information system. Even then information loss and distortion can occur:

- Information is filtered up through many levels. It can be delayed, over summarised (important detail is lost), and information exposing lower managers can be mediated by these very same managers.
- Much of the information needed by senior managers is soft, not the type of hard, quantitative and aggregated data that MIS can handle. Strategic decisions need soft/qualitative information and specific, precise data.
- Management information systems (data gathering, storage, processing, output distribution and absorption) are costly. The responsiveness of the MIS itself may add to delay when environmental factors are pressing.

Noting the separation between strategy creation and implementation, Mintzberg advises caution – strategy can depart from implementation. We must not assume that:

- Information at the strategists' disposal is complete or as good as that available to those who are implementing operations.
- No change will be required when implementing strategic programmes (the situation is stable/predictable).

To overcome problems, Mintzberg suggests either:

- Formulating strategy outside the machine bureaucratic structure; or
- When faced with turbulence and unpredictable change merging strategy making and implementation.

3.3.4 *A revolutionary leader*

If it is hard for Machine Bureaucracies to develop radical new strategies, how can they move quickly enough for a fiercely competitive, fast moving environment? Mintzberg suggests

- Revolution.
- Appoint a new, strong-willed leader who will bring a new "vision".
- Side-step established planning procedures and planners.
- Let the leader act powerfully to get the vision realised.
- Enable the Machine Bureaucracy to become a Simple Structure temporarily. Let it move from a regularised planning to an entrepreneurial mode.

However in the long term, powerful, entrepreneurial management will not fit in a Machine Bureaucracy. Once change has been realised the entrepreneur tends to move on or be moved on.

3.4 Professional bureaucracy

Standardisation of skills and values is the glue that binds a Professional Bureaucracy (PB) together. The PB is typified by a collegiate of academics in a university, a practice of doctors, a partnership of solicitors and a group of volunteers. The PB type may also show signs of machine bureaucracy and adhocracy (say, in its accounting systems) but for typology purposes the PB reflects "standardisation with decentralisation".

The assumption is that operational activities in the PB are stable and can be forecasted.

- Behaviours of "professionals" are predictable.
- Their work may require great knowledge and skill.
- Tasks are controlled by those who perform them. They have discretion to continue.
- The organisation "knows" that the work and its quality is under control.

The core professionals (the largest group in the organisation) are the specialists working closely with clients and largely independently from colleagues.

The training and socialisation of professionals involves:

- Special training over many years in special educational institution;
- Long spells of on-the-job experience (articled clerk, junior hospital doctor) when knowledge and skills are monitored closely by senior professionals; and

- After qualification, continued development by scholarly and investigative activity. Professionals are self-organised learners and attend conferences, peer group meetings and re-train to keep up with their field or become more specialised.

This personal responsibility for continuing professional development aims at internalising standards. These are targeted to the client. They also serve to co-ordinate the professional work.

3.4.1 *Comparing the MB and the PB*

A machine bureaucracy determines standards internally, whereas those within a PB ascribe to standards prevailing beyond the organisation – the externally determined standards of the profession. Thus a machine bureaucracy stresses the responsibility of the office, while a PB lays more store on expertise and an externally referenced body of rules, values and regulation.

The PB is thus:

- A decentralised form (operator autonomy);
- The core professional operators have expectations that consensus, collegiate democracy should prevail. Power is diffused.

However, this means that when environmental pressures make radical change an imperative, innovation can be resisted. This compares with the Machine Bureaucracy, where top managers – as they see it – can impose change on the organisation as a whole.

In stable environments all bureaucracies become performance structures more than structures for innovation and development of solutions to address needs never encountered before.

Mintzberg suggests that thinking in the Professional Bureaucracy is typically convergent. Professionals use their deductive powers to locate the new situation within a framework of general, known concepts. But if turbulence reigns in the environment, new concepts need to be developed from new experience. Such thinking may need to be more divergent involving a break away from old understandings. This may be an anathema to the professional. When strategic leaders propose radical, innovative change they typically have to manoeuvre, lobby and politick their way around blockages of opinion amongst colleagues.

3.5 Divisionalised form

This organisation is organised as semi-autonomous units – the divisions. These may be companies in their own right owned and directed by a central parent and administrative structure – the Group Office or corporate HQ.

The divisionalised form is probably a structural derivative of a Machine Bureaucracy – an operational solution to co-ordinate and control a large conglomerate delivering:

- Horizontally diversified products or services;
- In a straight-forward, stable environment;
- Where large economies of scale need not apply.

If large economies of scale were possible the costs and benefits of divisionalisation would need careful examination.

The modern, large holding company or conglomerate typically has this form. It can be also found in a “federation of colleges” or as a government ministry with a series of agencies.

3.5.1 *A Product or Market Focus*

A division will focus on a particular market. The division controls its own operations manufacturing, services, admin. functions to serve its customers.

The managers at the apex of the division understand their product and their customers. They make decisions for their own operations. A form of decentralisation prevails but with limited scope for decision-making particularly in respect of large scale investment decisions. The corporate managers at Group HQ appoint (delegate powers to) the top divisional managers who can themselves be centrists. They need not necessarily further decentralise decision-making down their chain of command.

3.5.2 *Control by results*

Group HQ typically decides performance objectives for the division based on an analysis of the divisions business potential strengths and weaknesses. The division after all is a company in the portfolio of the parent. Objectives will be negotiated relating to profitability, growth, market leadership and branding, large scale investment programmes, cash flows, asset utilisation and liabilities. Group managers will monitor divisional performance using key output ratios/indicators such as return on capital employed, earnings per employee, sales growth etc. Divisional managers must secure agreement on strategic implementation programmes. Some programmes may need funding support of Group HQ.

Divisional heads are general managers of their operation but Group management may also seek to shape managerial styles and values by manager development programmes (standardisation of skills).

Divisional managers meet with Group managers (direct supervision through HQ conferences and meetings). Expectations, corporate values and behaviours become shared. so that divisional managers attend to corporate not just divisional goals

Divisional managers may be rotated around the Group so as a Group resource. The high fliers can be assigned throughout the corporate and perhaps global organisation.

Mintzberg points out that through standardisation of outputs (corporate management by objectives and results), divisional organisation may increasingly reflect a Machine Bureaucracy which can work well. Divisional strategy can thus become similar to the Machine Bureaucracy (strategy-making separate from the operation). An uncomplicated, stable environment means that standard performance criteria should be readily used to measure divisional results. In a volatile environment the use of such measures may promote short-termism in strategic thinking.

3.6 Adhocracy

Mintzberg's Adhocracy is reminiscent of:

- Burns and Stalker's organic organisation;
- Harrison's "task culture"; and
- The matrix organisation.

It represents smaller scale, fluid, often temporary structures. Typically a group of line managers, staff and operating experts come together in small product, customer or project-focused teams. Informal behaviour and high job specialisation are characteristic. Teams rely on liaison methods and mutual adjustment between themselves and other teams. Teams have their terms of reference (decentralisation) by more senior management and a team's scope for action and membership may run counter to the command structure of the rest of the organisation e.g. a machine bureaucracy.

Mintzberg distinguishes between two adhocracies, why they exist and how they relate to administrative and operating structures within the organisation.

- **The operating adhocracy** – works on behalf of its clients e.g. a creative advertising agency.
- **The administrative adhocracy** – serves itself.

One problem is that managers in an adhocracy may spend too little time on making strategy. Adhocracy is an organising solution (decentralised form) – a response to environmental pressure. The danger is that managers of an "adhocracy" may be sucked into just responding to problems rather than proactive analysis and formulation of radical, corrective programmes.

An effective adhocracy needs to both:

- Scan the environment to determine new directions; and
- Keep up with the products/services needed by that environment – new, and quality maintained.

Operationally, managers of adhocracies may too easily become embroiled in resolving conflicts between options. They become disturbance handlers, reacting to existing problems rather than look for radical new directions. Thus decisions may be on-the-hoof (to sort out messes) or taken to progress the project or programme through stages incrementally.

Mintzberg dubs strategists in simple structures and machine bureaucracies "concept attainers" and "planners" respectively. Adhocratic equivalents are pattern recognisers who adopt broad guidance on corporate intent and look for a strategic pattern (opportunist) emerging from their product/customer environment.

Strategic action which does not fit the guidelines can be avoided. Potential opportunities (emergent) can be nurtured. We can even change the organisation structure, set up a new team to focus on the plot being cultivated. Strategy-makers (leaders) may change their tack (may even do a U-turn) based on evaluation of performance.

3.6.1 *Potential Problems*

An adhocracy might waver on decisions to long term programmes which require the commitment of resources. It must constantly respond to complex, unpredictable events from the environment. Thus rather than deciding on a general product/market investment strategy more decisions with a more operational focus tend to be made e.g. a response for customer X, adaptation of product Y or machine line 3.

For Mintzberg, strategy in the adhocracy arises from a flow of operational, action-centred decisions more than conscious expression by strategy-makers. He reminds us that planning can lure strategy makers into an activity trap. Fast action may stop the bleeding but it may give too little attention to the long term health of the patient.

Concentration on action may actually limit the organisation's flexibility and ability to respond creatively to the pressures of its environment. Action may focus on known solutions which may be marginal rather than new ones.

FOCUS

You should now be able to:

- compare structural configurations: Mintzberg;
- make a comparison of organisational types.



EXAMPLE SOLUTIONS

Solution 1 – Standardised processes

- A pre-flight check.
- The MOT test in the UK – sets the standard requirements for annual testing of all UK cars. Authorised garages must carry out the test as specified.
- Specification for a production process – as might be found in an ISO 9000 quality system – illustrates the significance of documentation and conformity to a standard process.
- How a sale (trolley load of groceries) is processed in a supermarket.
- A tutorial of “modularised” distance-learning materials with computer-marked assessment presented in a glossy plastic box.

Solution 2 – Divisional performance measures

- Profitability;
- Return on capital employed;
- Specific targets for cost reduction and funding;
- Sales per employee;
- Profit per employee;
- Market share (sales turnover) by product group; and
- Many other benchmark indicators.

Solution 3 – Benefits of MB

- Top level decisions will be coherent enabling the whole to integrate.
- Minor problems can be dealt with at operational level.
- If problems arise involving several major functions these can be sorted out by top managers at the apex.

