

**T**he emerging model of organisation design encompasses vision, individuality, fluidity decentralisation and direct control structures.

# Organisations: A New Paradigm

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The last 40 years have revealed a number of significant changes inside Western organisations. In general, we have shifted away from organisations dominated by simple, physical tasks and mechanical technology to those characterised by increasingly complex, intellectual tasks and electronic (even biological) technology. Problems and decisions which were characterised by direct cause and effect relationships are increasingly being replaced by situations in which multiple cause and effect links are evident. Stable markets and suppliers are gradually giving way to more fluid, dynamic market environments, and the clear distinctions which existed between "management" and "workers" no longer apply[1].

As these changes continue to confront organisations, managers and leaders seek better understanding of the trends and issues that these changes represent and what impact they will have on their organisation. To this end, it is useful to briefly review the key features of the different phases in the development of our modern organisation. In doing this, it is hoped that we will arrive at a better understanding of the organisational environment of the future and, consequently, the management and leadership function within.

## Models of Organisation

Since the 1940s, each decade has been marked by a series of characteristics which have distinguished organisations. These may be summarised as follows:

- 1940s: A traditional approach to organisations. Focus on core activities of making the product, selling it, and collecting the money. Management seen as the brain of the organisation. A paternalistic approach to employees.
- 1950s: Focus on work study and improving the organisation's efficiency. Recognition that a contented workforce is likely to be more productive. Management viewed as a gentlemanly activity.
- 1960s: Focus on acquisition and expanding markets. Autocratic and technocratic approaches to management. A planned approach to organisational growth.
- 1970s: Inflation, credit squeezes and the rationalising of business. Growth and increasing importance of technology, particularly electronic. Management focus on the development of the organisation's human resources. Growth of rational, logical approaches to management, such as management by objectives.
- 1980s: Rapid growth through vertical integration and acquisition. Focus on the customer, often to the point of slavish obedience to whims. Management focus on "teams".

In analysing these characteristics, it is possible to identify a number of relatively distinct organisational models. By models, we mean the templates that managers use in their decisions about the nature of organisations. These are the frames of reference, the sets of assumptions about the way organisations are and should be managed[2]. Essentially, three models of organisation dominate our thinking up to the present. These are:

- (1) *The traditional/classical model*: The period up to the 1940s which was characterised by a concern for the basic functions of business and organisation.
- (2) *The human relations model*: The period during the 1950s which saw the surge in interest in the contribution made by the organisation's human resources.
- (3) *The systems model*: The period between the 1960s and 1970s which saw a renewed interest in improving organisational efficiency and effectiveness through an application of systems theory.

In many respects, the development of the organisation of the future is a reaction to the models of the past. In particular, the systems model has produced a series of reactions which has contributed to a new form with far-

reaching implications. For this reason, it is useful to review a number of assumptions which underpin the systems model and to consider some of the implications for organisations.

## The Systems Model

The core assumptions which underpin systems theory in organisations are:

- (1) *Interdependence*: Organisations should be tightly coupled internally. Everything should be related to everything else.
- (2) *Environmental fit*: Organisations should be aligned to the needs of the environment, reflecting the environmental needs in structural characteristics.
- (3) *Holism*: Organisations should be viewed as a whole — this allows us to understand the parts more completely.
- (4) *Rationality*: Organisations may be understood and designed by applying high levels of rationality and logic.
- (5) *Teamwork*: Organisations will operate effectively when they are made up of tightly coupled, interlocking groups of people[3].

Increasingly, the systems model has proved unsuccessful in dealing with rapidly changing, turbulent environments. Interdependence has produced clumsiness and created large, cumbersome organisations. These are unable to respond to changes swiftly because of the need to consider all the linkage points and dependences.

## The ability to “create” has consequently been underplayed

The concept of environmental fit has led to organisations studying the environment to identify trends and indications which suggest new patterns of alignment and internal configuration. This has resulted in reactive, after-the-event changes which are inevitably too late to capitalise on environmental opportunities. Indeed, the concept of adjusting to environmental change is the antithesis of the entrepreneurial behaviour which we continually cry out for.

Holism implies that the individual parts or units within the organisation are part of some larger whole. This largely negates the concept that the organisation might be made up of business units which are dominated by different sets of strategic logic. The dominance of rationality and logic in organisations has resulted in the suppression of the *feeling* and *creative* dimensions of thinking and planning.

The “big idea” and the ability to “create” has consequently been underplayed in favour of analysis and optimisation. Finally, the focus on teamwork has suppressed the contribution of the *individual* and the resultant maverick-type behaviour which is needed to challenge traditional assumptions. Organisations have found it more difficult to shift out of their well-accepted styles and approaches.

## A New Model of Organisation

As a result of the deficiencies of the systems model in a changing, turbulent environment, a new model is beginning to emerge. In most cases, it is characterised by attributes that run counter to conventional organisation theory.

In observing the make-up of apparently successful organisations in today’s changing environment, five key characteristics emerge. These reflect the changing assumptions held by management about their organisations[2,4,5].

### **Vision before Analysis**

In a deliberate attempt to be proactive in a changing and turbulent environment, organisations are articulating their overall purpose and direction prior to undertaking more detailed analysis of the environment. Instead of reacting to the environment by selecting options after an analysis of various opportunities, they act as “path finders” by imagining and creating future scenarios for themselves.

The analysis that follows is *not* of lesser importance, however. It takes place *after* the overall vision has been articulated and, in this way, is clearly *focused* around the specific needs of the organisation’s future direction. Perhaps, more importantly, the analysis is now viewed as a tool to enable the organisation to achieve its strategic purposes rather than a framework which reactively determines the vision.

### **Individual Oriented**

As opposed to the obsession of developing effective teamwork, which dominated management thinking in the 1970s and 1980s, managers now recognise that *individuals* will play an increasingly important role in making organisations effective. Individuals are at the core of creative, innovative ideas and the delivery of good customer service. Limerick[2] has coined the term “collaborative individualism” to describe the phenomenon of individuals who are not imprisoned by the boundaries of the group, and who can act with self-driven capacity to transform organisations. At the same time, however, these individuals understand the need to act in concert with respect to a broadly defined common agenda.

Collaborative individualism, therefore, differs radically from the systems concept of cohesive teamwork. In many ways,

it may be considered as the opposite end of the spectrum, and views the contribution made by individuals as paramount in the alignment of organisations with their environments.

### **Fluid Teams**

With respect to the collaborative component of individualism, organisations are developing a fluid approach to the concept of teams. By and large, individuals are combining their efforts to work collectively on projects or assignments for shorter periods of time. The task at hand, rather than the organisation structure, becomes the primary logic for the team's make-up. In addition, three other characteristics distinguish these teams from those found in more traditional, systems-oriented organisations.

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First, the teams are semi-autonomous and only loosely coupled with one another[6]. As Limerick[2] points out, this usually results in fewer, rather than more, relationships amongst people in the organisation. Second, the make-up of these teams changes continuously as the tasks and assignments evolve. As an individual's particular skills become more or less important to the team, he/she shifts from team to team. Finally, individuals may find themselves as members of several teams, playing different roles in each. In some, their organising and process skills may be utilised, while in others they might be called on to contribute a particular knowledge or advisory expertise.

### **Decentralisation and Empowerment**

To lead these organisations, chief executives are relying on smaller, leaner corporate headquarters, where all but the essential functions are being transferred into the operating divisions. Although the interpretation of "essential" differs from case to case, the responsibility for many of the traditional centralised functions, such as strategic planning and industrial relations, is being transferred to line managers within the divisions.

To a large extent, this means that decision making is taking place "closer to the coal face" by people engaged in the core activities of the organisation. However, rather than being set a multitude of operational rules and regulations to follow, individuals are empowered by the organisation's leaders. Quite simply, this means that they create widespread understanding of the organisation's strategic vision, and allow individuals to operate relatively independently within this strategic framework. This results

in a high level of creative, market-oriented behaviour throughout the organisation.

### **Indirect Controls**

Whereas the systems-oriented organisation is characterised by direct forms of control such as objective standards, explicit job descriptions and standard operating procedures, more modern organisations increasingly rely on a range of more implicit and subjective means of control. These include a common understanding of a strategic vision, a core set of values and self-motivated individuals in key leadership positions[7]. This creates what Waterman[8] refers to as "stability in motion", and provides a series of indications to personnel about the required behaviours and approaches.

### **Guidelines for Organisational Architects**

In many respects the use of indirect means of control may be likened to the provision of a "compass" which suggests broad directions, rather than the direct-control approach of providing a series of "road maps".

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Given these observations about the new model of organisations, what guidelines may be offered to the architect of tomorrow's organisations?

- (1) *Challenge your old assumptions about how organisations function:* Recognise that the way you think about an organisation is dependent upon the prevailing set of assumptions you hold about people, management and technology. This "model" of organisation may well be inappropriate in the light of today's realities and tomorrow's environment. Try to forget what you knew in the past, and visualise the world you may work in tomorrow. Imagine yourself already there, and think about the conditions with which your organisation may have to contend[9].
- (2) *Design an organisation to fit the new world:* As Manning[9] argues, do not be constrained by the familiar organisation chart. Instead, consider the information flows and work relationships that may take place, and build networks between individuals and groups accordingly. In most cases, the resultant form may look radically different to the conventional pyramid-type structures we are familiar with, but do not be concerned with this. Remember, you are purpose-building the new organisation.

- (3) *Consider all possible stakeholder relationships:* Stakeholders exert considerable influence over the shape and form of organisations[10]. In turbulent, changing environments, these stakeholder forces may shift and alter the form of the ideal organisation. Consequently, all stakeholder relationships should be reviewed and assessed. Consider customers, suppliers, employees, government and any strategic alliances that might emerge. All of these factors should be accounted for in designing optimum organisations.
- (4) *Test the water: don't risk the whole organisation:* Formally prepared designs which are introduced through the whole organisation are unnecessary and too risky. First, they give those who are opposed to the changes the opportunity to plan their resistance[11] and, second, they place the entire organisation at risk if the design has flaws[9].

Consequently, be prepared to try out new ideas before they have been fully formalised. Expose small parts of the organisation to the changes to minimise the overall risk. This approach will give you the opportunity to learn as you go along, and also avoid disruption to the total organisation.

## Conclusions

Modern organisations will require new mind-sets from their leaders and managers. These will be characterised by new assumptions about people, groups, technology, leadership and the environment. By understanding these assumptions and their implications, we should be able to design a more effective and efficient organisation. The way the organisation relates to the external environment, and to its suppliers and customers, will reflect more and more

the concept of "fit" — of ensuring that internal capabilities and goals match those of external customers and partners.

Wise organisations will have learned from the mistakes of their predecessors and will — indeed, must — be more inclined to focus and develop their core, and sustainable, competence.

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## Application Questions

- (1) How has your organisation's structure changed and developed over the past five years? Why have those changes come about? Were they internally or externally induced?
- (2) If you were to redesign your organisation to best serve its strategies and environment over the next five years, starting with a clean sheet, how would it differ from what you have now?