

Chapter Four: Organising

Model answers

Mini case study 4(i) : Chain of command in the Nigerian Police Force

Discussion points

What are the main problems associated with centralising power and decision making in an organisation such as the NPF?

Centralising power and decision making comes with a certain amount of risk. The main risk is that the individual or small group of individuals who wield the maximum power abuse the privilege. This abuse may take many forms such as corruption, excessive patronage to a few chosen individuals or groups further down the chain of command, financial mismanagement, abuse of organisational political power, and strategies designed to consolidate power rather than for the benefit of the organisation or its stakeholders. Sometimes those with excessive power become remote from the ordinary workers and lose sight of what the organisation stands for - its mission and aims. Many of these management failures are evident in the case of the NPF despite various attempts at reform. In this instance, the problem lies not just in the way in which power and decision making is concentrated at the top of the organisation, but also in the dominant culture of the organization, which has for many years been characterised by corruption and abuse of power.

Is decentralising the NPF the answer to the problems of corruption and financial mismanagement?

Decentralisation of decision making has the potential for ensuring that the excessive power bestowed upon the few does not materialise. As more people are brought into the decision making process, the organisation benefits from the improved morale and motivation of a wider range of employees, as they have an enhanced stake in the welfare of the organisation through access to the decision making process. The organisation may also benefit from the added value of access to wider range of skills, experience and expertise from those lower down the chain of command. In many instances, it is those who are at the leading edge of carrying out the functions in an organisation who are best placed to make decisions regarding operational and business matters.

It should be noted though that decentralisation comes with several potential problems too. As more and more people join the decision making process, there is a danger that the whole process is slowed down. This is counter to the modern business thinking of being quick to market, flexible, and responsive to change. Competitive advantage may be compromised on the principle of allowing greater democracy in the organisation. It may also become more difficult to manage as more people become involved in decision making. Also, if decentralisation involves delegating decision making to those operating remotely from the headquarters, there is a risk that those employees who have been empowered start to develop and implement strategies that are out of alignment with overall corporate strategy, leading to stated aims not being met.

Questions

Identify the advantages of the ranking system in the NPF.

In organisations where formality, authority and chain of command are prioritised (such as in the armed forces, police, and civil service) a ranking system is important to demarcate levels of authority, job roles, and span of control. The NPF operate a system that has been tried and tested in many different police forces around the globe including in the UK. The advantages of the system is that it clearly sets out where the authority lies, the level of that authority and the number of people who each level of authority applies to. This helps in decision making and clearly sets out where each individual resides in the hierarchy of command. This is important as it lessens any risk of ambiguity regarding who is able to issue orders at any given time. It is vital that authority is clearly recognised and acted upon by subordinates to ensure the maximum efficiency of the organisation and to maintain high levels of control.

What types of authority are evident in the NPF?

There is line, staff, and functional authority evident in the NPF. The line authority is clearly sated through the chain of command illustrated in Figure 4a which sets out the ranking system. There is a linear pathway throughout the organisation stretching from new recruits and constables all the way up to the Inspector General of Police. Each level of authority has various roles that are undertaken by different ranks. Those roles include responsibility for a number of staff (both police and civilian). It is the responsibility of each rank to ensure the effective management of staff under their control. There are also functional managers in the NPF who are responsible for ensuring that key tasks are undertaken including operational, administrative, and strategic activities. The extent to which each is part of the role depends on the level and rank that those in positions of authority have within the organisation. Each level of authority comes with increasing power and responsibility.

Is the span of control at each level of the NPF structure conducive to effective management of policing functions?

The debate on what is the most optimal span of control in organisations has been going on for many decades. Each working environment displays its own span of control depending on the nature of what is being produced, the aims of the organisation, resources etc. The span of control in the NPF varies according to rank. However, the extent to which there is direct contact with subordinates varies markedly. For example, inspectors will have much greater day to day contact with staff than superintendents. Similarly, inspector generals will have a greater span of control but most likely less contact with front line staff than a superintendent. The effectiveness of the policing depends on the scope of the span of control. Judging by the reports that have been part of investigations aimed at reform of the NPF, it would appear that the force has suffered from many problems including that of lack of resources. This could suggest that the span of control has been relatively wide and that the control and management of certain elements within the force has been ineffective.

Mini case study 4(ii): all change at DC Thomson

Discussion points

Does history influence the way in which resources are organised and deployed in organisations?

Historical legacies can play an influential role in determining the way in which resources are organised and deployed in organisations. This is especially the case in those organisations that have been established and run for many years by a single dominant personality. In such cases, the personality of that individual can be projected on to the personality of the organisation. This may be so powerful that even after the death of the individual that personality persists in influencing subsequent generations. This was clearly the case with DC Thomson, where particularly draconian work practices were a defining feature of the organisation. This was a very powerful and enduring aspect of the business and in many ways determined its organizational culture. However, dominant cultures can change along with shifts in a society's values and beliefs. Indeed, by the mid 1990s, the management at DC Thomson recognised that a new type of management was required, one that could more readily address the challenges of the modern trading environment. Thus we can see that although history does play an influential role in organisations, it should be allowed to restrict necessary change.

Do workers benefit from the decentralisation of decision making in an organisation?

Workers can benefit from decentralisation of decision making by becoming more involved in the performance and welfare of the organisation. This helps spread a feeling of greater stakeholder involvement and inclusion in the aims and objectives of the organisation. Access to decision making also has the potential effect of increasing responsibilities among workers and allowing them to take charge of their own sphere of influence. It may also be a recognition of the value they bring to the organisation and thereby help to improve morale. Greater innovation, creativity and problem solving may result from decentralisation. If this is transformed into greater

competitiveness and performance then workers may benefit from that in the form of greater job security, economic bonuses and promotion.

Questions and tasks

What was DC Thomson trying to achieve by decentralising parts of the organisation?

From the mid-1990s DC Thomson faced increasing competition from other media providers of newspapers, magazines and comics. The market had expanded but was increasingly being dominated by large London-based firms such as IPC and Northern & Shell. To broaden their appeal, DC Thomson focused on subscription sales of their leading titles including comics the *Beano* and *Dandy*. To drive forward the growth strategy in this area of the business, the firm decided to decentralise the sales department in order to maximise their ability to generate market intelligence and respond to specific demands from targeted demographics in their key markets. Much of the thinking behind decentralisation sought to address the need for change within the organisation: adherence to tradition was seen as a weakness rather than a strength. The decentralisation of a key part of the business was viewed as a first step in a more radical plan to bring the company into the 21st century.

Research the history of DC Thomson and briefly outline the management philosophy underpinning the running of the business up to the 1990's.

Until the mid-1990s, DC Thomson was well known for its very distinct management style and structure, much of which stemmed from one of the early managers, David Coupar Thomson, whose inimitable personality

largely defined the philosophy of the organisation. That philosophy was based on discipline, a rigid hierarchical structure, a clear chain of command, and an almost puritanical zeal which permeated not just the recruitment process but also the behaviour of staff once employed. Some critics viewed DC Thomson as the kirk (church) in the guise of enterprise. The management philosophy stood the test of time throughout the 20th century when the company achieved unrivalled growth and became one of the world's leading producers of media products. However, as both business and society changed, the management style of DC Thomson became increasingly antiquated - to the extent that it was occasionally subject to ridicule. This was the catalyst for change in the 1990s as a new breed of managers set about reinventing the organisation so that it could regain the respect and economic power in the global media industry.

Global media corporations are invariably run by powerful individuals (e.g. Rupert Murdoch, Silvio Berlusconi, Ted Turner). Why is this the case?

The media is a very powerful instrument for spreading important messages to a wide range of people. Ever since the invention of the printing press, powerful political entities have tried to dominate control of the media – a phenomenon that still exists today. Whether it be global entrepreneurs such as Rupert Murdoch (News International) and Ted Turner (CNN) or politicians (e.g. Silvio Berlusconi in Italy), the control of media provides leverage for their aims (profit, market share, power). In countries where the free market economic system operates (Western Europe, the Americas, India, Australasia), powerful media companies can grow by buying up smaller rivals. The result is the concentration of power in the hands of the few. Such firms seek to organise their resources to maximise their economic power in the global media economy. In countries where the government plays a central role in strategically important industries (e.g. in China, Russia, and

the Arab world), the power of the media is centrally controlled. It appears that either system leads to the concentration of power in the hands of the few. In some countries, such as the UK, many critics (including MPs, media commentators, and academics) have called for increased regulation to prevent the media from being dominated by a few powerful enterprises.

Mini case study 4(iii) : To centralise or decentralise? Proctor & Gamble

Discussion points

Is it suitable to centralise decision making when a corporation operates in many hundreds of product and market areas?

Centralising decision making is a rational strategy when there is evidence that decentralisation is becoming difficult to control, or where decision makers in other business units are not fulfilling the strategic aims set out by the corporate executives. Under such circumstances, it may be necessary to reign in the power and to ensure consistency across the corporate body. There may also be sound economic reasons for centralising decision making. Under conditions of recession, firms invariably become more risk averse and centralising decision making is a key element of reducing such risk.

What environmental factors influence the decision to centralise or decentralise decision making in global corporations?

The factors that influence the decision to centralise or decentralise invariably lie in the areas of economics, technology, regulation and political climate, and changes in tastes and fashions or social trends. The

economic performance of the business plays an important part in colouring the mood of executives either for or against centralisation. In some circumstances, it is appropriate to favour centralisation over decentralisation and vice versa. This has a lot to do with the assessment of the trading environment and the level of risk associated with implementing strategies. Increased regulation may require more centralisation of decision making to ensure compliance, something the banking industry has had to contend with since the crisis of 2008. In other instances it is a significant change in demand that forms the catalyst for adopting one particular approach. What is clear is that there are no hard and fast rules that determine what is appropriate for any organisation at any given time. Each organisation has to judge what is appropriate for them based on skilful analysis of the environment in which they compete.

Questions

Identify the reasons for centralisation at Proctor & Gamble in the mid-1990s.

P&G made the strategic decision to centralise control of decision making in the mid-1990s, in response to evidence that its numerous business units were failing to cooperate with each other. This led to inefficiencies, lack of cohesiveness in adhering to corporate strategic aims, and a loss of market share. Significantly, it also led to a lack of innovation within the organisation as creativity based on knowledge sharing was largely absent from the corporate culture. Centralising decision making was seen as a means of initiating a consistent approach to developing and selling new products and services.

Identify the reasons for company's decentralisation in the 2000s.

By the 2000s, P&G was again suffering loss of market share in the very competitive consumer goods market. New competition in the form of internet retailers further added to the pressure on the company. In order to succeed, the company required innovation both in the development of new products and services and in the way it engaged with consumer groups. As a means of encouraging innovation and creativity, managers in business units around the globe were given greater powers to pursue opportunities by means they thought most appropriate in their specific trading environment.

Does the change in strategy signify flexibility to changes in the environment, or indecision regarding which approach is most appropriate?

In some cases the switch from centralised to decentralised and then back again appears symptomatic of indecision by management, or at least a lack of clear direction. However, in most cases it is a result of one or more of the changes in the environment, as outlined above. Managers at corporate level have to try to implement strategies for the long term knowing that the environment in which they make their decisions is almost certainly going to change. Much depends on how robust the firm is to resisting those changes, how confident the managers are in their chosen strategy, and what the performance of the organisation is during the critical timeframe set. Some managers may panic and switch direction, others may see it through. There is no rulebook governing such actions and much depends on luck as much as astute decision making.

Case study questions and tasks

Research the Lafarge company and comment on the chain of command evident in a typical cement factory.

A typical cement factory has a distinct chain of command. Subordinates who undertake a specific function are allocated a line manager in the form of a shift foreman. The foreman normally follows the shift pattern of a group of workers. The foreman reports on work performance targets to the production manager. The production manager does not work shift patterns but rather follows a typical 8am to 5pm working day for five days a week. The production manager is responsible for ensuring that all assigned work activities are being carried out to the standard expected and will liaise with foreman and workers according to their shift patterns. Production managers report to operations managers who are responsible for ensuring that specific areas of the factory are operating efficiently and meeting a broader range of aims and targets. For example, operations managers assigned to the quarry may decide to expand current excavations to other parts of the site to fulfill excess demand. Operations managers in turn report to the executive managers. Not all executive managers are permanently stationed on site, but may operate from headquarters elsewhere. However, they may hold board meetings in the factories for which they are responsible. Executive managers are concerned more with the strategic development of the factories rather than the day-to-day activities, production processes and output.

Why does Lafarge operate different work schedules in different factories and even within the same factory?

Lafarge operates different work schedules to reflect the different needs of workers, the culture of the country in which the factories are located, and

to ensure that production is largely continuous in each factory. Different work schedules can help managers organize human resources effectively by broadening the options available. In some instances it will be more appropriate for workers to operate in a constant shift pattern whereas in others it may be better to switch them around. Much depends on the nature of the work to be carried out, the level of flexibility expected by workers and the needs of the productive process. Flexibility can also help boost morale of workers as they benefit from organizing their work/life balance accordingly.

Are there any risks associated with operating a shift system?

There is some evidence that shift work disrupts sleep patterns and can lead to psychological stress. This is especially the case for workers on permanent night shifts. This has to be monitored to ensure that health and safety rules are not compromised. Also, a limit needs to be placed on the extent to which workers can swap shifts as this can lead to disruption, especially in jobs that rely on teamwork. Constant changes in personnel can disrupt the team cohesiveness. Productivity may be compromised during certain shifts. For example, the level of supervision during night shift is usually lower than that which is evident during the day. This may result in workers simply going through the motions and doing the bare minimum.

The economic recession of 2010/11 led to a slump in the construction industry. What should management at Lafarge do to deal with the downturn in demand for their products?

This is largely dependent on how long the downturn is expected to last. If it is temporary, then managers can cut back on production. Workers will still

have to be paid the same even though less is being produced. This can be sustained for a short period but if it were to persist then there are a number of options available to managers. It may result in a shorter working week, limited hours, or even temporary suspension of work. If the situation does not improve then the economics of the industry will influence decisions. However, voluntary retirement, job sharing, or even compulsory redundancy would then have to be considered.

In a process driven organization such as a cement factory, what can managers do to avoid monotony and boredom among the workforce?

Managers in the productive process industries are constantly aware of the potential negative effects of feelings of boredom and alienation among workers. Although the set tasks still have to be carried out there may be possibilities for job switching among workers so that they learn new skills, broaden their work experience and work in different environments with new colleagues. Organizing social events to bolster staff morale and build cohesiveness among the group is another option. Many industrial companies have a range of social and sports activities that are open to all workers. There may be opportunities for families of workers to get together on social events or organized trips. It is vital that workers feel part of a community rather than simply an isolated individual within the factory system.

Chapter questions and tasks

Describe three types of authority

Three types of authority are line, staff, and functional. Line management authority is a command structure that clearly demarcates superiors from

subordinates. A line manager has authority to issue orders and directives to workers at operational or business level and invariably concerns the functions carried out in the organisation such as production, storage, distribution, sales, customer service etc.

Staff authority authority consists of those who have the right to support, advise, and assist those with line authority. These are designed to support the effectiveness of those with line management responsibilities. There needs to be a close working relationship between line and staff authority personnel to ensure high levels of efficiency and effectiveness.

Functional authority gives certain staff members the power to initiate actions (or to stop actions taking place) in a designated area of expertise. The purpose of this type of authority is to allow managers to make decisions quickly and prevent disruption to the productive process.

What is the purpose of a Gantt chart?

A Gantt chart shows actual and planned output over a period of time. It is a graphical illustration that allows managers to easily view progress towards planned outcomes.

Why is the formal work schedule still a prominent feature of organising modern working environments?

Although many modern businesses operate more liberal management regimes in relation to working relationships, tasks and schedules, many still require a formal approach. In working environments characterised by productive processes or sequenced events and activities, it is necessary to ensure that staff are performing duties at a certain location and over a certain timeframe. Formal work schedules allow managers to plan work

tasks accordingly and ensure that targets are met. There are many different types of working arrangements evident in modern businesses but the formal work schedule still plays a prominent role in those that require certain tasks to be carried out under formal working conditions.

Is it possible to determine the optimal span of control for an organisation?

Many experiments have been carried out to determine the optimal number of workers that a manager should be responsible for. However, the outcomes have been less than convincing. The reason is that organisations vary markedly in the types of work carried out, the products and services they produce and the level of responsibility bestowed upon managers and staff. It is improbable that a universally accepted number of workers be viewed as optimal when such diversity characterises the industrial landscape. Each organisation has to determine the most suitable span of control to fit with the distinct characteristics of their business.