

QUALITATIVE RESEARCH INTO THE EFFECTS OF A CHANGING ORGANISATION STRUCTURE AT ONE IRISH COMPANY

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ABSTRACT

The effects of change in organisation structure at one district of an Irish company is examined. Senior and middle managers were strongly in favour of the restructuring because there were significant improvements in achievement of district and local area targets. Lower level managers were less satisfied with restructuring because of a greater level of both responsibility and accountability experienced by those managers. The company changed from a functional structure to a structure based on geographical areas within districts. A system of strict demarcation of tasks was changed to operating on the basis of multi-skilled teams.

INTRODUCTION

The aim of this research paper is to highlight the way changes in organisation structure have affected managers who work at one Irish company. The paper focuses on the nature of the changes taking place within the company and how those changes have affected managers operating within one particular district. Managers were interviewed in order to ascertain their perception of the restructuring. The managers interviewed were asked whether they were in favour of restructuring and how restructuring would affect them in the long term. The paper discusses the company's old and new organisation structure; the impact of the changes within the company; and concludes with some remarks about how future research will proceed.

THE RESEARCH PROJECT

The research project overall consists of a longitudinal study into the functioning of the budgeting system. A contingency perspective is being

adopted when carrying out the research project. Consideration is being given to the context in which the company operates and examines how divisional managers set and use budget targets. Divisional managers' ability to provide a quality service and achieve efficiency and effectiveness in their operations is affected by the level of resources which they have at their disposal and the level of targets which have to be achieved. The study has developed gradually over two years and the current focus of the research is dominated by the changes in organisation structure which took place during 1992.

ORGANISATION STRUCTURE: CONTINGENT VARIABLE

The organisation structure describes authority and responsibility relationships that exist and has connections with the design of responsibility systems. Chenhall, Harrison and Watson (1981) point out that interdependency of activities, joint responsibilities and the use of integrative devices may cloud the precise determination of controllability and traceability. McNally (1980) provides a review of the potential dysfunctional aspects of responsibility accounting which arise from attempting to put into operation the principle of controllability.

a) Segmentation

Segmentation of activities by individual managers is an essential aspect of formal organisation structure. Lawrence and Lorsch (1967) referred to the segmentation of activities as differentiation which includes the tendency of organisational sub-units to develop their own ways of organising themselves to cope with their own specific circumstances. The complementary process of integration is necessary to coordinate the activities of the different sub-units and the accounting information system is part of this process. The degree of integration necessary depends upon the degree and type of differentiation adopted.

Horizontal integration can help safeguard the survival of an organisation by conferring a more dominant market position, while vertical integration can help reduce the uncertainty involved in securing scarce resource inputs, production technologies and distribution channels. Diversified growth reduces uncertainty but does so by risk pooling which may engender significant management problems. Lorsch and Allen (1973) provided evidence that successful firms combine a high degree of differentiation with an appropriate level of integration. Galbraith (1972) indicated that integrative devices can take various forms such as company

rules, manuals and operating procedures, organisational hierarchy, planning systems, liaison roles, task forces and integrators who specialise in the task of coordinating activities for either individuals or departments or via a matrix form of organisation. Watson and Baumler (1975) found that as the list of integrative devices progresses they become increasingly sophisticated and that accounting information systems are usually concerned with rules and routines incorporated into manuals and straddling the organisation hierarchy.

b) Independence

The most straightforward type of divisional structure from an accounting viewpoint is where divisions exist that are largely independent of each other except for pooled interdependence which occurs because of common ownership. Independence arises when the business is geographically decentralised to serve local markets, and each division both manufactures and sells locally. Independence also arises when the business expands by unrelated diversification so that the divisions manufacture and sell quite different products. Divisions are designed as profit or investment centres and a complete range of accounting statements are produced as if the divisions were independent companies in their own right. Empirical evidence needs to be gathered before design prescription can be advanced. Systems designers will need to design control systems which will enable management to maintain and improve both managerial and organisational efficiency and effectiveness.

c) Interdependence

Thompson (1967) categorises organisational interdependence as: pooled, sequential and reciprocal. Pooled interdependence exists where quasi-independent companies are left to run their own businesses subject only to financial controls imposed by holding companies. Sequential interdependence occurs where there is a one-way flow of goods or services between units (production flows in vertically integrated manufacturing firms). Reciprocal interdependence occurs where the output of one unit becomes the input of another and vice-versa. Hayes (1977) used these categorisations together with contingencies of environmental relationships and factors internal to the sub-units such as production, marketing or research and development. Performance was considered to be the dependent variable although Tiessen and Waterhouse (1978) heavily criticised the particular measures used. Bruns and Waterhouse (1975) argued that a manager's budget-related behaviour is contingent upon various aspects of organisational structure such as centralisation, autonomy and the degree to which activities are structured. They concluded that different control strategies are appropriate

in different kinds of organisations. Williamson (1970) argues that as an organisation grows in size it will initially organise on a functional basis. Increased growth through diversification and exposure to different product-market environments prompts the reorganisation of activities into semi-autonomous divisions.

The accounting information system can be used to measure and compare divisional performance in a way that is congruent with the organisation's overall performance. Organisational structure both depends on other contingent variables and is a factor in its own right. Autonomy and interdependence contribute to the degree of unpredictability faced by managers operating within different divisions. Managers need to be able to control and predict the operation of the internal and external environment in which they have to operate in order to maximise their performance and the performance of their division.

QUALITATIVE RESEARCH

Research has been carried out through the process of interviewing managers working at different levels within the organisation. The interviews were carried out in an in-depth but informal way. Managers talked about their opinions of the restructuring and explored areas which they felt were important to their own particular situation.

Jones (1981) explains that the analysis of qualitative data involves the process of interpretation and creativity which is difficult as there are no definitive set of rules which can be followed by rote. There is a process of making sense of the data, finding a structure and giving it meaning and significance. The process includes gaining an understanding of the world in which the manager functions on a daily basis. The key issues according to Psathas (1973) is whether the end result of the enquiry fits, makes sense of, and is true to, the understanding of the research participants (that is, managers) in their everyday world (their divisional unit or sub-unit). Theory, which is then developed from the basis of such interviews, can be used as the basis of explanation and prediction for those participants in a given situation (Glaser and Strauss, 1967).

CARRYING OUT THE RESEARCH

The overall research project is being carried out at three of the eight districts within the company; this paper focuses on the perception of

managers in one of those districts which will be called District X. Contact was made with District X three months after restructuring took place. Managers at different levels within the district were interviewed to find out: how the restructuring has impacted on their job; what restructuring has meant to them; what targets they had to achieve (technical and financial) and how performance was evaluated.

Managers interviewed were from different levels within the district which included:

- Level two — Deputy District Manager
- Level three — Assistant Staff Engineers
- Level four — Engineering Managers
- Level five — Customer Team Leaders and Central Planners.

Managers were willing to talk openly about their perceptions of the restructuring, its benefits and limitations.

Three sites were visited where interviews were carried out, the locations include the head office for the district and two area offices within the district. A total of 15 managers were interviewed including the deputy district manager, four assistant staff engineers, five engineering managers and five team leaders. The interviews lasted from one to three hours, and the deputy district manager and some of the assistant staff engineers were seen twice. Notes were taken during the interviews. There was no fixed agenda for the interviews and managers were encouraged to talk openly, explaining how they felt about the restructuring, including both the positive and negative aspects of the restructuring.

The need for changes that had taken place within the company were identified. The changes that took place and how the changes were brought about were explained. The limitations on implementing restructuring were identified. Feedback from the managers interviewed was included together with the effects on productivity. The future for the company and the actions being taken to ensure that a quality service is provided to customers were discussed.

THE NEED FOR CHANGE

In a competitive environment customers expect a quality service which is provided quickly and efficiently. In order to provide this quality service the company looked at the existing structure within which it operated. It

examined its operations to find out about its level of efficiency and effectiveness. Within this company there were two major limitations within its existing structure. One, the functional structure that existed together with restrictive work practices proved inflexible and limited management and workers in achieving district and local area target levels in the provision and restoration of service to customers. Two, the image of the company in the eyes of customers was very poor.

The strict demarcation that existed meant that several workers were needed to provide and restore service. Large gangs of men were required to complete different jobs; one man could only complete his particular task and other men were needed to finish the job. Often jobs were left unfinished waiting for a fitter or jointer or some other skilled worker. Customers were generally dissatisfied with jobs left unfinished. Customers were referred to as subscribers rather than customers and the quality of service provided was very poor. In order to reduce the time taken to provide and restore service and improve the quality of service provided to customers, the changes in organisation structure were brought about. The type of changes that took place within the company are discussed.

WHAT CHANGES TOOK PLACE?

This service company is divided up geographically throughout Ireland into eight different districts, and each district is subdivided into local areas. This section discusses what changes took place, identifying the old and the new organisation structure, together with changes in posts that took place.

a) Old Structure

Before restructuring, a functional structure existed within each district. The technical functions included construction, maintenance and planning. Senior managers within each district had specific responsibility for one of the specialised functions in their particular local areas.

b) New Structure

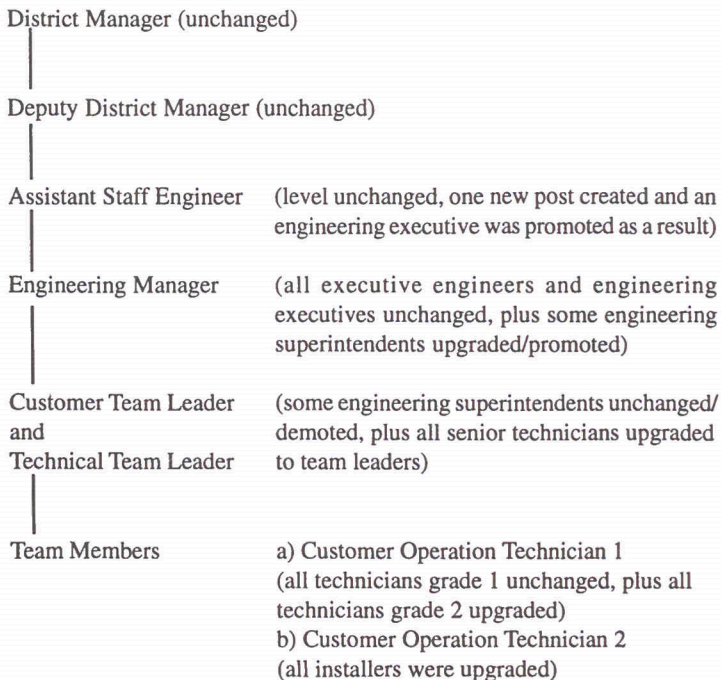
Under the new organisation structure, managers are responsible for all the functions within their particular local areas. Closely linked to the change in organisation structure are the changes in work practices that have taken place at the same time as the changes in structure within the company. There has been a move away from the demarcation in the type of work done by specific members of staff to multi-skilling, where staff

work as members of a team and each team member is trained and can be asked to carry out any task involving construction, maintenance or planning.

c) Changes in Posts

In the restructuring, not all managers got the posts that they wanted. The mix of staff in the local areas was changed as some managers were assigned to different local areas. There was movement of manpower at the fifth, sixth and seventh levels of the hierarchy within the district (see **Figure 1**). The grades who appear to have benefited are those at the lower levels such as installers and technicians grade 2, while technicians grade 1 remained at the same level. How the changes were brought about are discussed below, taking into account how posts were allocated and who was promoted.

Figure 1: Changing the organisation structure



HOW WERE THE CHANGES BROUGHT ABOUT?

I will now look at the way posts were allocated, together with the changes in methods used in promoting managers.

a) Allocation of Posts: Winners and Losers

Allocation of posts under the restructuring was carried out in two ways. First, everyone at a particular grade was upgraded to the next level in the hierarchy without any interview. The change in grade was negotiated with the trade union nationally: for example, all senior technicians became team leaders. Second, the allocation of particular posts within District X took place through an interview system.

Winners: Workers who performed well in their job before restructuring were promoted to the next grade in the hierarchy. First line managers could have been promoted to the next grade up or stay on the same level as before and become team leaders.

Losers: There was a perception among the managers who were not promoted that a down grading took place in their status because the best managers were being promoted and they were not included in that group of managers. There was no downgrading in salary for the first line managers who were appointed team leaders.

b) Promotion

The allocation of posts on the basis of merit was a move away from the traditional way of promoting managers. Managers' performance in the past was taken into account. Performance was assessed based on achievement of local area target levels. Consideration was given to the time taken by the manager's local area to provide and restore service to customers; this was compared with the pre-set target times allowed by the company. The proportion of services provided within target times and outside target times was taken into account.

In the past, managers had been promoted on the basis of seniority on a panel. Managers were interviewed and a panel was set up which listed the names of managers who were eligible for promotion. The criteria used to assess managers in order to get a place on the panel included training and experience. Once a member of staff got his name on the panel, he waited. As soon as a post became available at the next level up in the hierarchy that post would have to be allocated to the person on the top of the list. Managers were rewarded for long service. Their performance since their name was put on the panel was ignored. The

factors which had a limiting effect on the implementation of restructuring will now be identified and discussed.

LIMITATIONS TO THE IMPLEMENTATION OF RESTRUCTURING

Initial limitations in implementing the restructuring within the district included the provision of training courses for team members to become multi-skilled. Managers and team members did not have the skills necessary to implement the multi-skilling immediately. Members of the team were sent on in-house training courses to bring their skills up to the standard where they can provide quality service to the company's customers. Before restructuring came into effect, each customer team leader went on one course which included three topics: team working, motivation and leadership. Engineering managers were being given more extensive modular training courses which included leadership, finance, strategy, information technology, marketing and management. The company is seeking to improve the engineering managers' managerial skill.

There was an initial shortage of transport for men to work in one and two man gangs. In the past, gangs of three, four or five men used to work together and one vehicle was sufficient for that gang. Now there are fewer men in a gang and more vehicles are needed for the one and two man gangs. There is also an initial capital cost of acquiring new vehicles.

The third area of limitation is the provision of telephones with free rental for members of the team who are on call. Customer team leaders and one other team member have a telephone with free telephone rental. Managers had to consider which members of the team should have the free telephone rental.

The views of the managers interviewed including both senior managers and first line managers are identified in order to gain an understanding of their perception of the restructuring.

FEEDBACK FROM MANAGERS WITHIN THE DISTRICT

Feedback on the views of managers interviewed are discussed. The views of both senior managers and first line managers are included.

a) Senior Managers within the District

Senior managers within the district, including the deputy district manager and assistant staff engineers, are very pleased with the restructuring that has taken place. There are significant improvements in achievement of district targets. They felt that moving to one man and two man gangs would provide significant improvements in productivity and increases in the morale of the team members who under the new system have variety in the work which they do. Demarcation in work practices is gone and each team member is empowered to complete the task assigned. The image of the team member and the company is improved considerably in the eyes of the customer when they see one company representative coming to do a job and that job is completed efficiently and effectively.

b) First Line Managers within the District

First line managers (that is, team leaders) had mixed views about the restructuring and not all of them are positive. Their perception appeared to be that:

- They had taken on a lot more work and responsibility
- They had not received the financial rewards to match the amount of work which they had to do.

Team leaders are responsible for ensuring that the targets for fault clearance and provision of service to customers for their local customer service area are met. Team leaders feel exposed in the sense that senior managers within the district produce unit cost analysis for different activities by different customer service area. Senior managers prepare statistics showing how each local area is performing in relation to other local areas, and team leaders within the district are made aware of their performance in relation to district targets. If any team leader is not meeting district targets, then his colleagues are aware of that. There is peer pressure to achieve district targets in order to avoid being seen in an unfavourable light by colleagues.

Consideration is given to the future of the company with a view to looking at how a quality service can be provided to its customers. Customer needs are also taken into account.

THE FUTURE FOR THE COMPANY

The company is planning ahead and looking to the future with the preparation of a master plan for the company's network. The provision of a quality service by the company in order to satisfy customer needs

is of utmost importance to the company. Demand for future services is being estimated in order to ensure future demands can be met.

a) Planning for the Future

The aim of the company is to provide a quality service to its customers. The company has the motto 'getting it right first time'. Managers are expected to provide or restore service within a targeted time limit and within a certain cost structure. The key element in the approach being adopted by senior management within the company for the future is the preparation of master plans for each district.

Master plans involve the preparation of detailed plans for the overhead and underground network for the district, giving detailed information about the age, size and capacity of the network. In addition to the preparation of master plans for the network, information is also being assembled about the dispersion of the population within the district; local areas, where new housing estates are going to be located; and the number of lines available on the network for the existing population. Data on the location of businesses and their projected requirements for additional services in the future are also being assembled. All this information is being collected in order to facilitate forward planning to anticipate where additional service will be needed in the future and to ensure that existing services are not overloaded by sudden demands for service in particular local areas.

b) The Customer

In order to bring about a change in the attitude to the company's customers, it is necessary to have a major change in the culture of the company. The change taking place is so extreme that it means moving the customer from the lowest level of priority to the highest level. The attitude to the customer is seen as a key factor in the provision of a quality service. Finding out what the customer wants, and making the customer aware of the services which the company provides, are key issues in providing a quality service. The overall aim within the company, and in particular in District X, is the provision of service by appointment. When a new customer makes a request for service, the company's representative should be able to make a specific appointment telling the customer when members of the team will visit the customer's premises and provide the service. Placing emphasis on the customer's needs is of vital importance within the district, anticipating where service will be required and ensuring that the network within the district and local area has sufficient spare capacity to provide that service when requested by the company's customers. It is not only the provision of service within

a specific time that is important but the provision of that service at the minimum cost to the company.

A general move is being made within the district to make managers aware of the limited capital and current budgets that are available to be spent within the district. The network has to be built and maintained to sufficient standard within the district to be able to provide service to customers in any part of the district.

c) Demand for Company Services

The demand for company services in urban and rural areas is different, and the bulk of the budgets are spent on the urban area where a greater return on the investment by the company can be earned. There is a higher volume of business in urban areas. In addition to the difference in rural and urban areas, there is a difference between the volume of business required by business customers and private customers. Once again, on a commercial basis, priority would be given to business customers where a greater return on the level of investment made by the company can be earned. Therefore, the company overall and the individual districts are adopting a new approach to providing service to customers.

CONCLUSION

The changes that took place in this company were brought about because of the difficulty experienced by management and workers in providing a quality service to customers in an efficient and effective way. The changes in structure together with the introduction of flexible work practices provided a major step forward for the company. The company is looking to the future in the preparation of master plans of the company's network and finding out where potential customers are in order to be able to provide service quickly and efficiently to customers.

Segmentation of activities is taking place within the company, where the teams of multi-skilled workers are organising themselves to cope with their own specific environment. Activities are coordinated by the team leader. This company is providing a high degree of differentiation and at the same time maintaining a level of integration (Lorsch and Allen, 1973). The different districts that exist within the company are largely independent of each other. The restructuring that took place in this company is in keeping with Williamson (1970), who maintained that as organisations grow in size they will initially organise themselves

on a functional basis and as growth increases the company reorganises its activities into semi-autonomous divisions.

Empirical evidence needs to be gathered in order to assist in the theoretical development of the functioning of management and the practical operations of management on a daily basis. This case study records how one company changed its organisation structure in order to improve the quality of the service it provides to its customers. It records one example which could be included with other cases and used as a basis for building a prescriptive model of how management will act in similar circumstances.

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