

CHAPTER 4. STRUCTURING AND RESTRUCTURING

CHAPTER 4 OVERVIEW

Chapter 4 Summary

In Chapter 4, the authors explore nine basic structural tensions that organizations face when searching for an appropriate structure:

1. Differentiation versus integration.
2. Gaps versus overlaps.
3. Underuse versus overload.
4. Lack of clarity versus lack of creativity.
5. Too much autonomy versus too much interdependence.
6. Too loose versus too tight.
7. Diffuse authority versus over-centralization.
8. Goalless versus goal-bound.
9. Irresponsible versus unresponsive.

To balance these opposing tensions, organizations evolve a variety of structural configurations. Mintzberg discusses five possibilities: simple structure, machine bureaucracy, professional bureaucracy, divisionalized form, and adhocracy. Helgesen adds an additional image: the “web of inclusion”—an organizational form that is more circular than hierarchical. Each structural configuration has strengths and limitations, which makes good diagnostic skills essential for managers and leaders who need arrangements that fit the requirements of their own situation.

Chapter 4 also discusses how and when to restructure, including the processes that lead to successful structural change. The authors explore generic principles that guide restructuring across a range of circumstances as well as specific restructuring needs inherent in different structural configurations. They identify pressures that lead to restructuring and conclude the chapter with several case examples of restructuring success: Citibank, Kodak, and Beth Israel Hospital.

Chapter 4 Key Terms

Operating core: In Mintzberg’s model of organizational structure, the people who perform the basic work—manufacturing, service, professional, or other workers who produce or provide products or services to customers or clients.

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Administrative component: In Mintzberg's model of organizational structure, the managers who supervise, control, and provide resources for the operating core.

Strategic apex: In Mintzberg's model of organizational structure, senior managers who focus on the outside environment, determine the mission, and provide the grand design.

Technostructure: In Mintzberg's model of organizational structure, specialists and analysts who standardize, measure, and inspect outputs and processes.

Support staff: In Mintzberg's model of organizational structure, those who perform tasks that support or facilitate the work of others.

Simple structure: A structure with only two levels: the strategic apex and an operating level; one of Mintzberg's five basic structural configurations.

Machine bureaucracy: A many-layered structure in which important decisions are made at the strategic apex, day-to-day operations are controlled by managers and standardized procedures, and support staffs and technostructures play significant roles; one of Mintzberg's five basic structural configurations.

Professional bureaucracy: A structure featuring a large operating core of professionals and a flat, decentralized profile; one of Mintzberg's five basic structural configurations.

Divisionalized structure: A structure in which most of the work is done in quasi-autonomous units; one of Mintzberg's five basic structural configurations.

Adhocracy: A loose, flexible, self-renewing, organic structure tied together mostly through lateral means; one of Mintzberg's five basic structural configurations.

Web of inclusion: Helgesen's term for a structure more circular than hierarchical; the center of the web and the periphery are interconnected, so that events in one part of the web affect all the other parts.

Chapter 4 Major Case Examples

- Michael Porter's restructuring efforts at McGraw-Hill
- U.S. Department of Homeland Security
- Arthur Andersen's role in the Enron scandal
- McDonald's and Harvard revisited, including Larry Summers's restructuring efforts at Harvard
- Berwind Company
- The adhocracy at Digital Equipment Corporation
- Village Voice and Dan Wolf

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- WorldCom as a “headless giant”
- The restructuring of Citibank’s Operating Group
- Kodak’s Black & White Division
- Beth Israel Hospital

SUGGESTIONS FOR TEACHING CHAPTER 4

The central ideas in Chapter 4 revolve around what managers and leaders need to know about the content and process of successful restructuring. Teaching options that focus on restructuring are described in the sections that follow. Student exercises appear in “Student Exercises for Chapter 4,” beginning on page 5.

Chapter 4: A Focus on Restructuring

Many of the suggestions in the teaching notes for Chapter 3 can be adapted to focus on restructuring. For example, the *Flying Starship Factory* and *Management Resources Corporation* simulations (see “Chapter 3: Activities Focusing on Frame Content”) can be debriefed with an emphasis on the appropriateness of the structure and how it might be changed to produce different outcomes. Instructors can ask students, after a general debriefing, to suggest more appropriate organizational designs for the simulated organization. Instructors might then rerun the simulations with suggested new structures in place and compare the consequences. Debriefing can focus on the appropriateness of the changes for product quality and employee satisfaction, as well exploring the difficulties of redesign and change.

Other teaching options include films, videos, and cases.

Chapter 4: Films or Videos Focusing on Restructuring

- The films *Hoosiers* and *Lean on Me* both explore a leader’s decision to restructure and illustrate his design options, the consequences of choices made, and the difficulties in managing a major restructuring process.
- The film *Antz* shows the division of labor and its merits and limitations in an ant colony.
- The video *Just in Time? Restructuring Corporate America* (FH) profiles restructuring efforts in three large American companies.
- Another video, *Organization Design* (Insight), explores the shift from more centralized and mechanistic structures toward more responsive and decentralized models.

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- Many films mentioned in the Chapter 3 teaching notes could also be used with Chapter 4 and examined in light of the basic question of how these organizations might do business “better” with more appropriate structural arrangements.

Chapter 4: Cases Focusing on Restructuring

- The case Laura Ashley ([A] [HBS 9-194-142]) describes the efforts of a new CEO to reorient a large global retailer.
- Andersen Consulting—EMAI: Reorganization for Revitalization (HBS 396-007) describes a situation in which the managing partner of Andersen’s fast-growing Europe–Africa–Middle East–India unit believes that continue growth requires restructuring. The case challenges students to think through what design is needed and how it could be implemented.
- Phillips 66: Transforming for the 1990s (HBS 9-194-022) describes senior management’s efforts to respond to a series of crises and deals with issues of environment, information technology, and organization.
- The First National City Bank Operating Group series describes major reorganizing efforts, and the authors use Citibank as an example in Chapter 4. Instructors who have already used case A (HBS 9-474-165) with Chapter 3 as a way of drilling the components of the structural frame can revisit the series ([B] [HBS 9-474-166], [A-1] [HBS 9-475-061], and [B-1] [HBS 9-475-062]), emphasizing the restructuring process and its implications. An additional case, Project Paradise (HBS 9-476-002), describes the continuing change processes described in the First National City Bank series.
- Centrelink: A Service Delivery Agency in Australia (KSG 1524) concerns public service delivery in Australia. One initiative of the new government that took office in 1996 was to reorganize the Department of Social Security by separating policy from service delivery. This created a new organization, Centrelink, intended to improve service and reduce costs, but there were many bumps on the road to improvement.
- Business Process Transformation at the CIA ([A] [KSG 1515] and [B] [KSG1516]) describes an attempt by the new head of the CIA’s troubled administrative support directorate to introduce a major structural change in the unit’s relationship with other units: it would give its budget back to the other directorates and then offer its services on a fee-for-service basis. The case emphasizes the difficulties of dealing with resistance to structural change.

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STUDENT EXERCISES FOR CHAPTER 4

EXERCISE 4.1

Focus: Restructuring

Use the classroom as a laboratory for learning about restructuring.

1. Form student groups to study and discuss the questions of why and whether to restructure the class.
2. According to the outcomes, each group will either defend the present structure as most appropriate for maximizing learning or suggest an alternative design. This could include a plan for managing the reorganization with minimal disruption to the class.