

# CHAPTER 1

## STRUCTURE, PERFORMANCE, COST, AND OUTCOME

### 1. Structure and Performance

Organizations differ one from another in all sorts of ways, and there is very little that one can say or do about how well they work or how to design them unless they all have something in common. Each is a set of people who are put into some order on the basis of a specific logical relation that exists between one person and at least one other in the set. The set and the logical order create a 'pattern' of the people in the set, something that we may call a structure. When the logical relation we use is that of genetic parentage, then the set of people becomes ordered, and a pattern or structure becomes evident. Called a family this structure is often described on paper as a family tree. Like families, organizations are also structures, but ones defined on a logical relation that is not that of parentage, but on the basis of the connection between people that comes into being when decisions made by one person are based on the use of a rule created in part or whole by another person. The ordered set of people here is an organization that is often described as a hierarchical chart where the up and down location of people connected by a line represents the relation of logical dependence of the decisions of these people. All organizations share this basic feature and are thus legitimate subjects of generalizations. It is possible for people to learn things from what they did when they were in an organization producing and selling cars which they can apply to determine what they ought to do when they join another organization that is brewing and selling beers. It is this concept of the organization structure that makes it meaningful to talk of experienced managers, without any reference to what the organization to which they belong does. Meanwhile researchers and academics use this basic concept of an organization structure to create generalizations that may be used to replace the learning from experience or at least make it richer and faster. It is this fundamental concept that makes the traditional organization chart of boxes connected by lines have the same meaning whether it is called the

government of the United States, or a beer making firm, or a university, or a household.

At its very simplest, an organization structure would have a set of two people (or one person at two different points in time), and one or two decisions to be made. A simple structure might be created when a person who bought a house decided that the large rock that was in the front yard was to be moved to the back yard. Though the rock sat on top of the ground, it was too heavy for the owner to move by himself, and so he asked his neighbor to help. The neighbor agreed to help, and when the two went over to where the rock was, the owner showed his neighbor where to stand, the direction in which to push the rock, and how hard he was to push. He also told him to start pushing when he heard the owner say 'now', and to stop pushing when he heard the owner say 'that's it'. The owner then stood next to the neighbor, sent him the message by saying 'now', and started to push as did the neighbor. Pushing together in the same direction, they began to move the rock to the required spot. When the owner decided that the rock was where it should be, he sent the second message by saying 'that's it', and both stopped pushing. For his effort the neighbor was offered a beer, which he accepted, and the two sat down and got acquainted. While they were in the process of moving the rock the man and his neighbor were an organization, people who are connected by decision rules that they make for one another to use to determine what they are to decide or do. In this case the rules were made by the owner and were the rule which told the neighbor where to stand, the one which told him the direction in which to push, the one which told him how hard to push, the one which told him when to start pushing, and the one which told him when to stop pushing. Together, the people and the rules that connected their decisions were an organization structure, which determined what was to get done, the performance, and did it. The effort expended and the time it took to get the desired outcome tell us something about the efficiency of this structure compared to other structures which may have been used to get the same outcome. What is important is that this two person organization structure is logically identical to one that describes the organization that is General Electric, or the Catholic Church, or Duke University, or the household of Jill and Jack.

That organization structures have identical logical structures does not mean that they do not differ one from the other. The house owner has a large variety of structures from which to choose, many of which