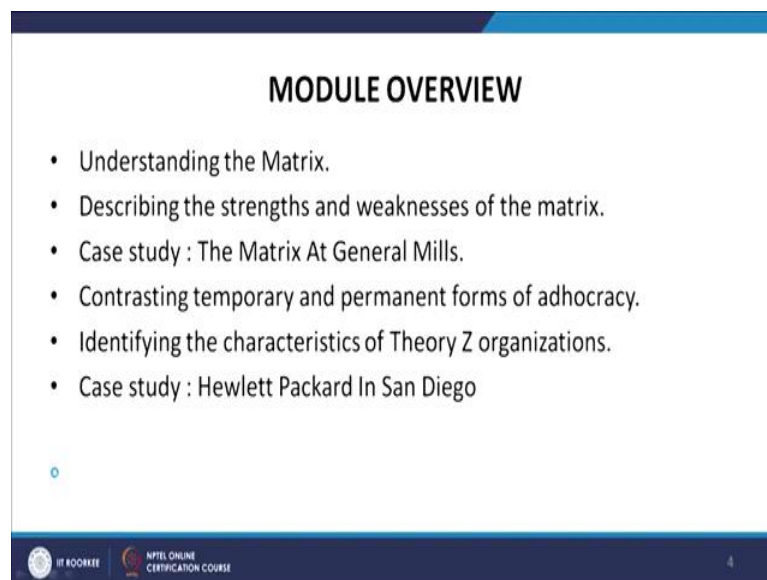


Organization Theory/Structure and Design
Prof. Zillur Rahman
Department of Management Studies
Indian Institute of Technology, Roorkee

Lecture - 29
Adhocracy - I

Welcome to module 29 of this course on Organization Theory Structure and Design. Module 29 and 30 of part 3 of this course will talk about Adhocracy. So, let us start with module 29 and, these are the things that we will cover in this module 29.

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The slide is titled "MODULE OVERVIEW" in bold black text. Below the title is a bulleted list of topics to be covered in the module. The list includes: Understanding the Matrix, Describing the strengths and weaknesses of the matrix, Case study: The Matrix At General Mills, Contrasting temporary and permanent forms of adhocracy, Identifying the characteristics of Theory Z organizations, and Case study: Hewlett Packard In San Diego. At the bottom left of the slide, there is a small blue circular icon. At the bottom of the slide, there is a dark blue footer bar containing the IIT Roorkee logo, the text "IIT ROORKEE", the NPTEL logo, the text "NPTEL ONLINE CERTIFICATION COURSE", and the number "4" on the right.

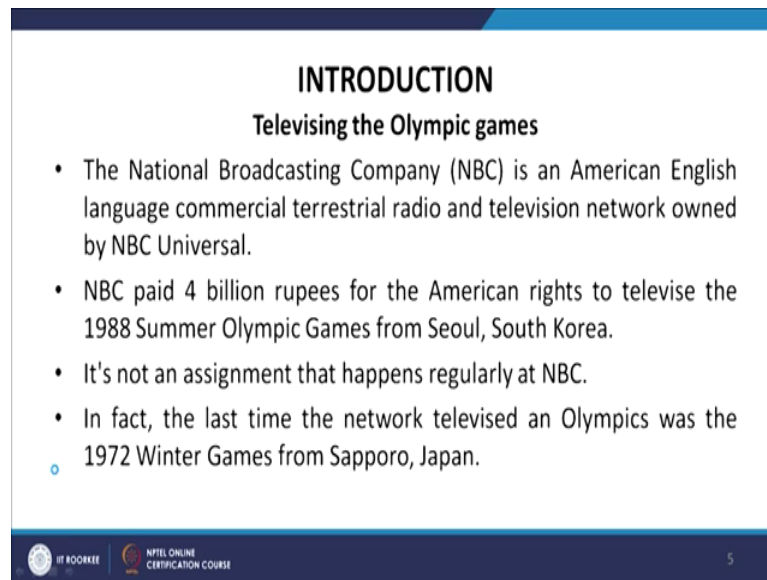
MODULE OVERVIEW

- Understanding the Matrix.
- Describing the strengths and weaknesses of the matrix.
- Case study : The Matrix At General Mills.
- Contrasting temporary and permanent forms of adhocracy.
- Identifying the characteristics of Theory Z organizations.
- Case study : Hewlett Packard In San Diego

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We will understand the matrix, then describe the strengths and weaknesses of the matrix, we will look at the case study – the matrix at general mills. Then we will contrast temporary and permanent forms of adhocracy; identify the characteristics or Theory Z organizations and then we will look at a case study of hp in San Diego.

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INTRODUCTION

Televising the Olympic games

- The National Broadcasting Company (NBC) is an American English language commercial terrestrial radio and television network owned by NBC Universal.
- NBC paid 4 billion rupees for the American rights to televise the 1988 Summer Olympic Games from Seoul, South Korea.
- It's not an assignment that happens regularly at NBC.
- In fact, the last time the network televised an Olympics was the 1972 Winter Games from Sapporo, Japan.

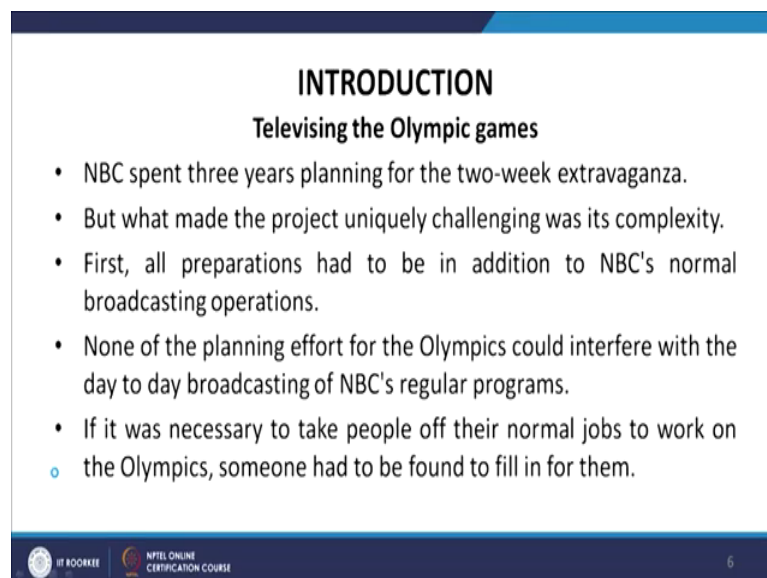
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5

Now, to start with, let us look at this example, that is, televising the Olympic games. NBC is an American English language commercial terrestrial radio and television network owned by NBC universal.

NBC paid 4 billion rupees for the American rights to televise the 1988 summer Olympic Games from Seoul, South Korea. It is not an assignment that happens regularly at NBC. In fact, the last time the network televised an Olympics was the 1972 Winter Games from Sapporo in Japan.

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INTRODUCTION

Televising the Olympic games

- NBC spent three years planning for the two-week extravaganza.
- But what made the project uniquely challenging was its complexity.
- First, all preparations had to be in addition to NBC's normal broadcasting operations.
- None of the planning effort for the Olympics could interfere with the day to day broadcasting of NBC's regular programs.
- If it was necessary to take people off their normal jobs to work on the Olympics, someone had to be found to fill in for them.

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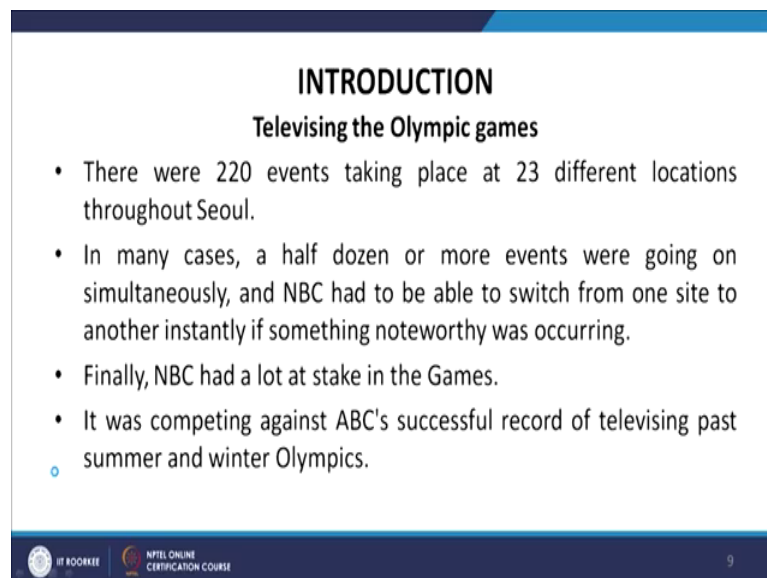
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NBC spent three years planning for a two-weeks extravaganza. But, what made the project uniquely challenging was, its complexity. First, all preparations had to be in addition to NBC's normal broadcasting operations. None of the planning effort for the Olympics could interfere with the day-to-day broadcasting of NBC's regular programs. If it was necessary to take people of their normal jobs to work on the Olympics, someone had to be found to fill in for them.

Second, the project was immense. The physical distance of Seoul from NBC's New York headquarters, plus language and cultural differences made the job particularly challenging. A 60,000 square foot broadcast center had to be erected in Seoul. 800 million rupees in a state-of-the-art technical equipment had to be shipped to South Korea and set up.



More than 1100 NBC employees, 500 in engineering, 300 in production and 300 in management and clerical positions were needed to run the 100 monitor control rooms, 15 edit rooms and 150 tape machines, the 100 NBC cameras and the 17 mobile units and coordinate operations. Third, televising the Olympic Games demands high flexibility because unexpected world class performance can occur at almost any time.

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INTRODUCTION
Televising the Olympic games

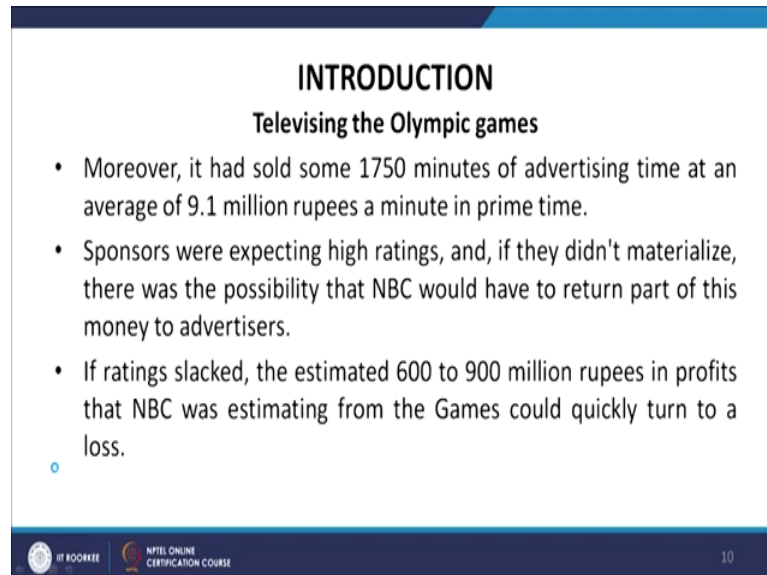
- There were 220 events taking place at 23 different locations throughout Seoul.
- In many cases, a half dozen or more events were going on simultaneously, and NBC had to be able to switch from one site to another instantly if something noteworthy was occurring.
- Finally, NBC had a lot at stake in the Games.
- It was competing against ABC's successful record of televising past summer and winter Olympics.

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There were 220 events taking place at 23 different locations throughout Seoul. In many cases, a half dozen or more events were going on simultaneously, and NBC had to be able to switch from one site to another instantly if something noteworthy was occurring.

Finally, NBC had a lot at stake in the Games. It was competing against ABC's successful record of televising past summer and winter Olympics.

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INTRODUCTION

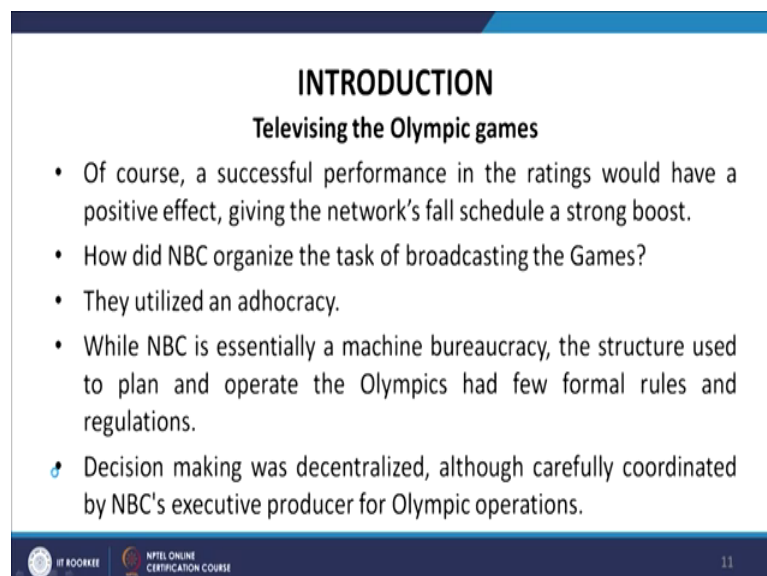
Televising the Olympic games

- Moreover, it had sold some 1750 minutes of advertising time at an average of 9.1 million rupees a minute in prime time.
- Sponsors were expecting high ratings, and, if they didn't materialize, there was the possibility that NBC would have to return part of this money to advertisers.
- If ratings slacked, the estimated 600 to 900 million rupees in profits that NBC was estimating from the Games could quickly turn to a loss.

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Moreover, it had sold some 1750 minutes of advertising time at an average of 9.1 million rupees a minute in prime time. Its sponsors were expecting high ratings, and, if they did not materialize, there was the possibility that NBC would have to return part of this money to advertisers. If ratings slacked, the estimated 600 to 900 million rupees in profits that NBC was estimating from the Games could quickly turn to a loss.

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INTRODUCTION

Televising the Olympic games

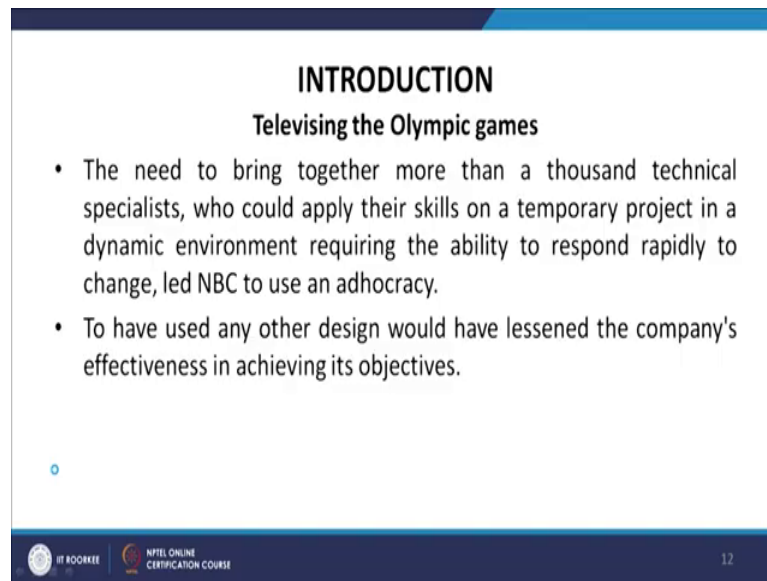
- Of course, a successful performance in the ratings would have a positive effect, giving the network's fall schedule a strong boost.
- How did NBC organize the task of broadcasting the Games?
- They utilized an adhocracy.
- While NBC is essentially a machine bureaucracy, the structure used to plan and operate the Olympics had few formal rules and regulations.
- Decision making was decentralized, although carefully coordinated by NBC's executive producer for Olympic operations.

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Of course, a successful performance in the ratings would have a positive effect, giving the network's fall schedule a strong boost. How did NBC organize the task of broadcasting the Games? They utilized an adhocracy.

While NBC is essentially a machine bureaucracy, the structure used to plan and operate the Olympics had few formal rules and regulations. Decision making was decentralized, although carefully coordinated by the NBC's executive producer for Olympic operations.

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INTRODUCTION

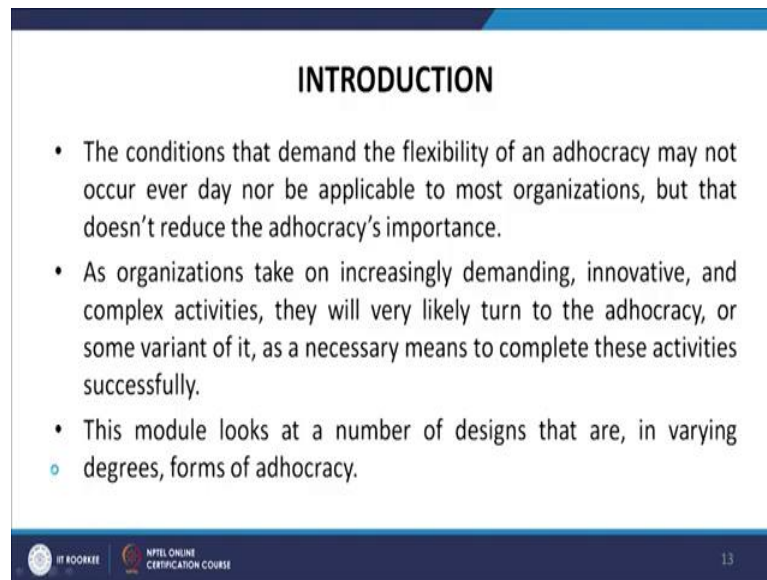
Televising the Olympic games

- The need to bring together more than a thousand technical specialists, who could apply their skills on a temporary project in a dynamic environment requiring the ability to respond rapidly to change, led NBC to use an adhocracy.
- To have used any other design would have lessened the company's effectiveness in achieving its objectives.

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The need to bring together more than a thousand technical specialists, who could apply their skills on a temporary project in a dynamic environment requiring the ability to respond rapidly to change, led NBC to use an adhocracy. To have used any other design would have lessened the company's effectiveness in achieving its objectives.

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INTRODUCTION

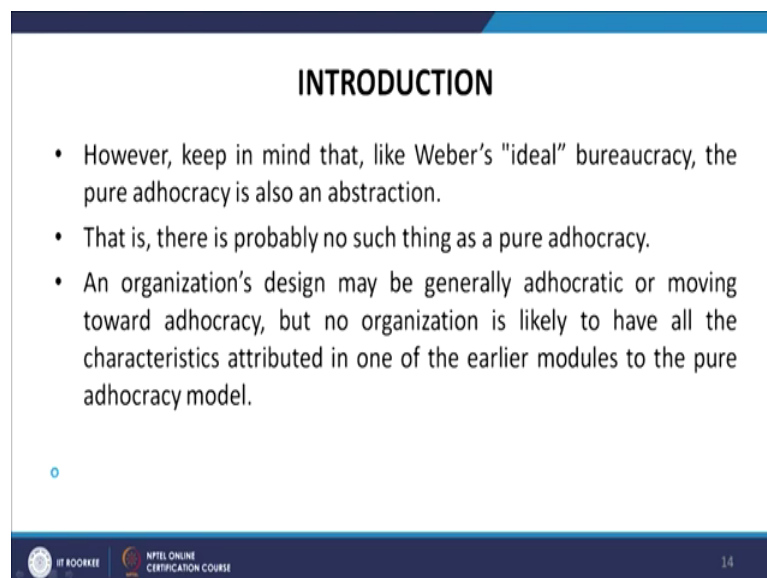
- The conditions that demand the flexibility of an adhocracy may not occur every day nor be applicable to most organizations, but that doesn't reduce the adhocracy's importance.
- As organizations take on increasingly demanding, innovative, and complex activities, they will very likely turn to the adhocracy, or some variant of it, as a necessary means to complete these activities successfully.
- This module looks at a number of designs that are, in varying degrees, forms of adhocracy.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 13

So, now, to introduce the conditions that demand the flexibility of an adhocracy may not occur every day nor be applicable to most organizations, but that does not reduce the adhocracy's importance. As organizations take on increasingly demanding, innovative, and complex activities, they will very likely turn to the adhocracy or some variant of it, as a necessary means to complete these activities successfully.

This module looks at the number of designs that are, in varying degrees, forms of adhocracy.

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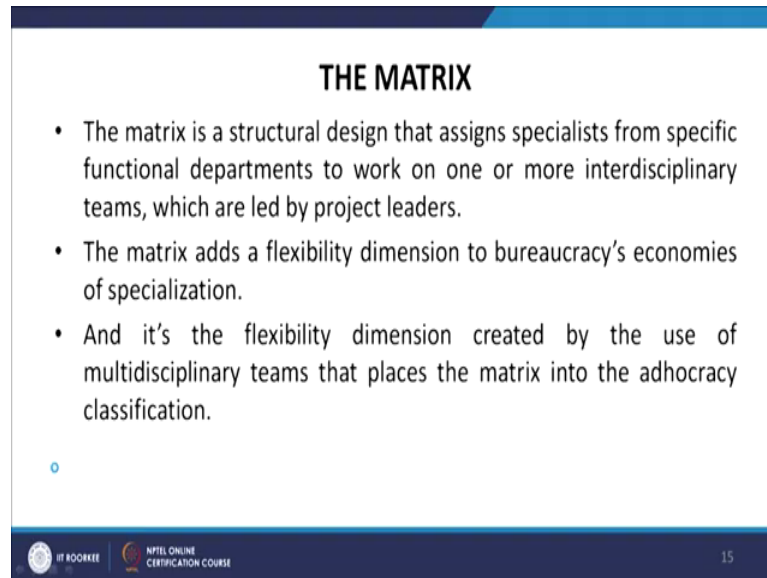
INTRODUCTION

- However, keep in mind that, like Weber's "ideal" bureaucracy, the pure adhocracy is also an abstraction.
- That is, there is probably no such thing as a pure adhocracy.
- An organization's design may be generally adhocratic or moving toward adhocracy, but no organization is likely to have all the characteristics attributed in one of the earlier modules to the pure adhocracy model.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 14

However, keep in mind that, like Weber's ideal bureaucracy, the pure adhocracy is also an abstraction. That is, there is probably no such thing as a pure adhocracy. An organization's design maybe generally adhocratic or moving towards adhocracy, but no organization is likely to have all the characteristics attributed in one of the earlier modules to the pure adhocracy model.

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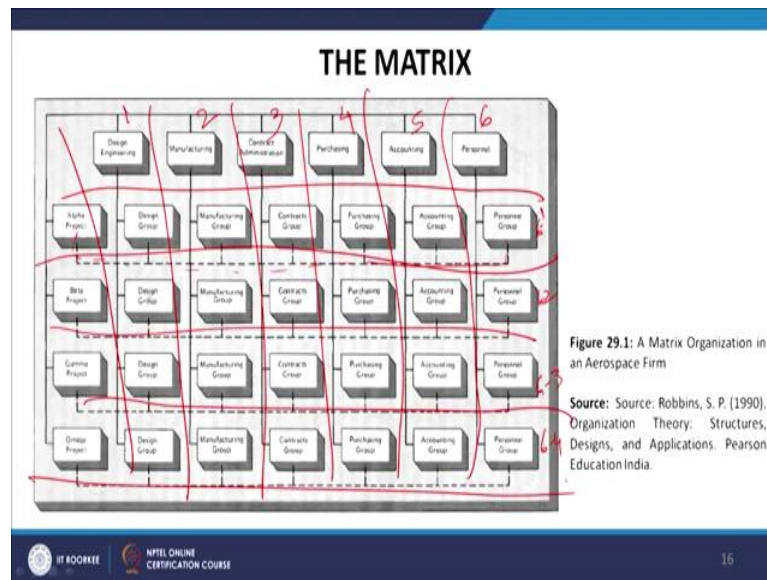
THE MATRIX

- The matrix is a structural design that assigns specialists from specific functional departments to work on one or more interdisciplinary teams, which are led by project leaders.
- The matrix adds a flexibility dimension to bureaucracy's economies of specialization.
- And it's the flexibility dimension created by the use of multidisciplinary teams that places the matrix into the adhocracy classification.

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Now, let us start looking at the matrix. The matrix is a structural design that assigns specialists from specific functional departments to work on one or more interdisciplinary teams which are led by project leaders. The matrix adds a flexibility dimension to bureaucracy's economies of specialization. And, it is the flexibility dimension created by the use of multidisciplinary teams that place the matrix into the adhocracy classification.

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So, this figure 29.1 shows a matrix. So, now, you see that there is a design engineering, then manufacturing, contract administration, purchasing, accounting and personnel.

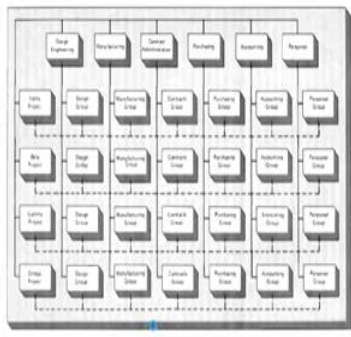
Now, this personnel has another 6-1, 6-2, 6-3 and 6-4 under it and similarly with accounting, purchasing, contract administration, manufacturing and design engineering. And, now you see that this personnel group it is also linked with all other sub groups that are under the various divisions.



And, the similar is the situation with everybody, everyone in this structure is linked with everybody else. So, there are no clear departments. So, we are not talking of clear departments. So, horizontally as well as vertically they are interlinked.

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THE MATRIX

- Figure 29.1 illustrates the matrix form as used by an aerospace firm.
- Notice that there are traditional functional departments - design engineering, manufacturing, contract administration, purchasing, accounting, and personnel.
- These are shown across the top of Figure 29.1.



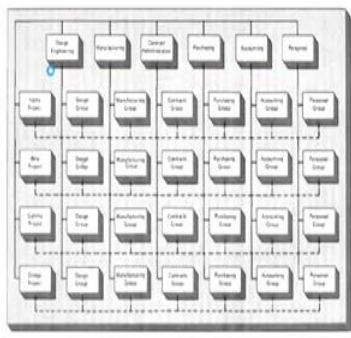
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So, figure 29.1 illustrates the matrix form as used by an aerospace firm. Notice that there are traditional functional departments – design engineering, manufacturing, contract administration, purchasing accounting and personnel. These are shown across the top of table 29.1. So, these are the, what we are talking about.

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THE MATRIX


- Overlapping these functional departments are four projects.
- Each of these projects is directed by a manager who staffs his or her project with people from the functional departments.



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Overlapping these functional departments are four projects. Each of these projects is directed by a manager who staffs his or her project with people from the functional departments.

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THE MATRIX

- Are the horizontal and vertical axes in a matrix always made up of functional units and projects?
- For the most part, matrix designs evolve around functional units.
- However, the vertical axis might be products or programs as well as project groups.
- We'll demonstrate, in upcoming slides, how General Mills utilizes the matrix to coordinate its thirty-three consumer products.

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Are the horizontal and vertical axes in a matrix always made up of functional units and projects? For the most part, matrix designs evolve around functional units. However, the vertical axis might be products or programs as well as project groups. We will demonstrate, in upcoming slides, how General Mills utilizes the matrix to coordinate its thirty-three consumer products.

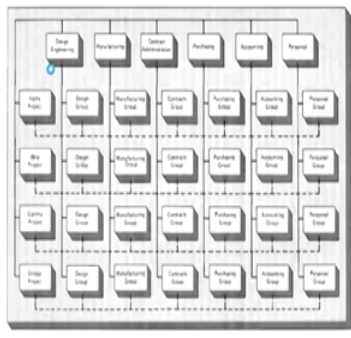
The most obvious and structural characteristic of the matrix is that it breaks the unity of command concept, a cornerstone of bureaucracy which requires every employee to have one and only one boss to whom he or she reports. Employees in the matrix have two bosses, their functional department managers and their project managers.

The matrix has a dual chain of command, there is the normal vertical hierarchy within functional departments which is overlaid by a form of lateral influence. So, the matrix is unique in, that it legitimates lateral channels of influence.

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THE MATRIX

- Project managers have authority over those functional members who are part of that manager's project team.
- Referring back to Figure 29.1, the purchasing specialists who are responsible for procurement activities on the Gamma project, would be responsible to both the manager of purchasing and the Gamma project manager.



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Project managers have authority over those functional members who are a part of the manager's project team.

Referring back to figure 29.1, the purchasing specialists who are responsible for procurement activities on the Gamma project, would be responsible to both the manager of purchasing and the gamma project manager.

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THE MATRIX

- Authority is shared between the two managers.
- Generally, this is done by giving the project managers authority over project employees relative to the project's goals.
- Decisions such as promotions, salary recommendations, and the annual review of each employee typically remain a part of the functional manager's responsibility.

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Decisions such as promotions, salary recommendations, and the annual review of each employee typically remain a part of the functional manager's responsibility.

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THE MATRIX

Case : The Matrix At General Mills

- There is no shortage of name brands at General Mills.
- Every consumer-food brand at General Mills has its own product manager.
- The product managers act as business managers—they collect all the internal and external information that might affect the brand, set goals for it, and establish strategies and tactics to achieve these goals.
- They are responsible for identifying key issues, thoroughly reviewing their business and their competitors, and formulating an operating plan.

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Now, let us look at this case of matrix at General Mills. There is no shortage of name brands at General Mills. Every consumer-food brand at General Mills has its own product manager.

The product managers act as business managers – they collect all the internal and external information that might affect the brand, set goals for it, and establish strategies and tactics to achieve these goals. They are responsible for identifying key issues, thoroughly reviewing their business and their competitors, and formulating and operating plan.

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THE MATRIX

Case : The Matrix At General Mills

- It includes a sales forecast, itemization of costs to meet the forecast and advertising, pricing, and trade tactics.
- The plan is submitted to, and negotiated with, a marketing director, who is responsible for several product managers.
- Once a plan is approved, executing it is the product manager's responsibility.
- But with that task goes almost no formal authority.
- He or she has control over the budget, but little else and must therefore be a master of persuasion.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 24

It includes a sales forecast, itemization of costs to meet the forecast and advertising, pricing, and trade tactics. The plan is submitted to, and negotiated with, a marketing director, who is responsible for several product managers. Once the plan is approved, executing it is the product manager's responsibility. But with that task goes almost no formal authority.

He or she has control over the budget, but little else and must therefore, be a master of persuasion. If the product managers need special support from the sales force or increased output from the plant to gear up for a big advertising campaign, he or she has to sell the idea to people who report to functional managers incharge of sales and manufacturing.

Similarly, if the manager thinks that the product needs different packaging or more focused television commercial or a reformulation of ingredients, he or she must impress the appropriate support group with the importance of paying particular attention to that brand.

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THE MATRIX

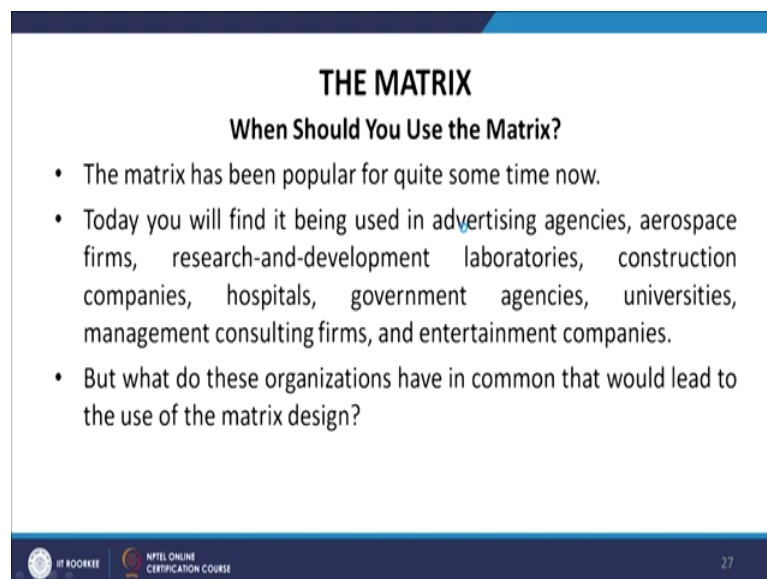
Case : The Matrix At General Mills

- In summary, General Mills uses the matrix structure as a way to give brand managers a feeling of running their own show, in spite of their being part of an established, hierarchical company with sales of over 290 billion rupees an year.

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In summary, General Mills uses the matrix structure as a way to give brand managers a feeling of running their own show, in spite of their being part of an established, hierarchical company with sales of over 290 billion rupees a year.

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THE MATRIX

When Should You Use the Matrix?

- The matrix has been popular for quite some time now.
- Today you will find it being used in advertising agencies, aerospace firms, research-and-development laboratories, construction companies, hospitals, government agencies, universities, management consulting firms, and entertainment companies.
- But what do these organizations have in common that would lead to the use of the matrix design?

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Now, let us look at when should, you use this type of structure that is matrix. The matrix has been popular for quite some time now. Today you will find it being used in advertising agencies, aerospace firms, research-and-development laboratories,

construction companies, hospitals, government agencies, universities, management consultancy firms, and entertainment companies.

And, what do these organizations have in common that would lead to the use of the matrix design? The evidence indicates three conditions that favor the matrix. First – environmental pressures from two or more critical sectors, second, interdependence between departments and the third is economies of scales in the use of internal resources.

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THE MATRIX

When Should You Use the Matrix?

- The typical matrix is designed to have a dual focus, such as functions and products.
- An advertising agency, for example, may have to maintain its technical knowledge (the functional focus) while being responsive to client needs (the product focus).
- The matrix allows the agency to create a team for a client that would be overseen by an account executive and composed of functional specialists from the firm's copy writing, media development, and marketing research departments.

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When should you use the matrix? The typical matrix is designed to have a dual focus, such as functions and products. An advertising agency, for example, may have to maintain its technical knowledge, that is, the functional focus while being responsive to clients' needs, that is, the product focus.

The matrix allows the agency to create a team for a client and would be overseen by an account executive and composed of functional specialists from the firm's copy writing, media development, and marketing research departments.

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THE MATRIX

When Should You Use the Matrix?

- The duality might also be created by the need to respond to geographic differences.
- So you might find a matrix designed around function and geography or product and geography.
- Again, to illustrate, an insurance company may meet its competition by offering a variety of products—i.e., life, health, fire, automobile and respond to area differences by establishing regional offices.
- The key, however, is that if environmental pressure is coming from only a single sector, there should be no need for a dual hierarchy.

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The duality might also be created by the need to respond to geographic differences. So, you might find a matrix designed around functions and geography or product and geography. Again, to illustrate, an insurance company may meet its competition by offering a variety of products, that is, life, health, fire, automobile and respond to area differences by establishing regional offices.

The key, however, is that if an environmental pressure is coming from only a single sector there should be no need for a dual hierarchy.

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THE MATRIX

When Should You Use the Matrix?

- The second requirement is interdependence between departments.
- In our previous advertising agency example, the services of copy writers, media developers, and marketing researchers were needed to meet the client's needs.
- The job could not be done by any one of the specialties alone.
- The degree of interdependence, of course, changes in response to demands from the environment.
- The mix of people on any project team will reflect the objectives of the project at that particular time.

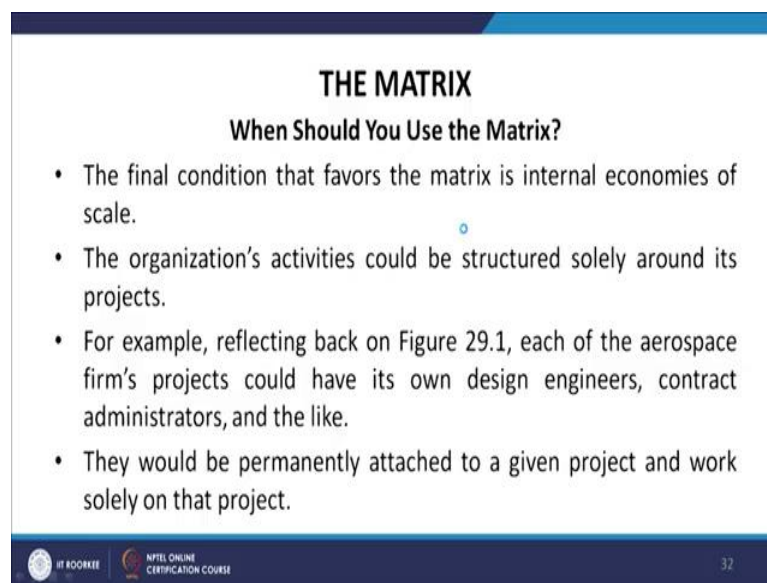
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The second requirement is interdependence between departments. In our previous advertising agency example, the services of copywriters, media developers, and marketing researchers were needed to meet the client's needs. The job could not be done by any one of the specialists alone. The degree of interdependence, of course, changes in response to demands from the environment.

The mix of people on any project team will reflect the objectives of the project at that particular time.

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THE MATRIX

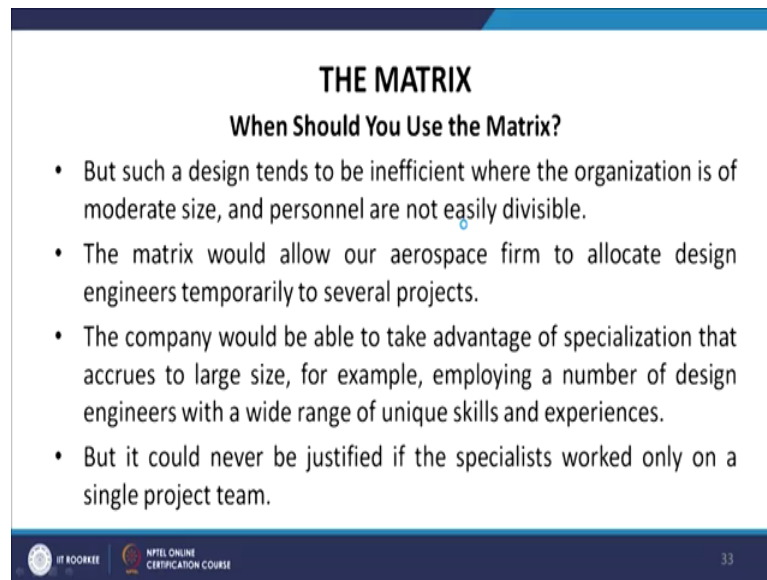
When Should You Use the Matrix?

- The final condition that favors the matrix is internal economies of scale.
- The organization's activities could be structured solely around its projects.
- For example, reflecting back on Figure 29.1, each of the aerospace firm's projects could have its own design engineers, contract administrators, and the like.
- They would be permanently attached to a given project and work solely on that project.

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The final condition that favors the matrix is internal economies of scale. The organization's activities could be structured solely around its projects. For example, reflecting back on figure 29.1, each of the aerospace firm's projects could have its own design engineers, contract administrators, and the like. They would be permanently attached to a given project and work solely on that project only.

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THE MATRIX

When Should You Use the Matrix?

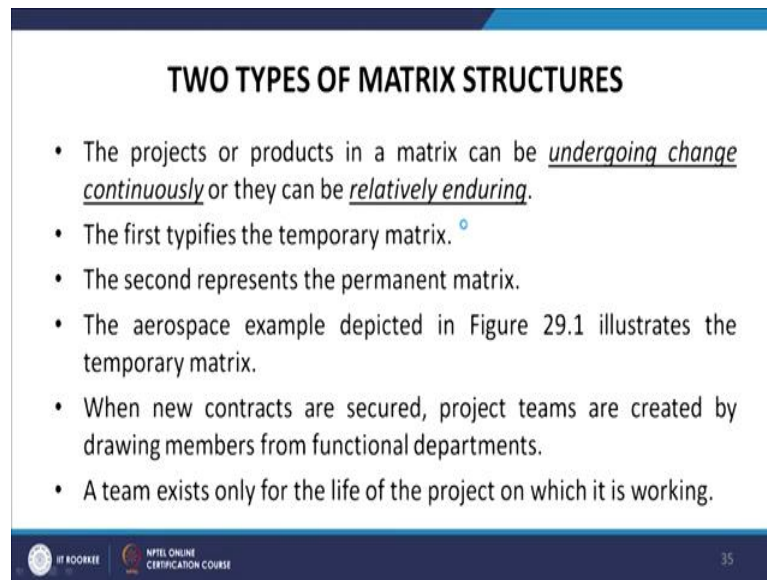
- But such a design tends to be inefficient where the organization is of moderate size, and personnel are not easily divisible.
- The matrix would allow our aerospace firm to allocate design engineers temporarily to several projects.
- The company would be able to take advantage of specialization that accrues to large size, for example, employing a number of design engineers with a wide range of unique skills and experiences.
- But it could never be justified if the specialists worked only on a single project team.

33

But, such a design tends to be inefficient when the organization is of moderate size, and personnel are not easily divisible. The matrix would allow our aerospace firm to allocate design engineers temporarily to several projects. The company would be able to take advantage of specialization that accrues to large size, for example, employing a number of design engineers with a wide range of unique skills and experiences.

But, it could never be justified if the specialists worked only on a single project team. In fact, if projects tended to be small and employees were rigidly assigned to a single project, it would be very likely that some projects would not have an adequate talent pool to complete their work successfully.

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TWO TYPES OF MATRIX STRUCTURES

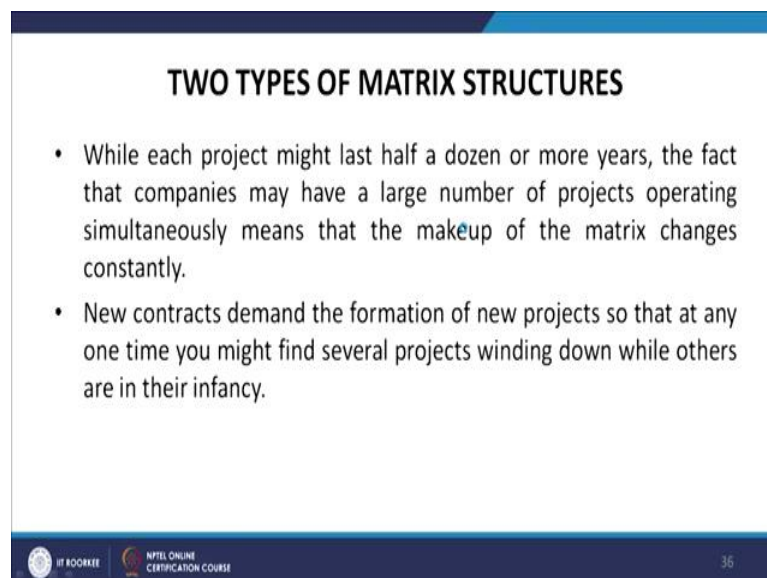
- The projects or products in a matrix can be undergoing change continuously or they can be relatively enduring.
- The first typifies the temporary matrix.
- The second represents the permanent matrix.
- The aerospace example depicted in Figure 29.1 illustrates the temporary matrix.
- When new contracts are secured, project teams are created by drawing members from functional departments.
- A team exists only for the life of the project on which it is working.

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Now, there are two types of matrix structures: the project or products in the matrix can be undergoing change continuously or they can be relatively enduring or stable. The first typifies the temporary matrix, the second represents the permanent matrix.

The aerospace example, as shown in figure 29.1, illustrates that temporary matrix. When new contracts are secured, project teams are created by drawing members from functional departments. A team exists only for the life of the project on which it is working.

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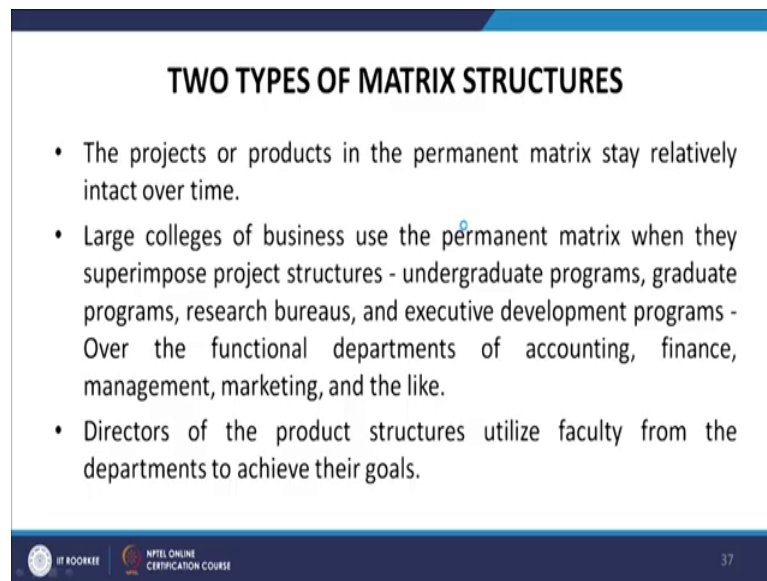
TWO TYPES OF MATRIX STRUCTURES

- While each project might last half a dozen or more years, the fact that companies may have a large number of projects operating simultaneously means that the makeup of the matrix changes constantly.
- New contracts demand the formation of new projects so that at any one time you might find several projects winding down while others are in their infancy.

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While each project might last half a dozen or more years, the fact that companies may have a large number of projects operating simultaneously means that the makeup of the matrix changes constantly. New contracts demand the formation of new projects so that at any one time you might find several projects winding down while others are in their infancy.

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TWO TYPES OF MATRIX STRUCTURES

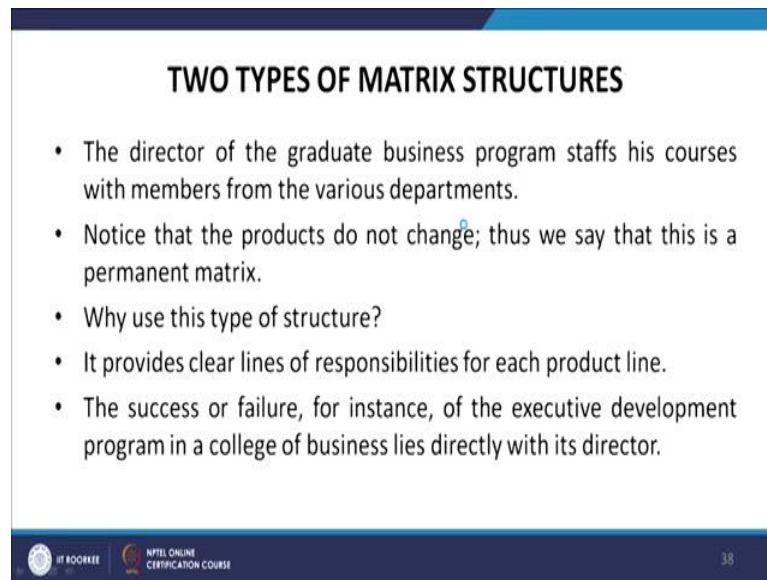
- The projects or products in the permanent matrix stay relatively intact over time.
- Large colleges of business use the permanent matrix when they superimpose project structures - undergraduate programs, graduate programs, research bureaus, and executive development programs - Over the functional departments of accounting, finance, management, marketing, and the like.
- Directors of the product structures utilize faculty from the departments to achieve their goals.

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Directors of the productive structures utilize faculty from the departments to achieve their goals.

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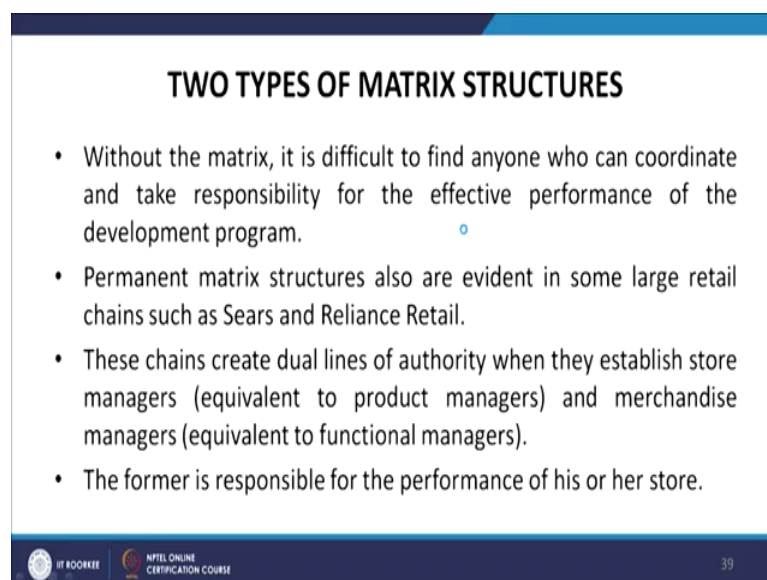
TWO TYPES OF MATRIX STRUCTURES

- The director of the graduate business program staffs his courses with members from the various departments.
- Notice that the products do not change; thus we say that this is a permanent matrix.
- Why use this type of structure?
- It provides clear lines of responsibilities for each product line.
- The success or failure, for instance, of the executive development program in a college of business lies directly with its director.

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TWO TYPES OF MATRIX STRUCTURES

- Without the matrix, it is difficult to find anyone who can coordinate and take responsibility for the effective performance of the development program.
- Permanent matrix structures also are evident in some large retail chains such as Sears and Reliance Retail.
- These chains create dual lines of authority when they establish store managers (equivalent to product managers) and merchandise managers (equivalent to functional managers).
- The former is responsible for the performance of his or her store.

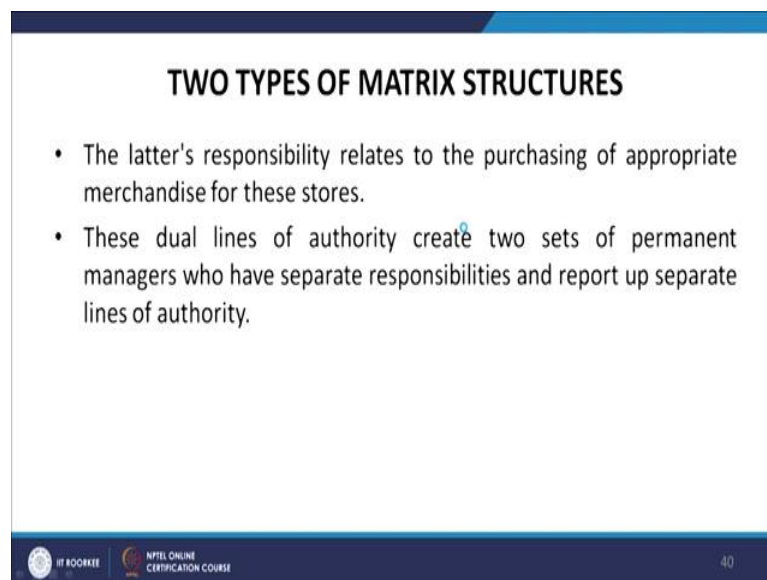
IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 39

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matrix structures also are evident in some large retail chains such as Sears and Reliance Retail.

These chains create dual lines of authority when they establish store manager's equivalent to the product manager and merchandise managers that are equivalent to functional managers. The former is responsible for the performance of his or her store.

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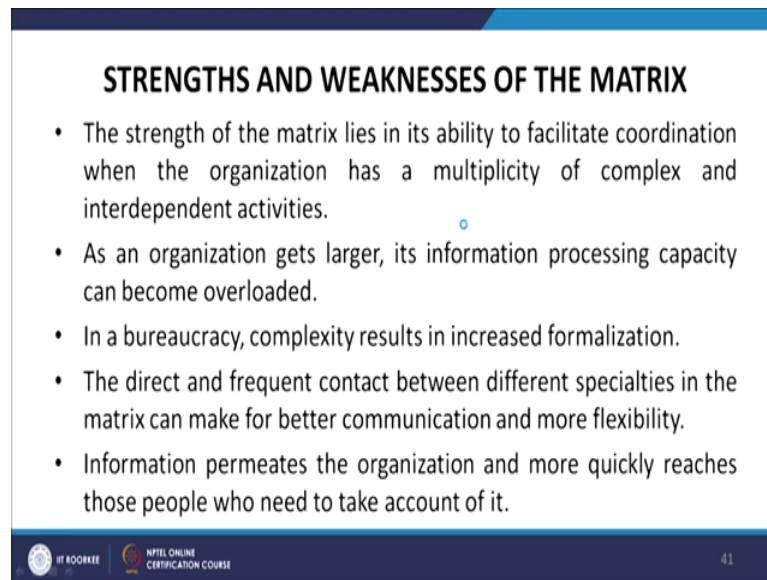
TWO TYPES OF MATRIX STRUCTURES

- The latter's responsibility relates to the purchasing of appropriate merchandise for these stores.
- These dual lines of authority create two sets of permanent managers who have separate responsibilities and report up separate lines of authority.

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The latter's responsibility relates to the purchasing of appropriate merchandise for these stores. These dual lines of authority create two sets of permanent managers who have separate responsibilities and report up separate lines of authority.

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STRENGTHS AND WEAKNESSES OF THE MATRIX

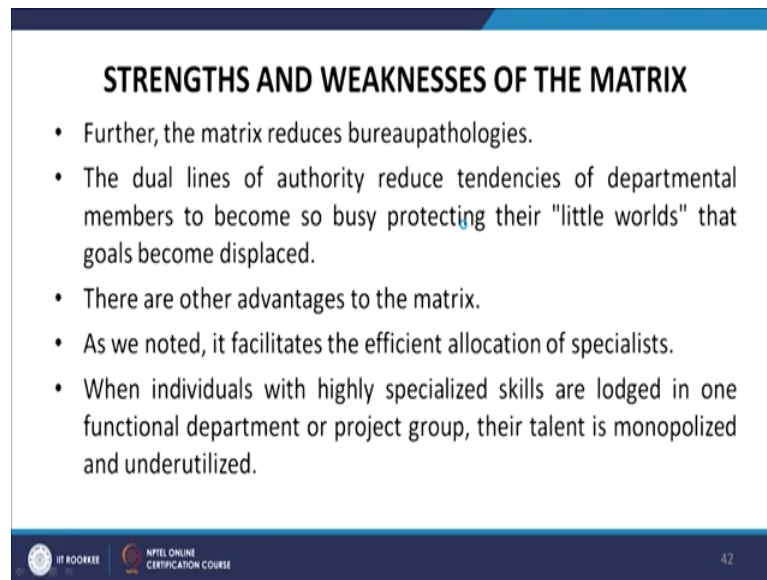
- The strength of the matrix lies in its ability to facilitate coordination when the organization has a multiplicity of complex and interdependent activities.
- As an organization gets larger, its information processing capacity can become overloaded.
- In a bureaucracy, complexity results in increased formalization.
- The direct and frequent contact between different specialties in the matrix can make for better communication and more flexibility.
- Information permeates the organization and more quickly reaches those people who need to take account of it.

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Now, let us look at the strengths and weaknesses of the matrix. The strength of the matrix lies in its ability to facilitate coordination when the organization has a multiplicity of complex and interdependent activities. As an organization gets larger, its information processing capacity can become overloaded. In a bureaucracy, complexity results in increased formalization.

The direct and frequent contact between different specialists in the matrix can make for better communication and more flexibility. Information permeates the organization and more quickly reaches those people who need to take account of it.

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STRENGTHS AND WEAKNESSES OF THE MATRIX

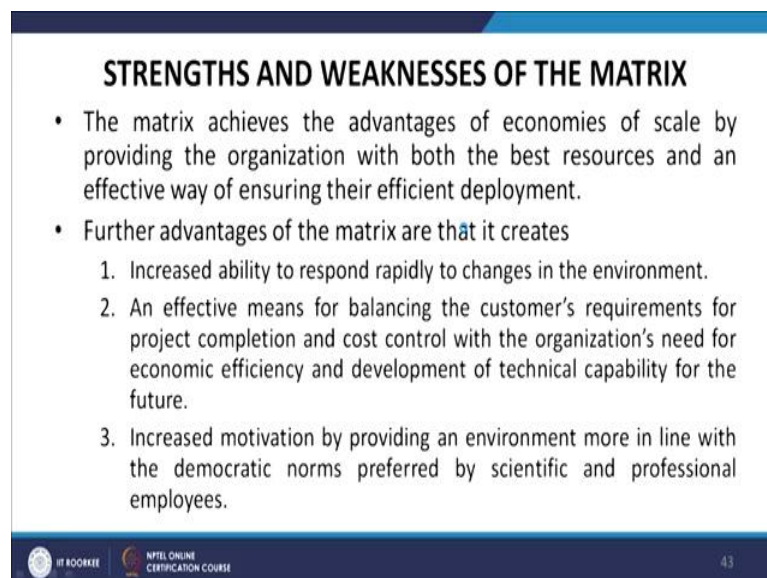
- Further, the matrix reduces bureau pathologies.
- The dual lines of authority reduce tendencies of departmental members to become so busy protecting their "little worlds" that goals become displaced.
- There are other advantages to the matrix.
- As we noted, it facilitates the efficient allocation of specialists.
- When individuals with highly specialized skills are lodged in one functional department or project group, their talent is monopolized and underutilized.

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Further, the matrix rate reduces bureau pathologies. The dual lines of authority reduce tendencies of departmental members to become so busy protecting their little worlds that goals become displaced.

There are other advantages to the matrix. As we noted, it facilitates the efficient allocation of specialists. When individuals with highly specialized skills are lodged in one functional department or project group, their talent is monopolized and underutilized.

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STRENGTHS AND WEAKNESSES OF THE MATRIX

- The matrix achieves the advantages of economies of scale by providing the organization with both the best resources and an effective way of ensuring their efficient deployment.
- Further advantages of the matrix are that it creates
 1. Increased ability to respond rapidly to changes in the environment.
 2. An effective means for balancing the customer's requirements for project completion and cost control with the organization's need for economic efficiency and development of technical capability for the future.
 3. Increased motivation by providing an environment more in line with the democratic norms preferred by scientific and professional employees.

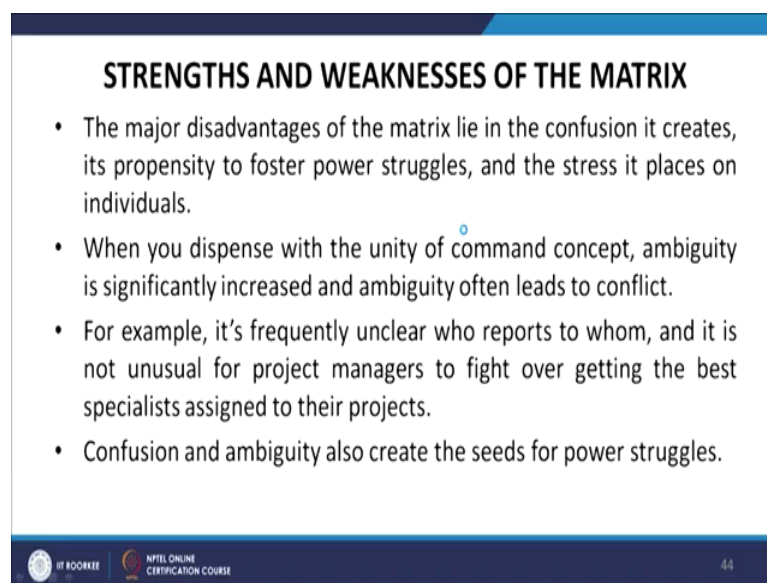
IT ROOKIE NPTEL ONLINE CERTIFICATION COURSE 43

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Further, advantages of the matrix are that it creates: 1st – Increased ability to respond rapidly to changes in the environment, 2 – an effective means for balancing the customer's requirements for project completion and cost control with the organization's need for economic efficiency and development of technical capability for the future.

And the 3rd is increased motivation by providing an environment more in line with the democratic norms preferred by scientific and professional employees.

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STRENGTHS AND WEAKNESSES OF THE MATRIX

- The major disadvantages of the matrix lie in the confusion it creates, its propensity to foster power struggles, and the stress it places on individuals.
- When you dispense with the unity of command concept, ambiguity is significantly increased and ambiguity often leads to conflict.
- For example, it's frequently unclear who reports to whom, and it is not unusual for project managers to fight over getting the best specialists assigned to their projects.
- Confusion and ambiguity also create the seeds for power struggles.

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For example, it is frequently unclear who reports to whom, and it is not unusual for project managers to fight over getting the best specialist assigned to their projects. Confusion and ambiguity also create the seeds for power struggle.

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STRENGTHS AND WEAKNESSES OF THE MATRIX

- Bureaucracy reduces the potential for "power grabs" by defining the rules of the game.
- When those rules are "up for grabs," power struggles between functional and project managers result.
- For individuals who desire security and absence from ambiguity, this environment can produce stress.
- Reporting to more than one boss introduces role conflict, and unclear expectations introduce role ambiguity.
- The comfort of bureaucracy's predictability is absent, replaced by insecurity and stress.

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Bureaucracy reduces the potential for power grabs by defining the rules of the game. When those rules are up for grabs, power struggle between functional and project managers result. For individuals who desire security and absence from ambiguity, this environment can produce stress.

Reporting to more than one boss introduces role conflict, and unclear expectations introduce role ambiguity. The comfort of bureaucracy's predictability is absent, replaced by insecurity and stress.

(Refer Slide Time: 24:18)

THEORY Z

- It's no secret that the Japanese have been very successful at producing high-quality products at competitive prices.
- Part of their success is due to the way that large Japanese organizations are designed.
- Table 29.1 summarizes the characteristics in the typical, large American bureaucracy (the Theory A organization) and the characteristics inherent in the typical large Japanese company (the Theory J organization).

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Now, let us look at what is this Theory Z. It is no secret that the Japanese have been very successful at producing high-quality products at competitive prices. Part of the success is due to the way that large Japanese organizations are designed. So, table 29.1 summarizes the characteristics of the typical, large American bureaucracy, the Theory A organization, and the characteristics inherent in the typical large Japanese company, the Theory J organization.

(Refer Slide Time: 24:56)

THEORY Z	
THEORY A	THEORY J
Short-term employment	Life-time employment
Specialized career paths	Nonspecialized career paths
Individual decision making	Consensual decision making
Individual responsibility	Collective responsibility
Frequent appraisal	Infrequent appraisal
Explicit, formalized appraisal	Implicit, informal appraisal
Rapid promotion	Slow promotion
Segmented concern for people	Comprehensive concern for people

Table 29.1: Characteristics of Theory A and Theory J Organization.

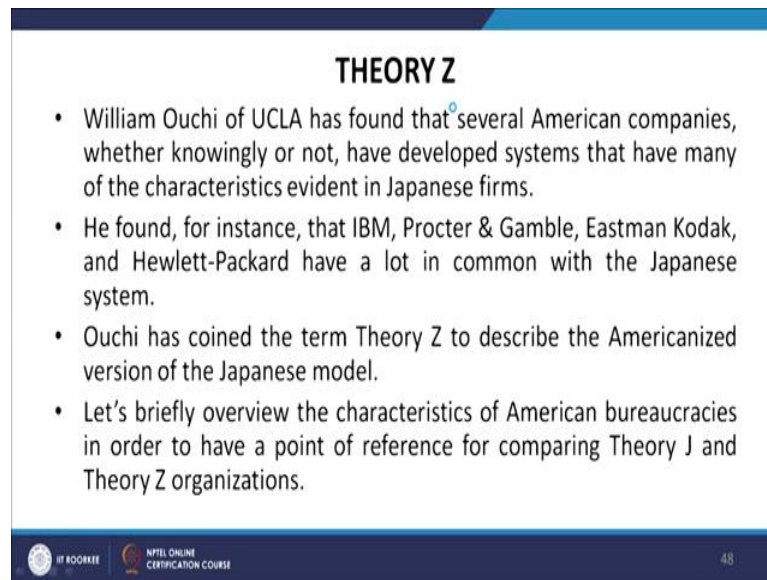
Source: Source: Robbins, S. P. (1990). Organization Theory: Structures, Designs, and Applications. Pearson Education India.

So, now these are the characteristics of Theory A and Theory J organizations. So, on the left-hand side we have Theory A and on the right-hand side we have Theory J.

So, these are the characteristics of a Theory A organization, that is, short-term employment, specialized career paths, individual decision making, individual responsibility, frequent appraisals, explicit, formalized appraisal, rapid promotion and segmented concern for people.

In Theory J, the characteristics are life-time employment, non-specialized career paths, consensual decision making, collective responsibility, infrequent appraisal, implicit, informal appraisal, slow promotion and comprehensive concern for people.

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THEORY Z

- William Ouchi of UCLA has found that several American companies, whether knowingly or not, have developed systems that have many of the characteristics evident in Japanese firms.
- He found, for instance, that IBM, Procter & Gamble, Eastman Kodak, and Hewlett-Packard have a lot in common with the Japanese system.
- Ouchi has coined the term Theory Z to describe the Americanized version of the Japanese model.
- Let's briefly overview the characteristics of American bureaucracies in order to have a point of reference for comparing Theory J and Theory Z organizations.

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So, William Ouchi of UCLA that is university of California at Los Angeles, has found that several American companies, whether knowingly or not, have developed systems that have many of the characteristics evident in Japanese firms. He found, for instance, that IBM, Procter and gamble, Eastman Kodak and HP have a lot in common with the Japanese system. Ouchi has coined the term Theory Z to describe the Americanized version of the Japanese model.

Let us briefly overview the characteristics of American bureaucracies in order to have a point of reference for comparing theories J and Theory Z organizations.

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THEORY Z

- The **Theory A** bureaucracy is designed to control employees through a tightly monitored structural system.
- It is adapted to handle high rates of employee turnover.
- Jobs are defined narrowly, and employees are required to specialize.
- An employee's specialized skills lend themselves to transferability between organizations, thus encouraging mobility.
- If employees become frustrated, they have ready alternatives in employment opportunities with other organizations.

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A Theory A bureaucracy is designed to control employees through a tightly monitored structural system. It is adapted to handle high rate of employee turnover. Jobs are defined narrowly, and employees are required to specialize.

An employee's specialized skills lend themselves to transferability between organizations, thus encouraging mobility. If employees become frustrated, they have ready alternatives in employment opportunities with other organizations.

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THEORY Z

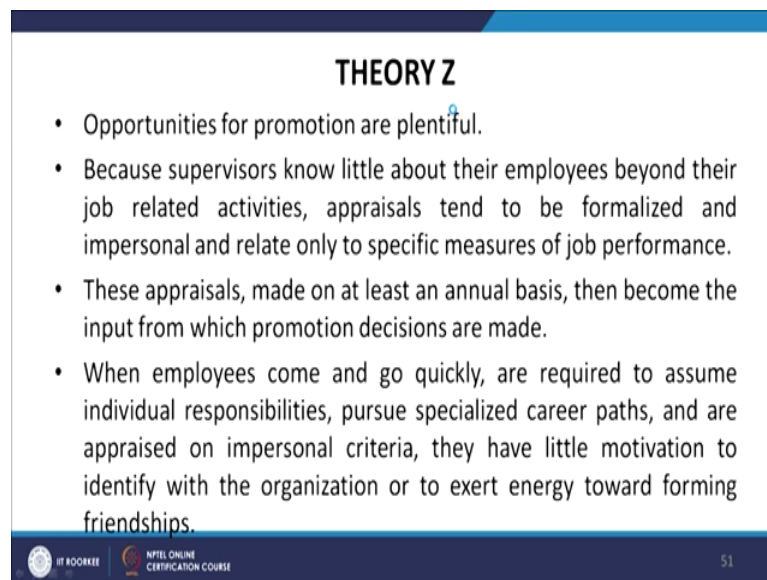
- Similarly, organizations can hire employees from other firms and give them considerable responsibility and competitive salaries because these individuals' skills are transferable, allowing them to become quickly productive for their new employer.
- In a system where members are transient, it is important to minimize interdependencies.
- Therefore, Theory A organizations individualize decision making and responsibility.
- High levels of turnover also create regular vacancies.

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Similarly, organizations can hire the employees from other firms and give them considerable responsibility and competitive salaries because these individuals' skills are transferable, allowing them to become quickly productive for their new employer.

In a system where members are transient, it is important to minimize interdependencies. Therefore, Theory A organizations individualize decision making and responsibility. High level of turnover also creates regular vacancies.

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THEORY Z

- Opportunities for promotion are plentiful.
- Because supervisors know little about their employees beyond their job related activities, appraisals tend to be formalized and impersonal and relate only to specific measures of job performance.
- These appraisals, made on at least an annual basis, then become the input from which promotion decisions are made.
- When employees come and go quickly, are required to assume individual responsibilities, pursue specialized career paths, and are appraised on impersonal criteria, they have little motivation to identify with the organization or to exert energy toward forming friendships.

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The organization responds to this individualistic ethics by treating people as just another input cost. Employees then are not significantly different from a drill press or a forklift

truck. You purchase them to update utility or service and can discard them if they break or become obsolete.

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THEORY Z

- The Japanese model (**Theory J**) is a very different structural animal, and that difference is essentially a function of low turnover.
- When employees are hired with the belief that the marriage is a permanent one, management can justify developing an organization in which control is maintained through a socialization process that indoctrinates the organization's philosophy into every employee.
- While this is a much slower process, it results in a structure that is much more likely to mirror an adhocracy than the mechanistic bureaucracy that Theory A creates.

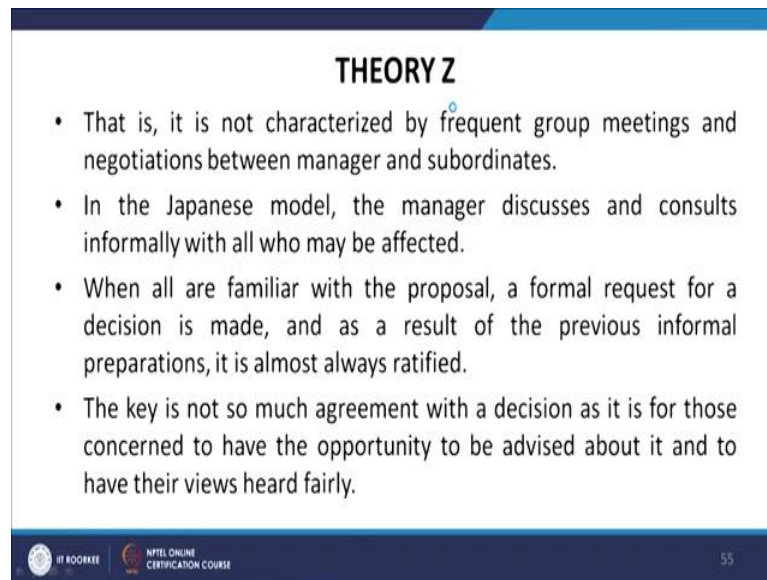
IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 53

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While it is a much slower process, it results in a structure that is much more likely to mirror an adhocracy than the mechanistic bureaucracy, that Theory A creates. Movement in Japanese organizations tend to be far more horizontal than vertical. Instead of emphasizing vertical promotions, Japanese employees are rotated around the organization.

This creates employees that are generalists rather than specialists. The creation of generalists encourages teamwork and cooperation and fosters informal communication networks that help to coordinate work activities across functional areas. Decision making in Japanese organizations is not participative in the American sense of the term.

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THEORY Z

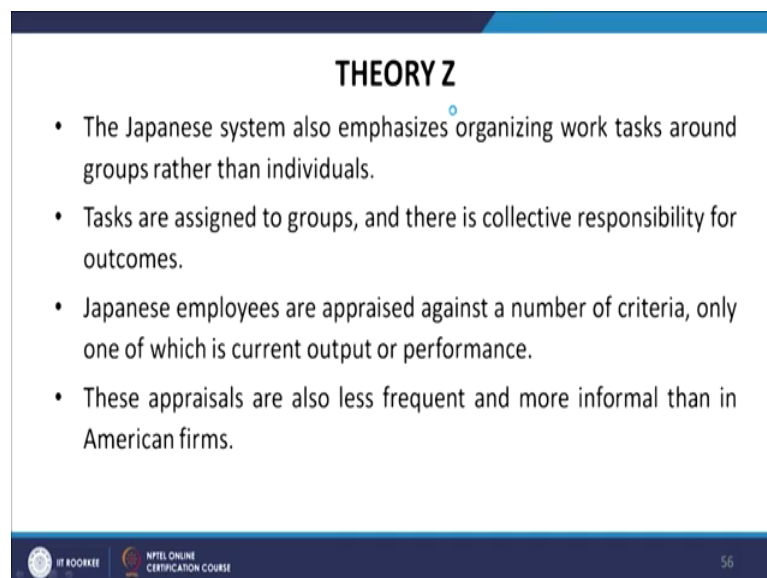
- That is, it is not characterized by frequent group meetings and negotiations between manager and subordinates.
- In the Japanese model, the manager discusses and consults informally with all who may be affected.
- When all are familiar with the proposal, a formal request for a decision is made, and as a result of the previous informal preparations, it is almost always ratified.
- The key is not so much agreement with a decision as it is for those concerned to have the opportunity to be advised about it and to have their views heard fairly.

IT ROOKIE NPTEL ONLINE CERTIFICATION COURSE 55

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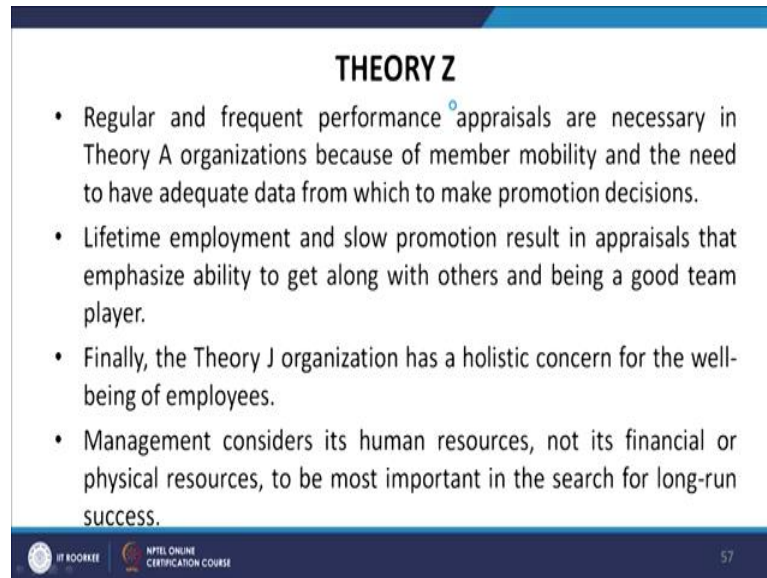
THEORY Z

- The Japanese system also emphasizes organizing work tasks around groups rather than individuals.
- Tasks are assigned to groups, and there is collective responsibility for outcomes.
- Japanese employees are appraised against a number of criteria, only one of which is current output or performance.
- These appraisals are also less frequent and more informal than in American firms.

IT ROOKIE NPTEL ONLINE CERTIFICATION COURSE 56

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THEORY Z

- Regular and frequent performance appraisals are necessary in Theory A organizations because of member mobility and the need to have adequate data from which to make promotion decisions.
- Lifetime employment and slow promotion result in appraisals that emphasize ability to get along with others and being a good team player.
- Finally, the Theory J organization has a holistic concern for the well-being of employees.
- Management considers its human resources, not its financial or physical resources, to be most important in the search for long-run success.

NPTEL ONLINE CERTIFICATION COURSE 57

Regular and frequent performance appraisals are necessary in Theory A organizations because of the members' mobility and the need to have adequate data for which to make promotion decisions. Lifetime employment and slow promotions result in appraisals that emphasize ability to get along with others and being a good team player.

Finally, the Theory J organization has a holistic concern for the well-being of employees. Management considers its human resources, not its financial or physical resources, to be more important in the search for long-run success.

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THEORY Z

- Managers will be found spending a great deal of their time talking to employees about everyday matters.
- Even senior managers in Japan regularly spend time with operating personnel to learn their concerns.

58

Managers will be found to spending a great deal of their time talking to employees about their everyday matters. Even senior managers in Japan regularly spend time with operating personnel to learn their concerns.

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THEORY Z

- The **Theory Z** organization is the Japanese model adapted to fit into American culture.
- Table 29.2 identifies its attributes. For the most part, as you can see, it very closely parallels the Theory J model.
- However, it has been modified to reflect American values such as individualism and allocating rewards on the basis of performance.

Characteristics of Theory Z Organizations
• Long-term employment
• Moderately specialized career paths
• Consensual decision making
• Consensual decision making
• Infrequent appraisal
• Implicit, informal appraisal with explicit, formalized measures
• Slow promotion
• Comprehensive concern for people

Table 29.2: Characteristics of Theory Z Organization.
Source: Source: Robbins, S. P. (1990). Organization Theory: Structures, Designs, and Applications. Pearson Education India.

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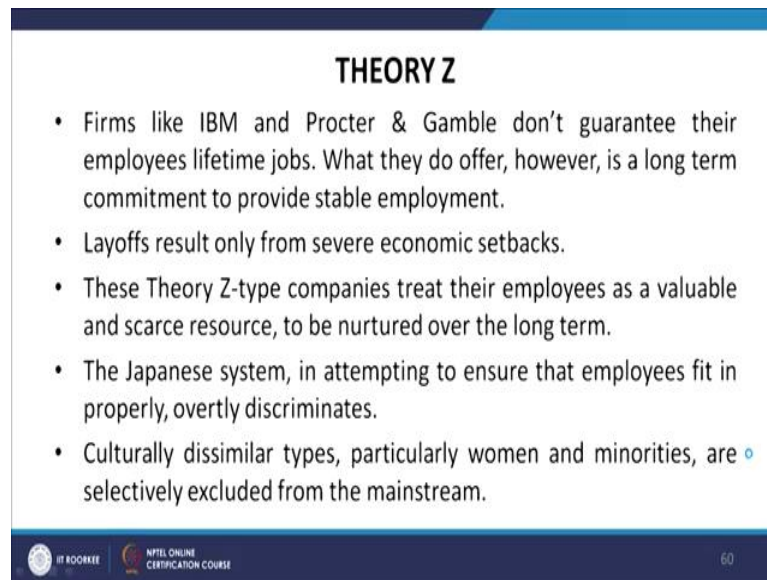
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So, we have this table 29.2 here and it shows the characteristics of the Z organization. So, which are long-term employment, moderately specialized career paths, consensual decision making, individual responsibility, infrequent appraisals, implicit informal appraisal with explicit formalized measures, slow promotion and comprehensive concern for people.

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THEORY Z

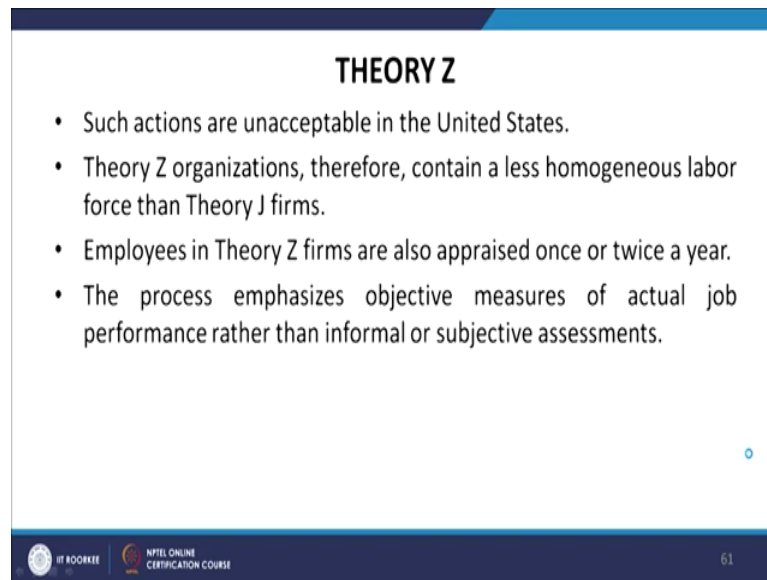
- Firms like IBM and Procter & Gamble don't guarantee their employees lifetime jobs. What they do offer, however, is a long term commitment to provide stable employment.
- Layoffs result only from severe economic setbacks.
- These Theory Z-type companies treat their employees as a valuable and scarce resource, to be nurtured over the long term.
- The Japanese system, in attempting to ensure that employees fit in properly, overtly discriminates.
- Culturally dissimilar types, particularly women and minorities, are selectively excluded from the mainstream.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 60

Firms like IBM and Procter and Gamble do not guarantee their employees lifetime jobs. What they do offer, however, is a long-term commitment to provide a stable employment. Layoffs result only from severe economic setbacks. These Theory Z-type companies treat their employees as a valuable and scarce resource to be nurtured over the long term.

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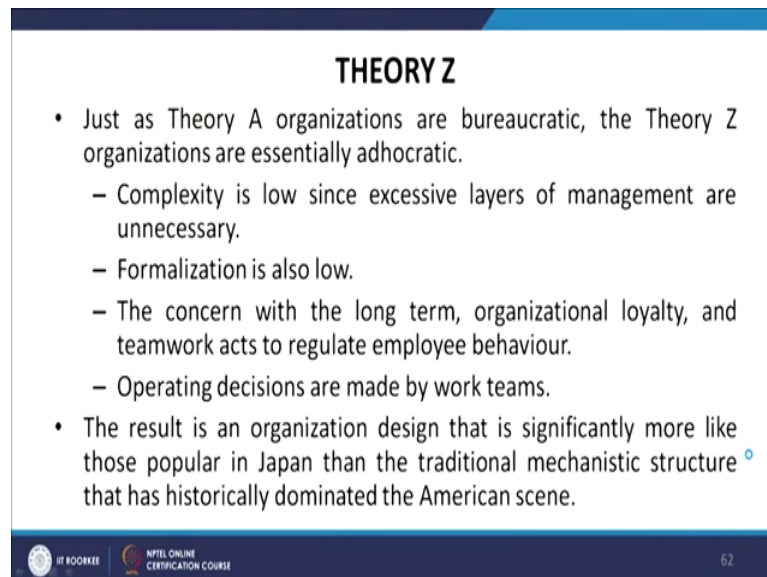
THEORY Z

- Such actions are unacceptable in the United States.
- Theory Z organizations, therefore, contain a less homogeneous labor force than Theory J firms.
- Employees in Theory Z firms are also appraised once or twice a year.
- The process emphasizes objective measures of actual job performance rather than informal or subjective assessments.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 61

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THEORY Z

- Just as Theory A organizations are bureaucratic, the Theory Z organizations are essentially adhocratic.
 - Complexity is low since excessive layers of management are unnecessary.
 - Formalization is also low.
 - The concern with the long term, organizational loyalty, and teamwork acts to regulate employee behaviour.
 - Operating decisions are made by work teams.
- The result is an organization design that is significantly more like those popular in Japan than the traditional mechanistic structure that has historically dominated the American scene.

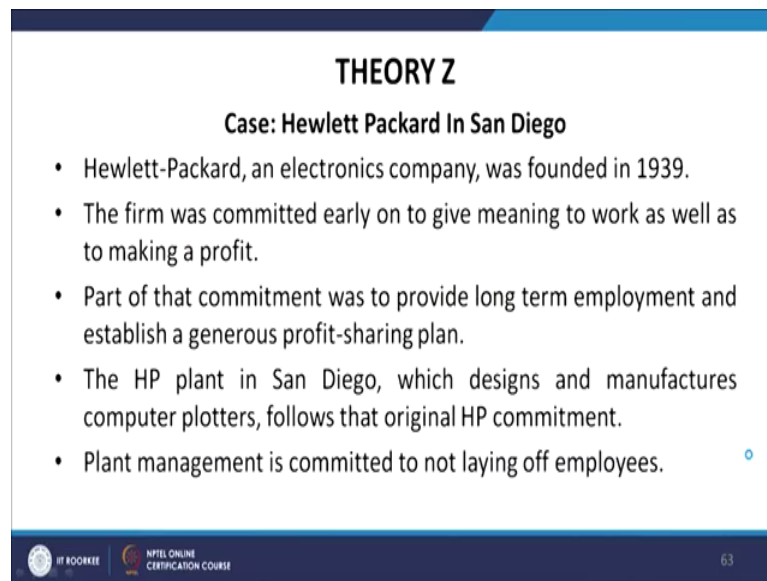
IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 62

Just as Theory A organizations are bureaucratic, the Theory Z organizations are essentially adhocratic. Complexity is low since excessive layers of management are unnecessary. Formalization is also low. The concern with the long term, organization

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THEORY Z

Case: Hewlett Packard In San Diego

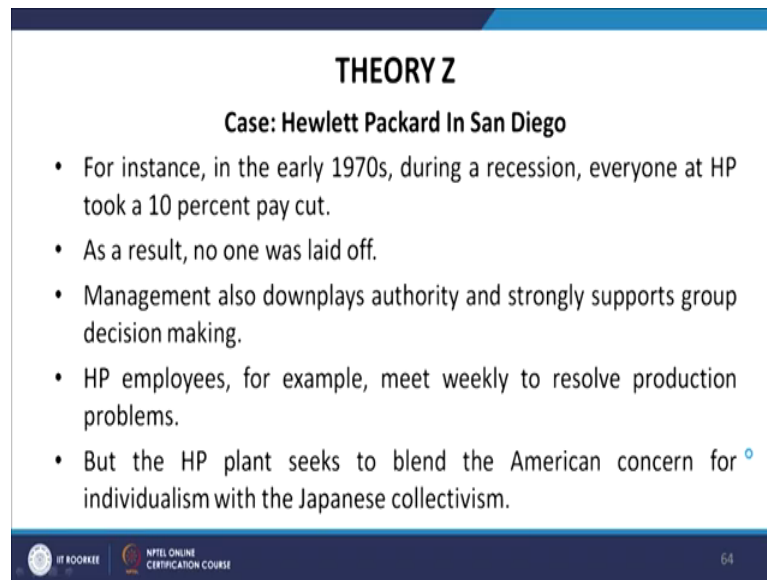
- Hewlett-Packard, an electronics company, was founded in 1939.
- The firm was committed early on to give meaning to work as well as to making a profit.
- Part of that commitment was to provide long term employment and establish a generous profit-sharing plan.
- The HP plant in San Diego, which designs and manufactures computer plotters, follows that original HP commitment.
- Plant management is committed to not laying off employees.

NPTEL ONLINE CERTIFICATION COURSE 63

Now, let us look at the case of HP in San Diego. HP, an electronics company was founded in 1939. The firm was committed early on to give meaning to work as well as to making a profit. Part of that commitment was to provide long term employment and establish a generous profit-sharing plan.

The HP plant in San Diego, which designs and manufactures computer plotters, follow that original HP commitment. Plant management is committed to not laying off employees.

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THEORY Z

Case: Hewlett Packard In San Diego

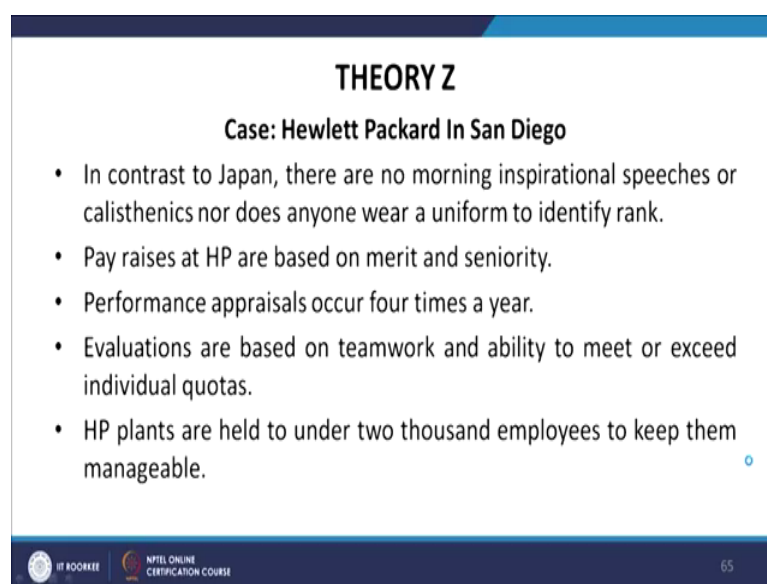
- For instance, in the early 1970s, during a recession, everyone at HP took a 10 percent pay cut.
- As a result, no one was laid off.
- Management also downplays authority and strongly supports group decision making.
- HP employees, for example, meet weekly to resolve production problems.
- But the HP plant seeks to blend the American concern for individualism with the Japanese collectivism.

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THEORY Z

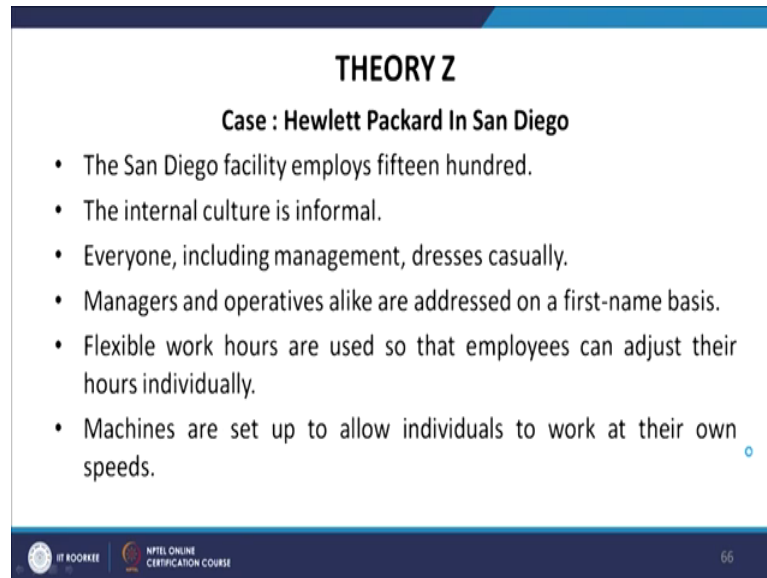
Case: Hewlett Packard In San Diego

- In contrast to Japan, there are no morning inspirational speeches or calisthenics nor does anyone wear a uniform to identify rank.
- Pay raises at HP are based on merit and seniority.
- Performance appraisals occur four times a year.
- Evaluations are based on teamwork and ability to meet or exceed individual quotas.
- HP plants are held to under two thousand employees to keep them manageable.

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THEORY Z

Case : Hewlett Packard In San Diego

- The San Diego facility employs fifteen hundred.
- The internal culture is informal.
- Everyone, including management, dresses casually.
- Managers and operatives alike are addressed on a first-name basis.
- Flexible work hours are used so that employees can adjust their hours individually.
- Machines are set up to allow individuals to work at their own speeds.

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CONCLUSION

- We started this module by discussion on the Matrix.
- We discussed about the strengths and weaknesses of the Matrix and when this configuration should be used.
- To better understand the concept, we illustrated the case of General Mills implementing the Matrix structure.
- We compared temporary versus permanent forms of adhocracy.
- We, also, identified the characteristics of Theory Z organizations in comparison to Theory A and Theory J.
- Finally, we summarized the discussion by a case study - Hewlett Packard In San Diego.

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So, to conclude this module, we started this module by discussion on the matrix. We discussed about the strengths and weaknesses of the matrix and when this configuration should be used. To better understand the concept, we illustrated the case of General Mills, implementing the matrix structure.

We compared temporary versus permanent forms of adhocracy. We, also, identified the characteristics of Theory Z organizations in comparison to Theory A and Theory J. Finally, we summarized the discussion by the case study – HP in San Diego.

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And, these are the four books used for making this module.

Thank you.