21 How Organizations Function

Key concepts and terms

- Bureaucracy
- Contingency school
- Decentralized organization
- Divisionalized organization
- Equifinality
- Flexible organization
- Formal group
- Formal organization
- Group cohesion
- Group dynamics
- Group ideology
- Group norms
- Group think
- Humanism
- Informal group
- Informal organization
- Leadership
- Leadership style
- Line and staff organization
- Matrix organization
- Networking
- Open system
- Organization
- Organization structure
- Organizing
- Organizational capability
- Post-modernism
- Process-based organization
- Reference group
- Scientific management
- Socio-technical model
- Systems theory
- Team
- Theory Y

Learning outcomes

On completing this chapter you should be able to define these key concepts and terms. You should also know about:

- The process of organizing
- Organization structures
- Organizational processes
- Teamwork
- Power
- Conflict
- Organization theory
- Types of organization
- Group behaviour
- Leadership roles
- Politics

Introduction

An organization is a group of people who exist to achieve a common purpose. Organizing is the process of making arrangements in the form of defined or understood responsibilities and relationships to enable those people to work cooperatively together. Organizations can be described as systems which, as affected by their environment, have a structure that has both formal and informal elements.

Formal structures are based on laid down hierarchies (lines of command), which are represented in organization charts. Typically, use is made of closely defined job descriptions. But to varying extents they can operate informally as well as formally by means of a network of roles and relationships that cut across formal organizational boundaries and lines of command. The processes that take place in organizations of group behaviour, interaction and networking, leadership, the exercise of power and the use of politics may well have much more effect on how organizations function than a well-defined organization chart supported by elaborate job descriptions and an organization manual. Moreover, the way in which an organization functions will be largely contingent on its purpose, technology, methods of working and external environment.

One of the most important ways in which HR specialists contribute to enhancing organizational capability (the capacity of an organization to function effectively in order to compete and deliver results) is by providing advice on how best to organize the human resources involved. That is why HR specialists need to understand how organizations work. They need to be familiar with the guidance provided by organizational theory and an analysis of the various types of organizations and the practical issues of structure and process, as covered in this chapter.

Organization theory

Organization theory aims to describe how organizations function. There are a number of schools and models, described below.

The classical school

The classical or scientific management school, as represented by Fayol (1916), Taylor (1911) and Urwick (1947) believed in control, measurement, order and formality. Organizations need to minimize the opportunity for unfortunate and uncontrollable informal relations, leaving room only for the formal ones.

The human relations school

The classical model was first challenged by Barnard (1938). He emphasized the importance of the informal organization – the network of informal roles and relationships which, for better or worse, strongly influences the way the formal structure operates. He wrote: 'Formal organizations come out of and are necessary to informal organization: but when formal organizations come into operation, they create and require informal organizations.'

The importance of informal groups and decent, humane leadership was emphasized by Roethlisberger and Dickson (1939) in their report on the Hawthorne studies, which examined at length how groups of workers behaved in different circumstances

The behavioural science school

In the late 1950s and 1960s the focus shifted to the behaviour of people in organizations. Behavioural scientists such as Argyris (1957), Herzberg *et al* (1957), McGregor (1960) and Likert (1961) adopted a humanistic point of view that is concerned with what people can contribute and how they can best be motivated:

- Argyris believed that individuals should be given the opportunity to feel that they have a high degree of control over setting their own goals and over defining the paths to these goals.
- Herzberg suggested that improvements in organization design must centre on the individual job as the positive source of motivation. If individuals feel that the job is stretching them, they will be moved to perform it well.
- McGregor developed his theory of integration (theory Y), which emphasizes the importance of recognizing the needs of both the organization and the individual and creating conditions that will reconcile these needs so that members of the organization can work together for its success and share in its rewards.

- Likert stated that effective organizations function by means of supportive relationships which, if fostered, will build and maintain people's sense of personal worth and importance.

The concepts of these and other behavioural scientists such as Schein (1965) provided the impetus for the organization development (OD) movement, discussed in Chapter 24.

No one can quarrel with the values expressed by the members of the behavioural science school – we are all in favour of virtue. But there are a number of grounds on which the more extreme beliefs of the school can be criticized:

- It claims that its concepts are universally applicable, yet organizations come in all shapes and sizes with different activities and operating in different contexts.
- It ignores the real commercial and technological constraints of industrial life. Instead, it reflects more of an ideological concern for personal development and the rights of the individual rather than a scientific curiosity about the factors affecting organizational efficiency. It over-reacts against the excessive formality of the classical or scientific management school by largely ignoring the formal organization.
- Its emphasis on the need to minimize conflict overlooks the point that conflict is not necessarily undesirable, and may rather be an essential concomitant of change and development.

To be fair, not all behavioural scientists were so naïve. Although McGregor's theory Y was somewhat idealistic, he at least recognized that 'industrial health does not flow automatically from the elimination of dissatisfaction, disagreement, or even open conflict. Peace is not synonymous with organizational health; socially responsible management is not co-extensive with permissive management'.

The bureaucratic model

SOURCE REVIEW

The arrival of the bureaucratic model, Perrow (1980)

In another part of the management forest, the mechanistic school was gathering its forces and preparing to outflank the forces of light. First came the numbers people – the linear programmers, the budget experts, the financial analysts. Armed with emerging systems concepts, they carried the 'mechanistic' analogy to its fullest extent – and it was very productive. Their work still goes on, largely untroubled by organizational theory; the theory, it seems clear, will have to adjust to them, rather than the other way around. Then the works of Max Weber, not translated until the 1940s, began to find their way into social science thought.

Max Weber (translated in 1946) coined the term 'bureaucracy' as a label for a type of formal organization in which impersonality and rationality are developed to the highest degree. Bureaucracy, as he conceived it, was the most efficient form of organization because it is coldly logical and because personalized relationships and non-rational, emotional considerations do not get in its way. The ideal bureaucracy, according to Weber, has the following features:

- maximum specialization;
- close job definition as to duties, privileges and boundaries;
- vertical authority patterns;
- decisions based on expert judgement, resting on technical knowledge and on disciplined compliance with the directives of superiors;
- policy and administration are separate;
- maximum use of rules;
- impersonal administration of staff.

At first, with his celebration of the efficiency of bureaucracy, Weber was received with only reluctant respect, even hostility. Many commentators were against bureaucracy. But it turned out that managers are not. They tend to prefer clear lines of communication, clear specifications of authority and responsibility, and clear knowledge of whom they are responsible to. Admittedly, in some situations, as Burns and Stalker (1961) point out, managers might want absolute clarity but they can't get it. On the other hand there are circumstances when the type of work carried out in an organization requires a bureaucratic approach in the Weberian, not the pejorative 'red tape', sense. The problem with both the human relations and bureaucratic schools of thought were that they were insufficiently related to context. It is necessary to look at how organizations worked as systems within their environment – this was the approach adopted by the systems and socio-technical schools. It is also necessary to look at how organizations have to adapt to that environment. This was done by the contingency school.

The systems school

An important insight into how organizations function was provided by Miller and Rice (1967) who stated that organizations should be treated as open systems that are continually dependent upon and influenced by their environments. The basic characteristic of the enterprise as an open system is that it transforms inputs into outputs within its environment.

As Katz and Kahn (1966) wrote: 'Systems theory is basically concerned with problems of relationship, of structure and of interdependence.' As a result there is a considerable emphasis on the concept of transactions across boundaries – between the system and its environment and between the different parts of the system. This open and dynamic approach avoided the error

of the classical, bureaucratic and human relations theorists, who thought of organizations as closed systems and analysed their problems with reference to their internal structures and processes of interaction, without taking account either of external influences and the changes they impose or of the technology in the organization.

The socio-technical model

The concept of the organization as a system was extended by Emery (1959) and his Tavistock Institute colleagues (Trist *et al*, 1963) into the socio-technical model of organizations. The basic principle of this model is that in any system of organization, technical or task aspects are interrelated with the human or social aspects. The emphasis is on interrelationships between, on the one hand, the technical processes of transformation carried out within the organization and, on the other hand, the organization of work groups and the management structures of the enterprise. This approach avoided the humanistic generalizations of the behavioural scientists without falling into the trap of treating the organization as a machine.

The contingency school

The contingency school consists of writers such as Burns and Stalker (1961), Woodward (1965) and Lawrence and Lorsch (1969) who have analysed a variety of organizations and concluded that their structures and methods of operation are a function of the circumstances in which they exist. They do not subscribe to the view that there is one best way of designing an organization or that simplistic classifications of organizations as formal or informal, bureaucratic or non-bureaucratic are helpful. They are against those who see organizations as mutually opposed social systems (what Burns and Stalker refer to as the 'Manichean world of the Hawthorne studies') that set up formal against informal organizations. They also disagree with those who impose rigid principles of organization irrespective of the technology or environmental conditions.

Burns and Stalker

Burns and Stalker (1961), in their study of electronic companies in Scotland, identified two types of organizations in which the structure and processes involved were contingent on their environment. In stable conditions a highly structured or 'mechanistic' organization will emerge with specialized functions, clearly defined roles, strictly administrative routines and a hierarchical system of exercising control. However, when the environment is volatile, a rigid system of ranks and routine will inhibit the organization's speed and sensitivity of response. In these circumstances the structure is, or should be, 'organic' in the sense that it is a function of the situation in which the enterprise finds itself rather than conforming to any predetermined and rigid view of how it should operate. Perhaps the most important contribution made by Burns and Stalker was their emphasis on the need for any system to fit its own specific set of

conditions. Thus they expressed the notion of strategic fit well before its time. Their conclusions are set out below.

SOURCE REVIEW

Contingency theory applied to organizations, Burns and Stalker (1961)

We desire to avoid the suggestion that either system is superior under all circumstances to the other. In particular, nothing in our experience justifies the assumption that mechanistic systems should be superseded by organic in conditions of stability. The beginning of administrative wisdom is there is no one optimum type of management system.

Woodward

Woodward (1965) formulated her ideas about organization following a research project carried out in Essex to discover whether the principles of organization laid down by the classical theorists correlate with business success when put into practice. She found that there was no significant correlation. Her conclusions after further analysis were as follows.

SOURCE REVIEW

Contingency theory applied to organizations, Woodward (1965)

When, however, the firms were grouped according to similarity of objectives and techniques of production, and classified in order of the technical complexity of their production systems, each production system was found to be associated with a characteristic pattern of organization. It appeared that technical methods were the most important factor in determining organization structure and in setting the tone of human relationships inside the firms. The widely held assumption that there are principles of management valid for all types of production systems seemed very doubtful.

Lawrence and Lorsch

Lawrence and Lorsch (1969) developed their contingency model in a study of six firms in the plastics industry. They noted that the process of reacting to complexity and change by differentiation creates a demand for effective integration if the organization as a whole is to adapt efficiently to its environment. Their conclusions are given below.

SOURCE REVIEW

Contingency and the need for differentiation and integration, Lawrence and Lorsch (1969)

As organizations deal with their external environments, they become segmented into units, each of which has as its major task the problem of dealing with a part of the conditions outside the firm… These parts of the system need to be linked together towards the accomplishment of the organization's overall purpose.

The postmodern school

The postmodern school emerged in the early 1990s when commentators observed what was happening to organizations in their efforts to cope in a turbulent and highly competitive global environment. They noted that the emphasis was first on getting the process right and not bothering about rigid structures, and second on ensuring organizational agility – the ability to respond flexibly to new challenges. Postmodernism is about challenging assumptions, taking nothing for granted. It 'deconstructs' conventional wisdom about organizations so that previously unconsidered alternative approaches are revealed. As Huczynski and Buchanan (2007) comment, postmodernism represents a fundamental challenge to the ways in which we think about organizations and organizational behaviour.

Pascale (1990) described a 'new organizational paradigm', the features of which are:

- From the image of organizations as machines, with the emphasis on concrete strategy, structure and systems, to the idea of organizations as organisms, with the emphasis on the 'soft' dimensions – style, staff and shared values.
- From a hierarchical model, with step-by-step problem solving, to a network model, with parallel nodes of intelligence that surround problems until they are eliminated.

- From the status-driven view that managers think and workers do as they are told, to a view of managers as 'facilitators', with workers empowered to initiate improvements and change.
- From an emphasis on 'vertical tasks' within functional units to an emphasis on 'horizontal tasks' and collaboration across units.
- From a focus on 'content' and the prescribed use of specific tools and techniques to a focus on 'process' and a holistic synthesis of techniques.
- From the military model to a commitment model.

Ghoshal and Bartlett (1995) focused on process when they wrote:

> *Managers are beginning to deal with their organizations in different ways. Rather than seeing them as a hierarchy of static roles, they think of them as a portfolio of dynamic processes. They see core organizational processes that overlay and often dominate the vertical, authority-based processes of the hierarchical structure.*

Organization structure

The members of the various schools were in effect commenting on the factors affecting organization structure, as considered below.

Organization structure defined

All organizations have some form of more or less formalized structure that is the framework for getting things done. As defined by Child (1977) it consists of 'all the tangible and regularly occurring features which help to shape their members' behaviour'. Structures incorporate a network of roles and relationships and are there to help in the process of ensuring that collective effort is explicitly organized to achieve specified ends.

Organizations vary in their complexity, but it is necessary to divide the overall management task into a variety of activities, to allocate these activities to the different parts of the organization and to establish means of controlling, coordinating and integrating them. The structure of an organization consists of units, functions, divisions, departments and formally constituted work teams into which activities related to particular processes, projects, products, markets, customers, geographical areas or professional disciplines are grouped together. The structure indicates who is accountable for directing, coordinating and carrying out these activities and defines management hierarchies – the 'chain of command' – thus spelling out, broadly, who is responsible to whom for what at each level in the organization.

In accordance with the principle of equifinality (Doty *et al*, 1993) there are a number of equally effective forms of structure. The type of structure adopted is often contingent on the circumstances of the organization.

Organization charts

Structures are usually described in the form of an organization chart (deplorably, sometimes called an 'organogram', especially in UK government circles). This places individuals in boxes that denote their job and their position in the hierarchy and traces the direct lines of authority (command and control) through the management hierarchies.

Organization charts are vertical in their nature and therefore misrepresent reality. They do not give any indication of the horizontal and diagonal relationships that exist within the framework between people in different units or departments, and do not recognize the fact that within any one hierarchy, commands and control information do not travel all the way down and up the structure as the chart implies. In practice information jumps (especially computer-generated information) and managers or team leaders will interact with people at levels below those immediately beneath them.

Organization charts have their uses as means of defining – simplistically – who does what and hierarchical lines of authority. But even if backed up by organization manuals (which no one reads and which are, in any case, out of date as soon as they are produced) they cannot convey how the organization really works. They may, for example, lead to definitions of jobs – what people are expected to do – but they cannot convey the roles these people carry out in the organization, the parts they play in interacting with others and the ways in which, like actors, they interpret the parts they are given in their roles.

Types of organization

The basic types of organization are described below.

Line and staff

The line and staff organization was the type favoured by the classical theorists based on a military model. Although the term is not so much used today, except when referring to line managers, it still describes many structures. The line hierarchy in the structure consists of functions and managers who are directly concerned in achieving the primary purposes of the organization, for example, manufacturing and selling or directing the organization as a whole. 'Staff' in functions such as finance, HR and engineering provide services to the line to enable them to get on with their job.

Divisionalized organizations

The process of divisionalization, as first described by Sloan (1967) on the basis of his experience in running General Motors, involves structuring the organization into separate divisions each concerned with discrete manufacturing, sales, distribution or service functions, or with serving a particular market. At group headquarters, functional departments may exist in such areas as finance, planning, personnel, legal and engineering to provide services to the divisions and, importantly, to exercise a degree of functional control over their activities. The amount of control exercised will depend on the extent to which the organization has decided to decentralize authority to strategic business units that are positioned close to the markets they serve.

Decentralized organizations

Some organizations decentralize most of their activities and retain only a skeleton headquarters staff to deal with financial control matters, strategic planning, legal issues and sometimes, but not always, HR issues, especially those concerned with senior management on an across the group or international basis (recruitment, development and remuneration).

Matrix organizations

A matrix organization consists of a functional structure consisting of a number of different disciplines and a project structure consisting of project teams drawn from the disciplines. Thus an employee can be a member of a discipline and of a project team and so have two reporting relationships. Matrix organizations are project-based. Development, design or construction projects will be controlled by project directors or managers or, in the case of a consultancy, assignments will be conducted by project leaders. Project managers will have no permanent staff except, possibly, some administrative support. They will draw the members of their project teams from discipline groups, each of which will be headed up by a director or manager who is responsible on a continuing basis for resourcing the group, developing and managing its members and ensuring that they are assigned as fully as possible to project teams. These individuals are assigned to a project team and they will be responsible to the team leader for delivering the required results, but they will continue to be accountable generally to the head of their discipline for their overall performance and contribution. The most typical form of matrix organization is a large multidiscipline consultancy.

Flexible organizations

Flexible organizations may conform broadly to the Mintzberg (1983b) category of an adhocracy in the sense that they are capable of quickly adapting to new demands and operate fluidly. They may be organized as core-periphery organization or along the lines of Handy's (1981) 'shamrock' organization, which consists of three elements: 1) the core workers (the central leaf

of the shamrock) – professionals, technicians and managers; 2) the contractual fringe – contract workers; and 3) the flexible labour force consisting of temporary staff.

An organization may adopt a policy of numerical flexibility, which means that the number of employees can be quickly increased or decreased in line with changes in activity levels. The different types of flexibility are described in Chapter 13.

The process-based organization

A process-based organization is one in which the focus is on horizontal processes that cut across organizational boundaries. Traditional organization structures consist of a range of functions operating semi-independently and each with its own, usually extended, management hierarchy. Functions acted as vertical 'chimneys' with boundaries between what they did and what happened next door. Continuity of work between functions and the coordination of activities was prejudiced. Attention was focused on vertical relationships and authority-based management – the 'command and control' structure. Horizontal processes received relatively little attention. It was, for example, not recognized that meeting the needs of customers by systems of order processing could only be carried out satisfactorily if the flow of work from sales through manufacturing to distribution were treated as a continuous process and not as three distinct parcels of activity. Another horizontal process that drew attention to the need to reconsider how organizations should be structured was total quality. This is not a top-down system. It cuts across the boundaries separating organizational units to ensure that quality is built into the organization's products and services.

In a process-based organization there will still be designated functions for, say, manufacturing, sales and distribution. But the emphasis will be on how these areas work together on multi-functional projects to deal with new demands such as product/market development. Teams will jointly consider ways of responding to customer requirements. Quality and continuous improvement will be regarded as a common responsibility shared between managers and staff from each function. The overriding objective will be to maintain a smooth flow of work between functions and to achieve synergy by pooling resources from different functions in task forces or project teams.

The Mintzberg analysis

An alternative analysis of organizations was made by Mintzberg (1983b) who identified five broad types or configurations:

1. Simple structures, which are dominated by the top of the organization with centralized decision making.
2. Machine bureaucracy, which is characterized by the standardization of work processes and the extensive reliance on systems.

3. Professional bureaucracy, where the standardization of skills provides the prime coordinating mechanism.
4. Divisionalized structures, in which authority is drawn down from the top and activities are grouped together into units that are then managed according to their standardized outputs.
5. Adhocracies, where power is decentralized selectively to constellations of work that are free to coordinate within and between themselves by mutual adjustments.

Organizational processes

The structure of an organization as described in an organization chart does not give any real indication of how it functions. To understand this, it is necessary to consider the various processes that take place within the structural framework; those of interaction and networking, communication, group behaviour, leadership, power, politics and conflict.

Interaction and networking

Interactions between people criss-cross the organization creating networks for getting things done and exchanging information that are not catered for in the formal structure. 'Networking' is an increasingly important process in flexible and delayered organizations where more fluid interactions across the structure are required between individuals and teams. Individuals can often get much more done by networking than by going through formal channels. At least this means that they can canvass opinion and enlist support to promote their projects or ideas.

People also get things done in organizations by creating alliances – getting agreement on a course of action with other people and joining forces to get things done.

Communication

The communication processes used in organizations have a marked effect on how it functions, especially if they take place through the network, which can then turn into the 'grapevine'. E-mails encourage the instant flow of information (and sometimes produce information overload) but may inhibit the face-to-face interactions that are often the best ways of getting things done.

Group behaviour

Organizations consist of groups of people working together. Groups or teams exist when a number of people work together or regularly interact with one another. They may be set up

formally as part of the structure or they may be informal gatherings. They can be a permanent feature of the organization or are set up or form themselves temporarily. Interactions take place within and between groups and the degree to which these processes are formalized varies according to the organizational context.

To understand and influence organizational behaviour, it is necessary to appreciate how groups behave – group process. This means considering the nature of:

- formal groups;
- informal groups;
- the processes that take place within groups;
- group ideology;
- group cohesion;
- group dynamics;
- the concept of a reference group and its impact on group members;
- the factors that make for group effectiveness.

Formal groups

Formal groups are set up by organizations to achieve a defined purpose. People are brought together with the necessary skills to carry out the tasks and a system exists for directing, coordinating and controlling the group's activities. The structure, composition and size of the group will depend largely on the nature of the task; although tradition, organizational culture and management style may exert considerable influence. The more routine or clearly defined the task is the more structured the group will be. In a highly structured group the leader will have a positive role and may well adopt an authoritarian style. The role of each member of the group will be precise and a hierarchy of authority is likely to exist. The more ambiguous the task the more difficult it will be to structure the group. The leader's role is then more likely to be supportive – she or he will tend to concentrate on encouragement and coordination rather than on issuing orders. The group will operate in a more democratic way and individual roles will be fluid and less clearly defined.

Informal groups

Informal groups are set up by people in organizations who have some affinity for one another. It could be said that formal groups satisfy the needs of the organization while informal groups satisfy the needs of their members. One of the main aims of organization design and development should be to ensure, so far as possible, that the basis upon which activities are grouped together and the way in which groups are allowed or encouraged to behave satisfy both these needs. The values and norms established by informal groups can work against the

organization. This was first clearly established in the Hawthorne studies (Roethlisberger and Dickson, 1939), which revealed that groups could regulate their own behaviour and output levels irrespective of what management wanted. An understanding of the processes that take place within groups can, however, help to make them work for, rather than against, what the organization needs.

Group processes

The way in which groups function is affected by the task and by the norms in the organization. An additional factor is size. There is a greater diversity of talent, skills and knowledge in a large group, but individuals find it more difficult to make their presence felt. According to Handy (1981), for best participation and for highest all-round involvement, the optimum size is between five and seven. But to achieve the requisite breadth of knowledge the group may have to be considerably larger, and this makes greater demands on the skills of the leader in getting participation. The main processes that take place in groups as described below are interaction, task and maintenance functions, group ideology, group cohesion, group development and identification.

Interaction

Three basic channels of communication within groups were identified by Leavitt (1951) and are illustrated in Figure 21.1.

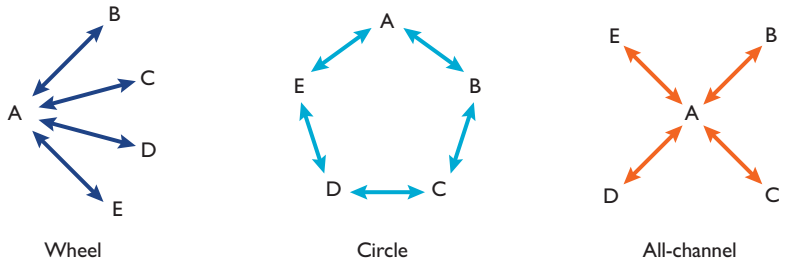

Figure 21.1 Channels of communication within groups

The characteristics of these different groups are as follows:

- Wheel groups, where the task is straightforward, work faster, need fewer messages to solve problems and make fewer errors than circle groups, but they are inflexible if the task changes.
- Circle groups are faster in solving complex problems than wheel groups.
- All-channel groups are the most flexible and function well in complex, open-ended situations.

The level of satisfaction for individuals is lowest in the circle group, fairly high in the all-channel group and mixed in the wheel group, where the leader is more satisfied than the outlying members.

Task and maintenance functions

The following functions need to be carried out in groups:

- task – initiating, information seeking, diagnosing, opinion seeking, evaluating, decision managing;
- maintenance – encouraging, compromising, peace keeping, clarifying, summarizing, standard setting.

It is the job of the group leader to ensure that these functions operate effectively. Leaderless groups can work, but only in special circumstances. A leader is almost essential, whether official or self-appointed. The style adopted by a leader affects the way the group operates. If the leader is respected, this will increase group cohesiveness and its ability to get things done. An inappropriately authoritarian style creates tension and resentment. An over-permissive style means that respect for the leader diminishes and the group does not function so effectively.

Self-managed groups are given a task do to and left to get on with it. They may or may not have a formally appointed leader.

Group dynamics

The term 'group dynamics' can be used to describe the ways in which groups are formed and group members interact. But originally, as defined by Kurt Lewin (1947), it refers to the improvement of group processes through various forms of training, eg team building, interactive skills training and T-groups ('training groups', which aim to increase sensitivity, diagnostic ability and action skills).

Group ideology

In the course of interacting and carrying out its task and maintenance functions, the group develops an ideology that affects the attitudes and actions of its members and the degree of satisfaction they feel.

Group cohesion

If the group ideology is strong and individual members identify closely with the group, it will become increasingly cohesive. Group norms or implicit rules will be evolved that define what is and is not acceptable behaviour. The impact of group cohesion can, however, result in negative as well as positive results. Janis's (1972) study of the decision-making processes of groups established that a cohesive group of individuals, sharing a common fate, exerts a strong pressure towards conformity. He coined the term 'group think' to describe the pressure for

conformity in a highly cohesive group that might involve the exaggeration of irrational tendencies. He argued that a group setting can magnify weakness of judgement.

To be 'one of us' is not always a good thing in management circles. A sturdy spirit of independence, even a maverick tendency, may be more conducive to correct decision making. Team working is a good thing but so is flexibility and independent judgement. These need not be incompatible with team membership, but could be if there is too much emphasis on cohesion and conformity within the group.

Reference group

A reference group consists of the group of people with whom an individual identifies. This means that the group's norms are accepted and if in doubt about what to do or say, reference is made to these norms or to other group members before action is taken. Most people in organizations belong to a reference group and this can significantly affect the ways in which they behave.

Impact on group members

The reference group will affect individual behaviour by encouraging acceptance of group norms. This commonly goes through two stages – compliance and internalization. Initially, a group member complies in order not to be rejected by the group, although he or she may behave differently when away from the group. Progressively, however, the individual accepts the norm whether with the group or not – the group norm has been internalized. As noted by Chell (1987), pressure on members to conform can cause problems when:

- there is incompatibility between a member's personal goals and those of the group;
- there is no sense of pride in being a member of the group;
- the member is not fully integrated with the group;
- the price of conformity is too high.

Group development

Tuckman (1965) has identified four stages of group development:

1. Forming, when there is anxiety, dependence on the leader and testing to find out the nature of the situation and the task, and what behaviour is acceptable.
2. Storming, where there is conflict, emotional resistance to the demands of the task, resistance to control and even rebellion against the leader.
3. Norming, when group cohesion is developed, norms emerge, views are exchanged openly, mutual support and cooperation increase and the group acquires a sense of its identity.

4. Performing, when interpersonal problems are resolved, roles are flexible and functional, there are constructive attempts to complete tasks and energy is available for effective work.

Identification

Individuals will identify with their groups if they like the other members, approve of the purpose and work of the group and wish to be associated with the standing of the group in the organization. Identification will be more complex if the standing of the group is not good.

Teamwork

As defined by Katzenbach and Smith (1993), 'A team is a small number of people with complementary skills who are committed to a common purpose, performance goals and approach for which they hold themselves mutually accountable.' They list the characteristics of effective teams as follows:

- Teams are the basic units of performance for most organizations. They meld together the skills, experiences and insights of several people.
- Teamwork applies to the whole organization as well as specific teams. It represents 'a set of values that encourage behaviours such as listening and responding cooperatively to points of view expressed by others, giving others the benefit of the doubt, providing support to those who need it and recognizing the interests and achievements of others'.
- Teams are created and energized by significant performance challenges.
- Teams outperform individuals acting alone or in large organizational groupings, especially when performance requires multiple skills, judgements and experiences.
- Teams are flexible and responsive to changing events and demands. They can adjust their approach to new information and challenges with greater speed, accuracy and effectiveness than can individuals caught in the web of larger organizational conventions.
- High-performance teams invest much time and effort exploring, shaping and agreeing on a purpose that belongs to them, both collectively and individually. They are characterized by a deep sense of commitment to their growth and success.

Dysfunctional teams

The specification set out above is somewhat idealistic. Teams do not always work like that. They can fail to function effectively in the following ways:

- the atmosphere can be strained and over-formalized;
- either there is too much discussion, which gets nowhere, or discussion is inhibited by dominant members of the team;
- team members do not really understand what they are there to do and the objectives or standards they are expected to achieve;
- people don't listen to one another;
- disagreements are frequent and often relate to personalities and differences of opinion rather than a reasoned discussion of alternative points of view;
- decisions are not made jointly by team members;
- there is evidence of open personal attacks or hidden personal animosities;
- people do not feel free to express their opinions;
- individual team members opt out or are allowed to opt out, leaving the others to do the work;
- there is little flexibility in the way in which team members operate – people tend to use a limited range of skills on specific tasks; there is little evidence of multi-skilling;
- the team leader dominates the team; more attention is given to who takes control rather than to getting the work done;
- the team determines its own standards and norms, which may not be in accord with the standards and norms of the organization.

Team roles

The different types of roles played by team members have been defined by Belbin (1981) as follows:

- chairpersons who control the way the team operates;
- shapers who specify the ways the team should work;
- company workers who turn proposals into practical work procedures;
- plants who produce ideas and strategies;
- resource investigators who explore the availability of resources, ideas and developments outside the team;
- monitor-evaluators who analyse problems and evaluate ideas;
- team workers who provide support to team members, improve team communication and foster team spirit;
- completer-finishers who maintain a sense of urgency in the team.

An alternative classification of roles has been developed by Margerison and McCann (1986). The eight roles are:

1. Reporter-adviser: gathers information and expresses it in an easily understandable form.
2. Creator-innovator: enjoys thinking up new ideas and ways of doing things.
3. Explorer-promoter: takes up ideas and promotes them to others.
4. Assessor-developer: takes ideas and makes them work in practice.
5. Thruster-organizer: gets things done, emphasizing targets, deadlines and budgets.
6. Concluder-producer: sets up plans and standard systems to ensure outputs are achieved.
7. Controller-inspector: concerned with the details and adhering to rules and regulations.
8. Upholder-maintainer: provides guidance and help in meeting standards.

According to Margerison and McCann, a balanced team needs members with preferences for each of these eight roles.

Leadership

Leadership is the process of inspiring people to do their best to achieve a desired result. It can also be defined as the ability to persuade others willingly to behave differently. The function of team leaders is to achieve the task set for them with the help of the group. Leaders and their groups are therefore interdependent.

Leadership roles

Leaders have two main roles. First, they must achieve the task. Second, they have to maintain effective relationships between themselves and the group and the individuals in it – effective in the sense that they are conducive to achieving the task. As Adair (1973) pointed out, in fulfilling their roles, leaders have to satisfy the following needs:

1. Task needs. The group exists to achieve a common purpose or task. The leader's role is to ensure that this purpose is fulfilled. If it is not, they will lose the confidence of the group and the result will be frustration, disenchantment, criticism and, possibly, the ultimate disintegration of the group.
2. Group maintenance needs. To achieve its objectives, the group needs to be held together. The leader's job is to build up and maintain team spirit and morale.
3. Individual needs. Individuals have their own needs which they expect to be satisfied at work. The leader's task is to be aware of these needs so that where necessary they can take steps to harmonize them with the needs of the task and the group.

These three needs are interdependent. The leader's actions in one area affect both the others; thus successful achievement of the task is essential if the group is to be held together and its members motivated to give their best effort to the job. Action directed at meeting group or individual needs must be related to the needs of the task. It is impossible to consider individuals in isolation from the group or to consider the group without referring to the individuals within it. If any need is neglected, one of the others will suffer and the leader will be less successful.

The kind of leadership exercised will be related to the nature of the task and the people being led. It will also depend on the environment and, of course, on the actual leader. Analysing the qualities of leadership in terms of traits such as intelligence, initiative, self-assurance and so on has only limited value. The qualities required may be different in different situations. It is more useful to adopt a contingency approach and take account of the variables leaders have to deal with; especially the task, the group and their own position relative to the group.

Leadership style

Leadership style, often called 'management style', describes the approach managers use to deal with people in their teams. There are many styles of leadership. Leaders can be classified in extremes as follows:

- Charismatic/non-charismatic. Charismatic leaders rely on their personality, their inspirational qualities and their 'aura'. They are visionary leaders who are achievement-oriented, calculated risk takers and good communicators. Non-charismatic leaders rely mainly on their know-how (authority goes to the person who knows), their quiet confidence and their cool, analytical approach to dealing with problems.
- Autocratic/democratic. Autocratic leaders impose their decisions, using their position to force people to do as they are told. Democratic leaders encourage people to participate and involve themselves in decision taking.
- Enabler/controller. Enablers inspire people with their vision of the future and empower them to accomplish team goals. Controllers manipulate people to obtain their compliance.
- Transactional/transformational. Transactional leaders trade money, jobs and security for compliance. Transformational leaders motivate people to strive for higher-level goals.

Goleman (2000) produced an alternative list of six leadership styles: coercive, authoritative, affiliative, democratic, pacesetting and coaching.

Power

Organizations exist to get things done and in the process of doing this people or groups exercise power. Directly or indirectly, the use of power in influencing behaviour is a pervading feature of organizations, whether it is exerted by managers, specialists, informal groups or trade union officials. It is a way of getting things done, but it can be misused.

Power is the capacity to secure the dominance of one's goals or values over others. Four different types of power have been identified by French and Raven (1959):

1. Reward power – derived from the belief of individuals that compliance brings rewards; the ability to distribute rewards contributes considerably to an executive's power.
2. Coercive power – making it plain that non-compliance will bring punishment.
3. Expert power – exercised by people who are popular or admired with whom the less powerful can identify.
4. Legitimized power – power conferred by the position in an organization held by an executive.

Politics

Power and politics are inextricably mixed, and in any organization there will inevitably be people who want to achieve their satisfaction by acquiring power, legitimately or illegitimately. Kakabadse (1983) defines politics as 'a process, that of influencing individuals and groups of people to your point of view, where you cannot rely on authority'. Organizational politicians are determined to get their own way by fair or foul means.

Organizations consist of individuals who, while they are ostensibly there to achieve a common purpose, are, at the same time, driven by their own needs to achieve their own goals. Effective management is the process of harmonizing individual endeavour and ambition to the common good. Some individuals genuinely believe that using political means to achieve their goals will benefit the organization as well as themselves. Others rationalize this belief; yet others unashamedly pursue their own ends. Politics, like power, is an inevitable feature of organization. Political behaviour can be harmful when it is underhand and devious, but it can sometimes help to enlist support and overcome obstacles to getting results.

Conflict

Conflict is inevitable in organizations because they function by means of adjustments and compromises among competitive elements in their structure and membership. Conflict also arises when there is change, because it may be seen as a threat to be challenged or resisted, or when there is frustration – this may produce an aggressive reaction: fight rather than flight.

Conflict is not to be deplored. It is an inevitable result of progress and change and it can and should be used constructively.

Conflict between individuals raises fewer problems than conflict between groups. Individuals can act independently and resolve their differences. Members of groups may have to accept the norms, goals and values of their group. The individual's loyalty will usually be to his or her own group if it is in conflict with others.

How organizations function – key learning points

The process of organizing

Organizing is the process of making arrangements in the form of defined or understood responsibilities and relationships to enable people to work cooperatively together. Formal organizations have formal structures with defined hierarchies (lines of command), but to varying extents they can operate informally as well as formally by means of a network of roles and relationships that cut across formal organizational boundaries and lines of command.

Organization theory

Organization theory aims to describe how organizations function. There are a number of schools and models.

Organization structures

Organizations vary in their complexity, but it is necessary to divide the overall management task into a variety of activities, to allocate these activities to the different parts of the organization and to establish means of controlling, coordinating and integrating them.

Types of organization

The basic types of organization are line and staff, divisionalized, decentralized, matrix, and process-based.

Organizational processes

The structure of an organization as described in an organization chart does not give any real indication of how it functions. To understand this, it is necessary to consider the various processes that take place within the structural framework; those of interaction and networking, communication, group behaviour, leadership, power, politics and conflict.

Group behaviour

Organizations consist of groups of people working together. Groups or teams exist when a number of people work together or regularly interact with one another. Interactions take place within and between groups and the degree to which these processes are formalized varies according to the organizational context.

Teamwork

As defined by Katzenbach and Smith (1993), 'A team is a small number of people with complementary skills who are committed to a common purpose, performance goals and approach for which they hold themselves mutually accountable.'

Leadership roles

Leaders have two main roles. First, they must achieve the task; second, they have to

How organizations function – key learning points (continued)

maintain effective relationships between themselves and the group and the individuals in it – effective in the sense that the relationships are conducive to achieving the task.

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Questions

1. Is individualism a good thing that should be encouraged or a bad thing that should be discouraged?
2. What does contingency theory tell us about organizations?
3. Critically evaluate the trait theory of leadership.
4. What can HR do about increasing organizational capability?

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