

Chapter 4

STRUCTURAL LIMITATIONS IN ORGANIZATIONAL DESIGN

The integration-differentiation paradigm

Thomas Gulløv

Department of Marketing and Management, University of Southern Denmark, 55 Campusvej, 5230 Odense M, Denmark

Abstract: This contribution presents the idea that we need to look at the professional bureaucracy and design mechanical structures with lateral knowledge liaisons when exceptions are generated on a continuous basis. By decreasing the information processing need and replacing autonomy with formalization and centralization, individual knowledge workers assigned to organizational tasks can concentrate on specific tasks and will be released from the information-processing demand for more organic structural designs.

Key words: Organizational Design, Information Processing View, Technology, Environment, Size, Structure, Decentralization

1. INTRODUCTION

Organic and flexible organizational forms have received much attention in the organizational design literature, but a central and important question remains: How flexible can we design organizational structures that still are able to perform satisfactorily? External variation and competition have forced organizations to design structures to be even more flexible and to abandon mechanical, organizational forms of organizational design. However, the limit of flexibility and adaptability has not been addressed, and the solution to viability in environments, characterized by high degrees of uncertainty, might be a reduction of the information-processing need rather than an increase in the information-processing capability. On the basis of contributions by Jay Galbraith (1973, 1974, 1977), this paper will examine the structural limitations of flexible organizational forms and describe

variables affecting the organizational design in environments characterized by non-routine technology and high uncertainty.

For many years, Ashby's law of requisite variety (Ashby, 1956) has guided organizational theorists in postulating that organic, flexible organizational designs are the solution to ever increasing, uncertain environments and non-routine technology situations. As suggested by D'Aveni (1994), the solution to short periods of advantage punctuated by frequent interruptions are to design organizational structures to be even more flexible (Aaker and Mascarenhaus (1984), Weick (1982), Thompson (1967)). However, where most definitions see flexibility as opposed to stability, several authors recognize that flexibility only makes sense combined with stability, see e.g. Weick (1982) and Volberda (1996). The demand for organic and flexible structures of organizational design must therefore include the assumption that elements of stability have to be present.

Flexibility without stability results in chaos, Volberda (1996, p. 360).

Regarded from an information-processing point of view (Arrow (1974), Thompson (1967), Galbraith (1973, 1974, 1977)), the variable creating stability, when designing more flexible, structures has been the processing of information. However, when the information-processing, due to information overload (Bruner, 1957), generates multiple exceptions rather than solving exceptions, the stability-creating variables lack in the information-processing process of more organic organizational forms. This information overload can be seen as communication stress (Meier, 1963):

...whenever an organization fails to complete transactions for which it is responsible as rapidly or as accurately as is felt desirable. (Meier, 1963, p. 522)

Combining the contributions of Burns and Stalker (1961), Galbraith (1973, 1974, 1977), Lawrence (1981), Woodward (1965), Perrow (1967), and Burton and Obel (2004), the following question arises:

RQ1 How can we design organizations to perform satisfactorily in situations with non-routine technology facing high degrees of uncertainty?

2. SOURCES OF STRUCTURAL COMPLEXITY

What the model suggests is, that the structural design of the information-processing capability and the information-processing must originate from a strategic choice of adaptability. This choice of information-processing