## Organisations

This article was written in response to the 'From Elsewhere' article published in the January 2003 edition of Management Services.

The style of the following article is similarly pejorative!

I$t$ is perhaps just as well that much of the organisational world is populated by 'Elsewheres' - without them us 'specialists' would lead a very quiet life! Elsewhere will be referred to throughout as ' $E$ ' to reflect the joy brought to those of us who benefit from his physiological effect on organisations - vast and inappropriate expenditure, temporary euphoria and the often subsequent feeling of depression! It is just as well us specialists are around to save the patient!

To summarise, E - while ignoring the initial ramble about the NHS, the Greeks and the 'uptitling' of Personnel to Human Resources - seems unduly exercised by 'the tendency to employ specialists of all kinds which can lead to line managers abdicating their responsibility' with consequent deleterious effect on costs and criticises the adoption of 'me too' thinking in designing organisations. He takes a passing shot at the emergence of academic ideas into the organisational domain. All this is good fun, well meant and enjoyable. However E's proposed solution leaves at least as much to be desired as those approaches which he derides!

## ' $E$ ' for

 Elsewhere or Ecstasy?by Dr John Beckford mms



I wonder whether, in his hospital stay, E would have been content to have his diagnosis and treatment delivered by an individual with no particular training in the pathology of his condition - as he proposes for organisations?

## Designing Organisations

About 100 years ago as truly large scale organisations began to emerge, thinkers such as Frederick Taylor (1911) and Frank and Lillian Gilbreth began to deal with the problems of labour efficiency Scientific Management - whilst Fayol (1916) was working on the principles of Administrative Management and Weber (1923) introduced the concept of 'Bureaucracy'. Later the work of Roethlisberger, Dickson and subsequently Mayo (1949) drove consideration of the importance of human relations in the workplace with subsequent work by Herzberg (1959) and Maslow (1970) explicitly dealing with the issues of motivation. Woodward (see Pugh \& Hickson, 1970) made explicit the relationship between the preferred structure of a successful business, it's size, the nature of its product and production process and the particular form of organisation best suited to its control and management. Essentially she found that traditional 'old tech' businesses tended to be very pyramidal, whilst then modern 'hi-tech' businesses were generally flatter and wider. During the 1960 's and 70 's Contingency Theory and Systems Theory began to be used explicitly in the design of organisations leading to substantial innovation and the emergence of organisational forms such as the management matrix. During the 80 's and 90 's there was an increasing move towards organisational strategies built around notions of quality and re-engineering (see Beckford, 2002 for an explanation) and further more complex forms of organisation design, especially for large-scale and global businesses, began to dominate.

Now, E does recognise one serious problem in this regard and that is the 'faddist' approach of many organisations, with ongoing debates about 'whether the organisation should be flat or pyramidal', arguments which are inherently sterile - because the answer is that they should be both and neither! E is also right in his passing attack on the academic need to publish - regardless of the value of that which is published - this need has driven the publication of a staggering range of wrong answers to the problems of organisation many of which, as E implies, fail to deal with the 'real' problems of their subject being rooted entirely in abstract theory and untested in meaningful practice.

E's own proposal for building an organisation swings radically away from the abstract and untested 'theoretical' school of design to an approach that may be best thought of as pragmatic and miserly - but piecemeal. As one major shareholder in a small business I have, of course, to agree that considered spending as opposed to miserly spending is good much vital money can be wasted on unnecessary or unproductive staff if 'big company' mentalities are let loose in a small business. Where E is wrong is in the adoption of unalloyed pragmatism and the piecemeal nature of the solution, ie a form of pragmatic organi-
sational imperialism which lacks any coherent theoretical appreciation of the nest of relationships (the whole organisation) to which the solution is being applied. It is precisely this piecemeal cobbling together of organisations that Parkinson (1965) tackled in 'Parkinson's Law' and, much later, was described as generating 'cowpaths' by Hammer and Champy (1993).

Consulting interventions in large-scale, traditional organisations such as train operating companies, banks, distribution businesses, steelmakers, food producers, ferry companies and hospitals over a period of 20 years, reveal that, far from being badly organised as a direct result of the intervention of specialists, or even from the application of 'best practice directives' emerging from 'academic regions' they are badly organised as a result of ill-considered piecemeal 'development'. It is precisely the failure to apply appropriately professional thinking, tools, techniques and standards to the design of organisations that is the problem!
This culminates in organisations which are overly bureaucratic, over administered and under-managed, stunningly inefficient in their application of resources (of all types - not just human) and ineffective in the pursuit of either their own objectives or in meeting the needs of their customers - and the perennial demand for higher prices or, in the case of public services, bigger budgets.
In this author's experience of several hundred organisations, none has yet been seen that cannot benefit from the application of a high level of specialist skill to its design! The evidence of the need for this specialist help can be seen in the business news daily as organisations in the private sector continue to implode under the weight of managerial incompetence and others, especially in the public sector, survive only by the devious application of double taxation under the guise of sponsorship, top-up fees, private finance initiatives and pseudo privatisation.

## (Re)-Designing Organisations (in theory)

There is a body of knowledge - Organisational Cybernetics, (Beer, 1959, 1966, 1974, 1975, 1979, 1981, 1985), which emerged from Operational Research during the 1950's and which enables us to resolve the conflicts between pyramidal and flat organisations, between the theoretical 'best practice' and the pragmatic 'lowest cost' and between the responsibility of the line manager (which must not be evaded) and the application of 'specialist' skills and knowledge to those problems which the line manager must resolve.

This 'neurocybernetic' model of organisation supports the notions of empowerment - the freedom to act of the 'human resources' (much talked about but little practised), efficiency (the best value operation - not necessarily the lowest short term cost) whilst creating the potential for effective achievement of the purposes of the organisation (the managerial responsibility).
Organisational Cybernetics addresses the problem of organisation from the standpoint that every
venture seeks 'sustainability', that is it seeks - through its human stakeholders - to survive in its environment and recognises that the environments of organisations (the political, economic and social milieu in which they operate) are in a persistently dynamic state, ever changing and evolving to present new challenges to survival.
It follows from this that the organisation itself must be designed and built in such a way that it is capable of recognising the changes in its environment and adapting to them whilst, simultaneously, attempting to modify that environment - usually through the activities we call marketing and sales - to be more in tune with its own needs. Any organisation which is designed in this way, and adopts both the organisational and behavioural principles which underpin the model, will be ultra-stable (Ashby, 1960). It will survive.

An organisation which balances the series of conflicts which it faces in order to survive sounds hard to conceive. Think - it balances freedom with control, empowerment with regulation, stability with adaptation, short term survival imperatives with pursuit of long term aspirations, decentralisation with centralisation, flat with pyramidal!

Quite a trick - so how is it done? By DESIGN! The feats described in the preceding paragraph cannot be achieved by the piecemeal addition of extra bodies nor by the application of inconsistent, incoherent and partial 'theories of organisation'. It is achieved by drawing on ideas from the most rigorously developed and tested organisational model in our knowledge and experience, which embraces the characteristics outlined, and translating it into a form suitable for the organisations we create between us. This idealised model of any organisation can then be (and has been) rigorously tested in theory (with appropriate mathematics) and proven through practical application. The applications can then be improved through reflection with improvement following as a natural consequence.

This most rigorously developed and tested model, embracing the characteristics outlined, is the human nervous system - and each of us achieves the trick outlined in the preceding paragraphs.

## (Re)-Designing Organisations (in practice)

This idealised model of organisation was applied by its originator, Stafford Beer, and his collaborators to, relatively, simple processes within organisations (steel making), to whole bodies corporate and to an entire industrial economy. It has been applied by others to entities as different as the organisation of an ant colony and that of a hospital service, from a virtual training network to a network of TV stations.

Each of these numerous applications has enjoyed some substantial success in improving performance, in reducing costs or increasing income (or both), in the human realisation of the flaws in the established organisation and in the relocation of decision power to those closest to the problems being solved by the organisation.
For myself and my colleagues over many years, we have applied the model to businesses in fields as diverse as steel production and distribution, railway


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operation, ferry operation, vehicle distribution and repair, food production and distribution, healthcare provision, logistics operations, education provision, financial services (banking and insurance), chemical research, property management and to the supporting specifics of information systems design, software development, regulatory compliance systems and production management and control systems.
In each case, without exception, we have identified fundamental flaws in the organisations and systems studied which, when corrected, enable massive savings to be accrued whilst simultaneously enabling the organisation to substantially enhance delivery of service or product to its customers, ie to achieve its objectives with greater success and lower cost.

Commercial confidentiality precludes the naming of organisations in this paper, but typical outputs from consulting interventions using the methods outlined in this paper include productivity improvements of greater than $30 \%$ and reductions in managerial overhead greater than $25 \%$ with reductions in administrative activity of more than $50 \%$. Coupled to this are the devolution of decision power to those staff and managers closest to the customer - reducing the response time to customer requests and complaints - and the creation of accurate, effective and timely performance reporting systems which enable the organisation, in real time, to respond to the perturbations, disturbances and shocks it receives from its environment.

## . . . . the jerky writing!

E has 'never understood why the typical management finds it so perplexing to devise an organisation structure suited to the needs of their organisations' - and, to some extent he is right, it is, relatively, easy but . . . . it is a perplexing task!

Only when the purpose(s) that the organisation exists to achieve, the dynamics of the external context in which it seeks to achieve them and the internal normative, cultural, political and economic constraints acting upon it have been understood is it possible to undertake a valid, meaningful intervention. This applies as much to the Manager internal to the organisation as it does to the 'specialist', consultant or the academic (though by no means all of the members of these three groups respect the requirements of the previous sentence). It applies equally to the addition (or not) of one extra person as it does to the total redesign (or re-invention) of the organisation.

The value added through effective organisation design is a direct function of the subsequent fitness for purpose of the resulting structure and the capability for ongoing adaptation which is built in, not only to the structure itself but also to the behaviours adopted by the individuals within the organisation and the design of the information systems (whether managerial or executive) upon which managers rely for decision support.

The spasmodic performance of many organisations is, in its turn, a direct function of the inadequacies of their design and this can occur for several reasons. First because staff are added or subtracted from the structure entirely on the basis of lowest economic cost NOW. Second because the theories of design espoused by some consultancies and some academics ARE inadequate for the task to which they are addressed. And third because the task is seen as 'simple' and not requiring any particular thought and can therefore be undertaken by anybody!
Within a well designed organisation with an appropriate information system and a meaningful performance management regime the addition or subtraction of staff IS simple and the consequences of such changes can be both anticipated and smoothly accommodated enabling rapid adaptation of the organisation to changing circumstances.

Contemporary organisations are usually either big or complex creations - often they are both - and certainly they are equally
often quite sophisticated. It seems only appropriate that rather than applying either a partial or untested 'best practice' tool or a purely pragmatic lowest cost sticking plaster, we should apply a methodology at least as sophisticated as the organisation itself in order to help dissolve its problems!

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## North West Region

## Visit to Warburtons Family Bakery

Hereford Street, Bolton<br>Wednesday 9 April, 7.30 pm<br>(Access via Waters Meetings Road Roundabout off A666 Blackburn Road)

This visit involves a considerable amount of walking, including the negotiation of a number of stairs, it is also subject to safety, security and hygiene requirements.

Members and guests welcome.
For further directions and information please contact either:

> Minute Secretary: Frank Booth home/bus telephone: 01204656486

> Executive:
> Keith Gowing
> home/bus telephone: 01619620367

Or any of your board members

