Designing a Team-Based Organization:

A Case Study of the Organization Redesign Proposal for a Non-profit Organization

by

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Chapter One: Introduction

FirstSource engages in providing employment training and economic development services in southern California. Various government agencies fund these activities through several grants and special fund allocations. In July 2002, FirstSource received notices from these government agencies advising it about a substantial reduction in these grants and other funds for fiscal year 2003-2004. The management team at FirstSource, reacting predictably to the bad news, announced its intent to downsize the work force, cut down some of its noncore services, and restructure the organization. The deputy director sought my help, as an external consultant, with the situation.

The purpose of this paper is to illustrate the process of proposing a flat, team-based high-performance organization for FirstSource to help deliver its services more effectively to its customers. This paper is organized in the following four chapters:

1. *Chapter One:* Introduction. Includes organizational background, challenges, project overview, the process used, and my role in this project

2. *Chapter Two*: Theoretical Foundation. A review of organization theories and alternative perspectives in relevance to this project.

3. *Chapter Three*: Other Considerations in Organizational Context. A review of leadership, strategy, and ethics perspectives in context to this project.

4. *Chapter Four*: Team-Based Organization. A review of team-based organization theories including organizational effectiveness factors, recommendations and proposal for team-based organization redesign.

The paper concludes with the summary, personal thoughts and remarks.

FirstSource: History, Functions, and Structure

FirstSource is a 20-year-old nonprofit organization that is certified by several federal, state, and local government agencies to provide employment training and economic development services in southern California. These government agencies also supported these activities in their entirety through grants and special funds allocations. According to Jack Kaiser (personal communication, July 2, 2002), the chief economist for the Los Angeles Economic Development Corporation, these agencies were proposing to reduce their budgets by approximately one third for the fiscal year 2003-2004. In response to the proposed budget cuts, FirstSource planned to reduce its workforce and services proportionately by March 2003.

Around the time of the budget cuts announcement, FirstSource employed 51 full- and part-time workers. Approximately two thirds of these employees, according to the deputy director, had been with FirstSource for five years or more. The management team was composed of the executive director, the deputy director, and the human resource manager. The executive director was also the liaison with various federal, state, and local government funding sources.

The organization structure at FirstSource was functional; it was comprised of the internal or Support Branch, and the external or Business Development Branch. The functional structure, according to Hatch (1997), is "Groups' activities to a logic of similarity in work functions produced by interdependent tasks and common goals" (p. 37). Hatch adds that functional structure limits duplication and maximizes economies of scale from specialization. The deputy director managed and supervised the daily business activities of both branches.

The Internal Support Branch had 33 employees, including the controller and two department managers. One of the managers supervised the Operations and Facilities departments. The Operations department functions were primarily to ensure regulatory

compliance. The second manager supervised the Information Technology and Management Information Systems department.

The external or Business Development Branch had 15 employees, including two managers. One of the managers oversaw the Marketing department. The second manager supervised the Business Development and Support Functions department. The four department managers were relatively young, inexperienced, and elevated to their current positions mainly because of their seniority within the organization. Only the executive director and one of the four managers had an advanced college education in management.

To provide assistance to the businesses and job seekers, FirstSource operated two high-traffic centers. The centers had a team of skilled business service representatives who assisted the businesses and employers in finding qualified job seekers, and to navigate through government affairs such as information about tax credits and incentives for hiring eligible employees. The Business Services team also provided immediate and on-site downsizing assistance to the local businesses by partnering with their management teams, union leaders, and other governmental resources to help businesses navigate in challenging times.

The Job Developer team assisted the job seekers by maintaining the local job listings, training resources, phones, fax machines, copiers, and computers with Internet access, and résumé-building tools. FirstSource centers also provided assistance to the economically disadvantaged and disabled workers, mid-career transition and downsized workers, recent high school and college graduates, and veterans by offering personalized counseling, employment guidance, and planning in multiple languages.

Organizational Challenge

In July 2002, the deputy director of FirstSource asked me to help evaluate the current organization design and business practices, and to propose a plan to bring the changes necessary to support its future business needs. The deputy director, during an informal exploratory interview, indicated the following reasons for the request: (a) budget shortfall will likely force FirstSource to reduce its services and work force proportionately; (b) demand for services provided by FirstSource will continue to rise because of the economic conditions; (c) rumors of layoffs were affecting the workers' morale and their productivity; (d) there was a lack of leadership vision and commitment for change; (e) the work force had become complacent throughout the years and may not welcome any effort to change; (f) the organization was inwardly process driven and slow to respond to changing market environments; and (g) the competitors, often from the for-profit sector, were aggressively chipping away the market share by responding and adjusting to business and regulatory environments.

My Role

My role in this project was to lead and facilitate the organizational assessment and propose changes that will support the future business needs. The external consultant, according to Harvey and Brown (2001), should be someone not previously associated with the client system, because, coming in from the outside, the external consultant sees things from a different point of view and from a position of objectivity. However, the deputy director felt that since I was familiar with the regulatory, legislative, business, and other environments under which FirstSource operated and received federal, state, and local government grants to conduct its business, I was qualified for the project. In the past, I had worked with FirstSource on two

different occasions and had become somewhat familiar with the management team and some of its frontline employees.

During 1999, I was engaged by the U.S. Department of Labor to develop a regional brand for the employment training and economic development service in southern California. The driving idea behind this pilot effort was to put together a strategic and marketing alliance in southern California in which the employment training and economic development service providers will cooperate and not compete with each other. One of the service providers in the regional project was FirstSource.

During 2002, I had also collaborated with FirstSource for Practice of Change Project requirements. The project included an organization-wide survey to measure how the employees felt about the work place. For this project, I had used a self-evaluative survey instrument by Tom Terez (2002), in *22 Keys to Creating a Meaningful Workplace*, which shows specifically how to create a meaningful work place—one that attracts and nurtures talent rather than driving it away.

Project Overview and the Process

The stated objectives for the proposed project were to (a) evaluate the current organization design, and (b) propose an organization design that will enhance employee and organizational productivity.

The design team, which consisted of the deputy director, human resource manager, internal and external branch managers, and one representative each from the Business and Job-seeker Services Teams, helped me with the project. The project was divided into two sets of processes (a) the assessment process, and (b) development of the redesign proposal.

Although there are many approaches to assessing and designing an organization, I chose to work with the Organization Performance (OP) Model as described by Hanna (1988) and the

star model as described by Galbraith (2002). Both Hanna's OP Model and Galbraith's star model have similarities to the elements, policies and processes of creating an organization. According to Hanna, the OP Model is useful in understanding why the organization's results are what they are and in planning changes that will lead to improved results (p. 40). According to Galbraith, the design policies are important to communicate a clear and consistent message to the employees. One of the reasons for choosing to work with these models was that they were simple to understand, follow, and use. Another reason for selecting these models was because they address the factors essential for an organization's success, such as the (a) business situations that are made up of the organization's environments; (b) business strategy, which in this context consists of the organization's purpose, goals, and underlying values and assumptions; (c) design elements that are concerned with organizational tools such as tasks, technology, structure, rewards, people, information flow, and decision-making processes, and are used to execute the business strategy; and (d) culture, which addresses observable work habits and practices, behaviors and values, assumptions and norms, and rites and rituals in an organization. All of these elements are interrelated, and a change in one will likely produce some changes in the others. According to Hanna, all of these elements determine what is important in the system.

    Assessment process. Hanna (1988) suggests the following five steps for organizational effectiveness assessment.

1. Compare current business results with the future business situation. Hanna recommends beginning the organizational effectiveness assessment process by comparing the requirements imposed by the current business situation with the business results actually delivered. The design team considered (a) the number of businesses and job seekers who entered the system during a month; (b) organizational

requirements of successful assistance to these businesses and job seekers; (c) social, political, and regulatory expectations; (d) competitive pressures from both the nonprofit and for-profit service providers; and (e) employee expectations.

At the time of this assessment, FirstSource's business results in these areas were (a) on an average, 300 job seekers and 15 businesses entered the system during a given month; (b) FirstSource was able to assist successfully 55% of the businesses and job seekers; (c) the shortfall was unacceptable to the local communities and government agencies that provided the financial grants to FirstSource; (d) competitive pressures from the for-profit service providers were mounting, primarily as a result of their ability to respond in a timely manner and their marketing efforts to attract new clients; and (e) employee productivity had rapidly deteriorated since the rumors of impending layoffs had begun.

2. Examine the operating culture and norms. The design team considered (a) how FirstSource really operated; (b) employee attitudes toward organization objectives, goals, and redesign efforts; (c) distribution of power and rewards; (d) work people did or did not do; and (e) organization norms that explain how things got done.

The design team and I asked a group of selected employees (focus group)—every fifth employee on the alphabetical roster—questions, such as why was FirstSource not meeting the service delivery expectation? Why was the employee productivity down? What was the leadership and decision-making style vertical or horizontal?

Some of the common responses to these questions were (a) FirstSource was process, policies, and procedure driven; (b) employees felt that the work they performed was not aligned with the organization's goals and objectives and that the

redesign efforts would generally mean loss of jobs; (c) the power was vested in the hierarchical and positional leaders, and the frontline employees were not empowered. Being a nonprofit, the reward system did not exist. The only reward available was promotions, which were essentially based on the length of service and not the merit; and (d) employee time was primarily vested in compliance and not innovation.

3. Analyze the organization design elements to get a closer look at the root causes of the culture. Hanna (1988) recommends taking each element of culture previously identified and asking why these cultural elements exist. The design team found (a) structurally, employees were organized in specialist pools, which were vertical; (b) the communication was top down and there was little, if any, horizontal communication; (c) the only reward system that existed was the promotions within the organization, which were based on the length of an individual's service within the organization and not on merit. One example that surfaced during every conversation was that the executive director had been with the organization and in the same position for more than 16 years; (d) tasks were process driven with no room to innovate; (e) people felt that there were few opportunities for personal development; and (f) decision were made for the employees and not by the employees.

4. Identify the operating strategy to understand the forces that have influenced the design elements. Hanna (1988) recommends determining why these design elements were chosen—what were the values and assumptions behind the selection? The design team listed the tasks actually done and then deduced the strategies, values, and assumptions FirstSource was following. According to Hanna, "The operating strategy does not always correspond to the published or agreed strategy, just as the

organization's culture doesn't match the formal organization chart" (p. 52). To assess the actual operating strategy, the design team considered (a) the purpose and mission of the organization; (b) competitive strategy; (c) objectives and goals; and (4) underlying values and assumptions.

According to Tarun Khanna (personal communication, April 24, 2003), Professor of Strategy Design and Implementation, Harvard Business School, a strategy has two elements; what an organization is going to do, and what it is not going to do. The design team discovered that the formal strategy was that "FirstSource offers universal access, improved service, and complete satisfaction; anyone should feel free to walk in and get basic assistance, and no one should be denied the services. The operating strategy, however, was (a) to increase the number of job seekers and businesses entering the system and the promised service delivery will follow; (b) to promise whatever the clients want to hear, then deliver what you can; or (c) to work harder—the same way we always have.

5. Compare the strategy with the business situation requirements. Hanna (1988) recommends an assessment of the appropriateness of the operational strategy for the survival and growth of the organization by finding out if the operating values and priorities are a good fit with the business situation. Otherwise, Hanna adds, "adjustment will be needed or else the system will be working on wrong assumptions" (p. 54). Following this, the organization must identify any areas with inconsistencies.

Design proposal process. According to Hanna (1988)

> Just as a prescription can be made following a thorough medical diagnosis; a plan
> to improve the organization's health can be made after the assessment process has
> been completed. This prescription in organizational terms is to design or redesign,
> the various organizational elements so that the organizational body begins to
> function more effectively. (p. 55)

Hanna also recommends working through the OP Model in reverse order from the
assessment process. The steps adopted by the design team for the redesign process were:

1. Define a business strategy that fits the future business situation facing FirstSource.
   This first step helps fit the business strategy to the business situation that will
   confront the organization. The design team considered (a) the organization's purpose
   for being—the core business that FirstSource was in, and how it would compete in
   the environment; (b) a more clear vision of the future, which, in turn, supplemented
   the purpose by identifying the core competencies and unique organizational
   contributions; and (c) core operating principles that essentially were the core values
   and desired norms—the deeper elements of culture.

   Although there are a number of ways to arrive at the business strategy that fits
   future situations, the design team decided to stay focused around three elements: (a)
   high performance teams, (b) becoming customer centric, and (c) employee
   involvement and empowerment.

   Some of the questions posed to the group of selected employees (focus group)
   were to identify their customers, what their customer needs were, determine if their

service output was fit for use by the customers, and did they feel involved with their customers.

The design team discovered that the answers to these questions were never obvious, and there were many disagreements. However, some of the common responses were (a) 100% satisfaction goal-driven customer service, (b) respect for individuals, (c) excellence in all we do, (d) desire to be viewed as the employment training and economic development delivery organization in southern California, (e) intense desire to be empowered and involved in decision making, and (f) joint effectiveness between departments and across organizational boundaries.

2. Make any needed changes in the design elements to give structural integrity to the system. This step would enable FirstSource to alter the design elements that were in sync with the new direction. According to Hanna (1988), "For each strategy chosen, specific tasks will emerge that will have to be designed and some old tasks will have to be handled more effectively than in the past" (p. 62).

Using the Process Mapping technology, the design team helped create the list of tasks that each individual and each existing department performed, which created a process map projected around the future team-based organization. The maps also included the proposed team structure(s), decision making, information, and employee development to ensure a consistent and long-term high performance of the identified tasks.

3. Identify the positive and negative impacts the new design will have on the culture. Hanna (1988) suggests that "design choices can influence and impact the culture" (p. 63). He sites machine theory and how it influences the organization's culture, which

is bureaucratic and similar in governments, school systems, industrial firms and health-care units.

The design team held three 2-hour brain storming sessions with 17 employees each. The employees developed a list of the impact the proposed change will likely have on the organization's culture.

4. List results that will be produced by the new culture. According to Hanna (1988), "steps 3 and 4 are merely predictions, the actual results can be compared to those desired—and the assessment process begins anew" (p. 56).

Many organizations are discovering that redesigning organizational structure is not enough. Creating the organizational reality that includes shift in the business processes, which are inclusive and collaborative are perhaps the critical components to achieve a long lasting and effective change. Since the organization theories can impact the outcome of a design process, it is, therefore imperative to have a good grasp of various organization theories. In particular those theories that describe the dynamics aspect of organizing. Many theorists think that recent economic, technical, social and cultural changes will lead the practioners to consider new forms of organization, such as network or team-based structures. The following chapter briefly discusses several organization theories followed by alternate and future trends in organization design.

Chapter Two: Theoretical Foundation

In order to design, develop, change, or redesign an organization, one must first understand the organization theory within which the discussion of organization design and the methodologies used in creating an organization will occur. Lewin (as cited in Hanna, 1998) observes, "there is nothing as practical as good theory" (p. 3). What Lewin is referring to is that we must often rely on sound theory to help us formulate and execute successful action plans. There are a vast number of organization theories, perspectives, and models. However, according to Hatch (1997), "the name organization theory suggests that there is only one—a singular, integrated, overreaching truth about organizations—in fact there are many organization theories and they do not fit neatly together" (p. 9).

According to Hanna (1988), another popular assumption among the scholars of organization theory is that most organizations are open systems that need to interact with each other and the environment surrounding them in order to survive. Thanks to the contributions of scholars such as Galbraith (2002)—star model is an example of a model that emphasizes the importance of interdependence and interaction of various organizational elements—organization change practitioners can rely on models that integrate human and techno-structural dimensions in their efforts to design high-performing organizations.

This paper only uses the perspectives presented by Hatch (1997), primarily because (a) the size of this paper is limited; (b) the challenges faced by FirstSource, and the scope and nature of this project, can be explained within the context of these perspectives; and (c) Hatch uses metaphors to explain the complex organization theories that are easy to understand and apply, if necessary. Subsequently, this paper briefly addresses the alternative perspectives, such as the team-based, networked, or high-performance organization.

Classical, Modern, Symbolic-interpretive, and Postmodern Perspectives

Before a change practioner begins to contemplate creating or changing an organization,

he or she will want to understand what an organization is. To begin, organizations are complex

and are formed out of their members' thoughts, knowledge, ideas, and memories. According to

Hatch (1997), there are a number of organizational theories: classical, modern, symbolic-

interpretive, and postmodern. Hatch adds that the best theories are those that match the

experiences of the organization, organizational knowledge, ideas, memories, experiences, and

other influences or interpretations of these theories. In order to be effective, organization change

practitioners must be able to understand and use multiple theoretical perspectives and marry their

knowledge to their practice. Hatch discusses the four theories or perspectives by using

metaphors, which allow one to understand the organization theories better by equating them to

some other experiences in life.

Classical perspective. For the classical perspective, Hatch (1997) uses the metaphor of a

machine as an organization that is designed and constructed by the management to achieve

predefined goals. The manager equates to an engineer who builds and operates the organizational

machine. The organization structure and the business practices at FirstSource related closely to

the classical perspective. Being part of a highly visible industry that is regulated by

governmental agencies and the public, FirstSource strived to minimize errors, and standardized

the processes and procedures to ensure predictable outcomes. Individual jobs and departmental

responsibilities were machine-like, mechanical, and defined according to specific tasks and

deliverables. Efficiency, and not innovation, was the benchmark to evaluate individual and

departmental performance. The performance goals were essentially driven by the efficiency

benchmarks and the ability to replicate the process, which was based on predetermined

outcomes. The management team had designed the best solutions that were governed by the political and regulatory environments. Somewhat little or no leeway was permitted to respond to customer and market needs. The decision-making process was central, vertical, top-down, and time consuming.

In the machine metaphor, the intra- and inter-organizational interaction must be controllable and predictable. Simply put, different parts must be interdependent within a machine and intradependent with other machines in order for the organization to function efficiently. However, in an industry in which multiple antiquated operating platforms exist, FirstSource, in its present design, was incapable of interacting both within the organization and with outside organizations. Although Hatch (1997) contends that, even today, organizations are expected to behave, to some extent, in machine-like manner, the management team felt that the current design and business model were not working for them. On one hand, the preference was for an efficient operation that was predictable, and, on the other hand, the management team felt that in order to survive, they must adopt a more flexible and responsive model.

Modern perspective. To describe the modern perspective, Hatch (1997) uses the metaphor of an organism, a living system that functions essentially to survive, and a system in which the manager is an interdependent part of the system. In this metaphor, the organization must also adapt to the wider environment on which it depends for its survival and must face and respond to different demands placed on it by the environments. As the one-on-one interviews indicated, throughout the years, FirstSource had developed and run a highly stratified and risk-averse organization that tended to stifle the free flow of ideas. This led to an environment in which the organisms (employees and departments) were neither inter- nor intra-dependent. The interview results also indicated that FirstSource had grown to be internally process driven and

had learned not to respond to its external environment in a timely manner. Also, throughout the

years, FirstSource had ignored customer needs and market changes; it assumed that it could

simply invent its way to success as long as it abided by the rules of the regulatory environments.

The younger managers and most of the employees wanted a more efficient, lean, and fast moving

organization that was capable of responding to customer needs and market environments instead

of complying with internal processes.

 Symbolic-interpretive perspective. For the symbolic-interpretive perspective, the

metaphor is a culture in which a pattern of meanings is created and maintained by its members

through shared values. The manager in the culture metaphor is equated to an artifact or a symbol

of the organization. Hatch (1997) contends that the culture is probably the most difficult of all

organizational concepts to define. Schein (as cited in Hatch, 1997) suggests that an organization,

although a culture in its own right, can also be viewed as a set of subcultures or as an artifact

through which an even larger culture expresses itself. FirstSource was part of a culture that was

collectively influenced by the federal, state, and local government agencies that finance its

operation, which, to this day, is mechanistic and bureaucratic. According to Schein, "there are

three levels of culture: assumptions, values and artifacts" (p. 42). Assumptions represent what

members believe the realities are and how they influence their thinking and feelings. The

employees expressed that the layoffs were inevitable and the proposed changes will have little or

no effect on how the organization conducts its business. Values define what the members of an

organization care about and are used to make judgments. The employees felt that the

management cared only about the efficiency of the process and not about their well being or

personal development. The employees considered their leaders (managers) noncommunicative,

aloof, and the villains and not the heroes. The rewards system, another organizational artifact, did not exist, and promotions were granted on seniority and not merit.

Postmodern perspective. Hatch (1997) uses the example of a collage to describe the postmodern perspective. In this metaphor, the knowledge is brought together to form a new perspective with a reference to the past. In this example, the manager is a theorist or a visionary. "It is impossible to choose a core theory or idea that exemplifies postmodernism. The varieties of ideas labeled postmodernism defy summation" (p. 54). The postmodernism value for diversity contradicts the very idea of unifying these different understandings into a single, all encompassing explanation

Hatch (1997) suggests that the reasons many organization theorists working outside the postmodern perspective, which is usually used as a contrast to bureaucratic forms of organization, regard postmodernism as an anything goes approach. According to Drucker (1957), who first applied the term postmodern to the organization in his book, *Landmarks of Tomorrow*, "The postmodern organizational form is a shift from the Cartesian universe of mechanical cause/effect to new universe of pattern, purpose, and process" (p. 23). Drucker saw the shift from (a) a battleship model, which is modernist/factory-bureaucracy, has a rigid structure where every cog is fixed in place to do its particular function; to (b) a flotilla where a loosely connected fleet of different types of ships changes formations in response to battle and weather conditions.

The difference between modernist and postmodernist planning is in whom the planning is for. In the modernist perspective, workers plan to meet the demands and standards of the system. In the postmodern organization, everyone at every job, no matter what level, thinks, plans, and works hard to make the customer (internal and external) satisfied.

Organizational Structure

Galbraith (2002) suggests "The structure of the organization determines placement of power and authority in the organization" (p. 11). Structure policies fall into four areas: (a) specialization, which refers to the type and numbers of job specialties used in performing the work; (b) shape, which refers to the number of people constituting the departments or the span of control at each level of structure; (c) distribution of power, which, in its vertical dimension, refers to the issue of centralization or decentralization, and, in its lateral dimension, refers to the movement of power to the department dealing directly with mission critical issue; and (d) departmentalization, which refers to the basis for forming departments at each structural level.

Before proceeding with an organization redesign, one must understand the current organization traits, which, according to Daft (2001) are structural and contextual. The structural describe the internal characteristics of an organization, and the contextual describe the characteristics of an entire organization.

The organizational structure in FirstSource was mechanistic and bureaucratic, which, according to Weber (as cited in Hatch, 1997), is composed of hierarchy of authority, a division of labor, and formal rule and procedures. The hierarchy reflects the distribution of authority among organizational positions, and the authority grants the positional leaders certain rights, such as the right to give directions or influence those who report to them. The federal, state and local government agencies influence FirstSource via downward communication. The interviews with the employees revealed that leadership required and practiced formal reporting relationships and downward communication channels through which they expected information to flow. Each position in FirstSource was subordinate to some other position, where everyone had a clear path through hierarchy, stretching from the lowest levels all the way to the top person, the executive

director. Vertical communication allowed the leadership and other managers to direct and control

the business process and performance of departments and individuals within these departments.

Fayol (as cited in Hatch, 1997) called this the unity of command. The upside of this hierarchical

and upward reporting was that each employee had a clear path and knew his or her role, which

helped avert risks. The downside of this upward reporting mechanism was that it was time

consuming, slow to react to the market pressures, and stifled innovation and creativity.

Another component of bureaucracy is the division of labor or distribution of responsibilities.

Weber's (as cited in Hatch, 1997) view of bureaucracy is that it is a system for turning

employees of quite average ability into rational decision makers, because it promises reliability

in decision making and impersonal application of rules. According the Hatch (1997), "Since

Weber's time we have learned much about the negative face of bureaucracy, its tendency to

over-rationalize decision making and decision makers to the point of turning people into

unfeeling and unthinking automatons" (p. 32). During the data-gathering process, it became

apparent that most employees felt that the organizational characteristics were similar to the

characteristics described in Weber's ideal bureaucracy. Some of the Similarities between

Weber's ideal bureaucracy and FirstSource organizational structure are presented in Appendix A.

Alternate Perspectives

According to a United States Department of Labor (as cited in Cascio, 2002) publication,

Guide to Responsible Restructuring, the organizations differ in terms of how they view their

employees. The first group, by far the larger of the two, saw employees as costs to be cut. This

group constantly sought to find the irreducible core number of employees the business requires.

The second group, much smaller in number, saw employees as assets to be developed. This

group sought to change the way they do business so that they can use the employees they have

more effectively. The immediate and apparent solution available to FirstSource's management team could have been to reciprocate the reduction in its operating budget with the reduction in its workforce. The reduction in workforce may have only offered immediate relief from its challenges. The danger in an indiscriminate downsizing is the loss of organizational talent and knowledge. However, the long term benefits may be in reconfiguring its business and so that it can retain most of its talented employees.

Future trends: Team-based organization. According to Harvey and Brown (2001), "In a world of global competitiveness and technological innovation, organizations are reengineering, restructuring, and flattening the hierarchy to meet market pressures" (p. 33). The authors further suggest that the leading companies of the future envision endlessly changing organizations that will be highly reconfigurable: an organization that is flexible and able to change on demand. According to the authors, "Many management theorists feel that authoritarian or bureaucratic systems are too rigid to adapt to this increasing rate of change and therefore become reactive organizations—reacting drastically after problems emerge" (p. 455).

Harvey and Brown (2001) suggest that the company of the future needs to attract and retain talented employees by developing a different kind of work place (a) that is flexible, resilient, nimble, and quick to respond to market demands; (b) where the organization attracts, keeps, and makes teams out of talented people; (c) where the organization's mission is to make meaning and not just money; (d) where talented people are part of something that they can believe in, something that confers meaning on their work and their lives; (e) that offers people a chance to do work that makes a difference; and (f) where employees are considered an asset and not the cost. The authors add that the model for the organization must aim to create tangible and intangible value for both sides.

According to Mohrman, Cohen and Mohrman, Jr. (1995), "Organizations everywhere have made a major commitment to flattening their structures and creating teams to produce products and deliver services more effectively to customers" (p. 9). A team-based organization differs in fundamental ways from the traditional, bureaucratic model, with its lines and boxes, departments, individual jobs, and chains of command. The team-based organization, according to the authors, is a dynamic, laterally oriented system in which teams and business units, in shifting configuration, enact an organizational strategy for succeeding in an increasingly demanding environment, in which the teams violate the logic of the design of a bureaucratic, hierarchical, segmented organization.

Galbraith (as cited in Mohrman, Cohen & Mohrman, Jr. 1995) contends that performance pressures and the complexity of the environment faced by organizations have exceeded the capacity of the traditional, functional, hierarchical organization to coordinate and integrate effectively. Galbraith also suggests that the traditional approaches, which rely on hierarchically determined decisions, goals, rules, programs, and job descriptions, are insufficient in the dynamic, complex, and demanding world many companies face.

To make effective use of organization theory, one must also understand, blend and integrate strategy, leadership, and ethics theories into organization design, redesign, or change efforts. According to Hatch (1997) the concepts of strategy and leadership, within the context of organization theory, refer to management's planned efforts to influence organizational outcomes by managing the organization's relationship to its environment. The presence of ethics is also important, because ethics can have a significant effect on organizational activities and results.

The following chapter discusses the strategy, leadership, and ethics theories and their likely impact in the redesign efforts.

Chapter Three: Other Considerations in Organizational Context

This chapter begins with discussion of strategic fit, which relates to organization and environment through the intentional efforts of its leaders. Following the discussion of strategy is the organizational leadership perspective, and how individuals, particularly those at the top, can make a significant difference. The chapter concludes with the discussion of ethics because the presence of ethics is important and because ethics can have a surprisingly positive (or negative effect on organizational activities and results.

Strategy

The word strategy is often used to describe many situations and is often applied in various ways. The problem is that there does not seem to be much agreement on how strategy should be developed or what it really is.

The literature of traditional strategic management remains largely diverse and probably misunderstood. Following are but a few examples of the highly diverse implications of strategy: (a) Mintzberg, Ahlstrand, and Lampel (1998) in *Strategy Safari*, define strategy as a "Pattern, that is consistency in behavior over time" (p. 9); (b) Porter (1996) in a Harvard Business Review article titled *What Is Strategy?*, asserts that strategy "Is about being different. It means deliberately choosing a different set of activities to deliver a unique mix" (p. 64); (c) Thompson and Strickland (2001) in *Crafting and Implementing Strategy*, suggest, "A company's strategy is the 'game plan' management has for positioning the company in its chosen market arena, competing successfully, pleasing customers, and achieving good business performance" (p. 3); and (d) Galbraith (2002) in *Designing Organizations*, defines "Strategy as the company's formula for winning that specifies the goals and objectives to be achieved as well as the values and mission to be pursued" (p. 10).

According to Mintzberg et al. (1998), the purpose of strategy is to set direction, focus efforts, define an organization, and provide consistency so that the big issues are resolved and people can get on with the little details. Thompson and Strickland (2001) suggest that a good strategy is usually a collection of unified strategies that leads to a sustainable competitive advantage and improved company performance.

Eadie (1999) suggests that the nonprofits should consider using the forward-oriented concept of strategic issue management rather than using the traditional long-range planning models that are primarily based on elaborate descriptions of the organization's past. According to Eadie (1999)

> Strategic issue management, which moves beyond strategic planning, addresses the deficiencies of traditional strategic planning, from which it differs in its: conscious focus on change; action bias and attention to implementation; selectivity in addressing particular strategic issues, rather than comprehensively describing what is already being done; avoidance of mechanical projections into the unforeseeable future; and attention to intensive collective involvement of people in making strategic decisions. (p. 3)

Eadie is suggesting that strategic issue management closes the gap between an organization's vision of what it wants to be and do in the future and where it is. On the opposite end, traditional strategic planning mechanically projects three, five, or even more years into the future based on the description of the organization's past.

Thompson and Strickland (2001) suggest "Making sure that the organization has or can acquire the resources, competencies, and capabilities needed to execute a strategy efficiently" (p. 62). The authors add that the organization's strategy needs to be deliberately aimed at capturing

its best growth opportunities, especially the ones that hold the most promise for building

sustainable competitive advantage and enhancing profitability.

The common theme in these examples is to create a competitive advantage for the

products and services; however, the how-to-do part is largely driven from the organization's past

performance and focused on addressing numerous issues. The nonprofits, Eadie (1999) suggests,

have limited resource; therefore, they must concentrate on one particular strategic issue at any

given time. The author is not advocating the total abandonment of traditional strategic planning

tools and models. He is advocating, in the case of nonprofits, focusing on a particular strategic

issue and incorporating the traditional strategic planning tools to develop the strategy.

While there are many different opinions about what strategy is, one thing that is clear is

that the strategies are used to achieve something, usually to achieve a competitive advantage for

the organization's products and services. One must, however, understand that strategy is not an

end, but a means for reaching specific organizational objectives. In other words, organizations

exist to fulfill a purpose, and the strategies are used to make sure the organizational purpose is

realized.

Eadie (1999) suggests that strategic planning appears to have gained acceptance among

nonprofit organizations in theory, if not in practice. Many nonprofits acknowledge that, in

today's complex, dynamic, and increasingly competitive environment, planning strategically is

necessary for their survival. However, if the promise of strategic planning is so great, why do so

many nonprofits find it to be nonproductive, frustrating, and disillusioning? This lack of success

may be attributed to the following reasons: (a) vastly differing views of what strategy really is,

and how it should be developed and implemented; (b) use of the traditional strategic long-range

planning model adopted from the for-profit sector instead of a strategic issue-specific approach;

(c) misalignment among the planning design, planning process, and the desired outcomes; and (d) the lack of implementation accountability. Since there is little or no incentive to implement the strategic plans, the nonprofits tend to go passively through the planning process to prepare hefty finished plans that are put on the shelves and finally forgotten.

In line with my role to assist FirstSource with the organizational assessment and propose changes, the focus was to identify and select a particular strategic issue. The issue, at hand was the forthcoming downsizing and redesigning the organization, related only to one business—FirstSource. This paper, therefore only discusses the perspectives related to business level strategy in an organizational context. Thompson and Strickland (2001) see the business-level strategy as a managerial game plan for a single business. The business strategy is mostly concerned with forming responses to changes, identifying competitive moves that can lead to sustainable advantages, uniting the strategic initiatives of various departments, and addressing specific issues facing the organization.

The design team chose the following steps to facilitate the organization design related issue-specific strategy and process development for organizational redesign issues related to FirstSource: (a) involve organization design team and other available management personnel in intensive participation; (b) design the process to fit particular circumstances, capabilities, needs, and resources; (c) clarify values, vision, and mission; (d) identify and select strategic issue(s) on the basis of external concerns and available internal resources; (e) develop action strategies specific to FirstSource; and (f) design and operate a process to ensure a successful implementation.

A well deliberated and a well laid-out design process guards against disappointments caused by the implementation failure. The design team reviewed the design process carefully

before it formally approved it for management's review. The design team considered the following four elements for the strategy design and the process-oriented outcomes: (a) the outcomes to be produced, such as to firm up the vision and the mission, and issues related to internal culture and external political concerns; (b) the constraints that must be observed, such as the budget cuts forcing FirstSource to downsize its work force and reduce its services to the public; (c) the process and structure to ensure that such constraints are observed; and (d) the resources that are required to implement the process and are available to the organization design team, including a 100% organizational and leadership commitment to change.

According to Eadie (1999), strategic issue management offers nonprofit leaders a powerful tool for enhancing their own leadership role. The leaders should become involved creatively and intensively early in the strategic process by committing their own time, formally allocating the resources required to implement and making sure that they are available, and personally monitoring and reviewing the change progress.

Leadership

From the organizational leadership perspective, individuals, particularly those at the top, can make a significant difference. One way to define organizational leadership and leaders is by the work they do. The functions of leadership are varied, depending upon the issues the organization must deal with and the type of leadership style in action, which is dependent on the leader's basis of power.

According to Lee (1997) in *The Power Principle*, "Power is not a new phenomenon. It forms the foundations of government, sociology, history, and many disciplines that study how people live and work together, influencing each other" (p. 7). Lee suggests that there are three paths to power; fear as a source of power, person might be influential because of what he/she can

do for them, and the person is powerful because others believe in that person. When leaders use fear as power, people follow only because they are afraid not to. In the second stance people follow because they are expecting something in return. In the last case people follow because their beliefs are aligned with those of the leader's.

Power, in the case of organizational leadership, can be grouped into the following categories: (a) expert and informational power are concerned with skills, knowledge, and information; the holders of such abilities are able to utilize and influence others; (b) reward and coercive power differ from the expert and informational power as they involve the ability either to reward or punish persons being influenced in order to gain compliance; (c) legitimate power indicates power that has been confirmed by the very role structure of the group or organization and is accepted by all as correct and without dispute; however, (d) referent power, on the other hand, involves those being influenced by or identifying with the leader. Most leaders make use of a combination of these categories, depending on the leadership style used. Authoritarian leaders, for example, use a mixture of legitimate, coercive, and reward powers to dictate the policies, plans, and activities of a group. In comparison, democratic or participative leaders would use mainly referent power, involving all members of the group in the decision-making process.

In *Strategy Synthesis*, de Witt and Meyer (1999) suggest, "At the basis of the organizational leadership perspective lies the belief in the power of individuals to steer the organizational processes, in particular strategy formation" (p. 365). Usually the power is vested in the formal position. However, according to Bennis and Nanus (1985), the power may also come from an individual's ability to get other people to follow, by setting an organizational direction that is appealing to people and by aligning and motivating people to move together in

that direction. Sometimes, the change directions do not have to be the organizational leader's own ideas, but the leader must retain the responsibility for leading in a certain direction and achieving results.

In the FirstSource organization redesign project, two distinct leadership styles emerged: my personal leadership style as a consultant and a situational leader, and the executive director's leadership style that was similar to the contingency leadership model. The efforts to manage the polarities of these two significantly different styles added the collaborative dimensions to my personal leadership style.

Situational leadership, popularized by Hersey, Blanchard, and Johnson (2000) and originally published by Hersey and Blanchard (1969) as life-cycle theory, advocates that leaders change their behavior based on followers' maturity. Situational leadership looks at two dimensions: follower readiness and leadership style. The authors suggest that there is no one best leadership style for the manager, and the manager should match his or her leadership style to the readiness of his or her employees. Unlike situational theory, where leaders' behaviors are flexible, contingency theories imply that leaders' behaviors are much more fixed, consistent, and less flexible. Whereas the situational theory advocates that leaders change their behavior based on follower maturity, the contingency theory suggests that leaders might change a situation to fit their specific leadership style (Fielder, 1967).

In contrast to situational and contingency theories, where the focus is on leadership styles, Schein (1998, as cited in Block, 2000) considers ways leaders can create or change a culture that reflects their own thinking. The implication is that culture change is somehow dependent on the leader. Conversely, Senge (1996) suggests that little change can occur if it is

driven from the top. Senge also advocates that top management buy-in is a poor substitute for real commitment in developing a culture to support organizational change.

According to Schein (1998, as cited in Block, 2000) "The consultant who assumes a collaborative role enters the relationship with the notion that management issues can be dealt with effectively only by joining his or her specialized knowledge with the manager's knowledge of the organization" (p. 21). Block (2000) suggests that "Problem solving becomes a joint undertaking, with equal attention to technical and human issue" (p. 26).

However, my leadership model in the context of this project was influenced mostly by the practices as outlined by Kouzes and Posner (as cited in Kouzes, 2003) in *The Five Practices of Exemplary Leadership*. They suggest that the exemplary leaders engage in the following practices:

1. Modeling the way to gain commitment and highest achievement by setting personal examples of the behavior they expect of others. My guiding principal throughout the project was to be passionate about what I really believed and felt would be a good change for FirstSource, a team-based flat organization.

2. Inspiring a shared vision by sharing the exciting, highly attractive future for FirstSource and its people. Terez (2002) suggests that people want to see their values aligned with those of the organization's mission, purpose, direction, and relevance and that the organization values their contribution. Throughout the project, the design team passionately talked about the possibilities of building a community that would create the future for both its internal and external customers.

3. Pioneering, venturing out, and challenging the status quo. Our challenge was to turn around a bureaucratic organization by using an innovative process where the new

organization was flexible with few layers of management and autonomous self-

disciplined teams permitted to do their own planning, organizing, and controlling.

4. Enabling others to act by fostering collaboration and building trust. My primary

contributions in this area were to recognize good ideas and support them, and

strengthen the organization design team's capacity to deliver on the promises they

had made to the rest of the organization. The organization design team's contributions

included the willingness to challenge the system to get new systems adopted.

Ciulla (1998) suggests that leadership, ethics, and morality are inseparable because

leadership is a complex moral relationship between people that is based on, among other things,

trust, shared vision, and desire to do well by doing good. Some people see ethical leadership as

individual behavior toward a group to achieve a common goal, whereas others see ethics

dependent upon followers' perception or acceptance of a leader's behavior.

Ethics

According to Gandz and Bird (1989) in *Designing Ethical Organizations*, "Real ethics is

much more than just a collection of values that are almost always oversimplifications, under-

defined, situational by nature, and subject to flawed human reasoning such that by themselves

they cannot assure true ethical conduct" (p.108). They ask that murderers, criminals, and liars all

have some values, so does this make them ethical? For these reasons and more, values alone are

generally insufficient measures of ethics.

Real ethics calls for a more rigorous treatment of the subject than most business ethics

approaches take. Gandz and Bird (1989) add, "Real ethics is a process of rational thinking aimed

at establishing what values to hold, when to hold them, and continuous realignment of values and

reasoning patterns in accordance with ethical principles" (p. 109). In real ethics, we must be

ready to adjust our values, thinking, and behavior to be ethical and to remain ethical over time. Hence, ethics demands a willingness to change. In organizational ethics, we find a metaphysical paradox. Change management requires ethics, and ethics requires change management. Since both are true at the same time, with each preceding the other, one can only conclude one thing: indeed the quickest way to assure poor ethics may be to require fixed adherence to values.

According to Kirrane (1990) the key to good organizational ethics is awareness and real-time detection (before the fact, not after). It is a regrettable fact that most ethical failures in organizations are detected well after the fact, making any realistic prevention unlikely. The author suggests that poor ethics can be extremely damaging to organizational performance. Poor ethical behavior puts a strain on operational and employee performance in many visible and invisible ways. The strain can be on employee productivity, which is easily measured. The strain can be imposed on group dynamics, suppressing openness and communication, which is hard to measure but easily felt.

Since one of the expected objectives in the project was to develop a team-based organization, the presence of good ethics was extremely important, because good ethics can have a surprisingly positive effect on organizational activities and results. Productivity improves. Group dynamics and communication improve, and risk is reduced. One reason for this is ethics becomes an additional form of logical reasoning, increasing the flow of information and adding an additional set of eyes and antennae to give the organization needed feedback. Increased reasoning capabilities, coupled with additional information, are a strategic advantage in any business or organization.

Burns (as cited in Hatcher, 2002) observes, "Leadership is one of the least understood phenomena on earth" (p. 83), and Hatcher suggests that adding the notion of ethics, values, or

morals further complicates the leadership phenomena. Northouse (2001) contends that "In regard to the leadership, ethics has to do with what leaders do and who leaders are" (p. 251). During the project, the deputy director and I privately agonized over many question, such as what was the right thing to do. The literature on ethics recommends that in order to be an ethical leader, one must be sensitive to the needs of others, treat others in ways that are just, and care for others.

One of the five principals of ethical leadership, as suggested by Northouse (2001) is that the ethical leader builds the community, and not diminishes it. Therefore, the leaders need to pay attention to how the changes they are proposing will affect the organization and the organizational community. One of the objectives of this project was to propose an effective organization design. The design team's inclination was to recommend a flat team-based organization, which ultimately could mean that roughly one-third of the FirstSource work force will lose their jobs. An ethical leader is concerned with common good, Northouse suggests, as well as the individual good. Therefore, the dilemma for the design team was whether it was building or diminishing the community.

According to Harvey and Brown (2001), almost every organizational decision involves an ethical question. Previous work association with FirstSource on two separate occasions posited the question whether I would have an open and unbiased mind or some preconceived notions or biases during this assignment. What would be the ethical consequences of various decisions I will help these people make? Then there was a concern of personal values, such as if I was qualified enough to influence the design team on the decisions that may perhaps affect their future.

In the final analysis, I made the decision to accept the assignment because I cared enough to help. My belief was and remains to this day that the employees are not a cost that must be cut;

therefore, organizations must first try and find alternatives to laying people off. According to Kostenbaum (2003) ethics is empathy, which means service. It's an attitude of love and compassion, of caring, of including people, of valuing them, of hearing them, of suffering when they suffer, and of being proud when they succeed. Kostenbaum suggests that "Ethics has two important elements. One is the profound value of empathy and the other is the overreaching power of principle" (p. 107). Being ethical is always a choice.

Kostenbaum (2003) adds principles are derived from a very simple question: what motivates you? One of the motivations, the author suggests is reason. And the reason that prevailed, in favor of team-based flat organization, is best described by Galbraith (as cited in Hesselbein, Goldsmith, & Beckhard, 1997). Galbraith contends that change has become the natural order of things. If change is constant, why not design organizations to be constantly and easily changeable? The reconfigurable organization has three capabilities; reconfigure itself by forming teams across organizational departments, the organization uses marketlike devices to coordinate the complexity of multiple teams, and organization forms partnerships to secure capabilities that it does not have.

Teams play a central role in the flat organization because they provide a collaborative climate around a specific task. The teams also provide the opportunity for a unified commitment of its members to completing the task for which they were brought together. The teams usually form with preset standards, which in turn lead to collective excellence, best practices, innovation, and team member satisfaction.

The following chapter discusses the team-based organizational effectiveness factors, followed by the reasons why a team-based organization was considered for FirstSource. The chapter concludes with the organization redesign proposal for FirstSource.

Chapter Four: Team-Based Organization

According to Galbraith (1997) "The traditional hierarchical structure of organization—with its dysfunctional effects—continues to fall under harsher and harsher criticism" (p.17). Alternative organization structural designs, Galbraith suggests, have begun to appear. One such design that is gaining popularity is Team-Based Organization (TBO). In TBO, the basic organizational unit is teams instead of individuals as identified in the traditional hierarchical organization. The team-based high-performance model is considered one of the best organization structures and processes currently available for improving operating effectiveness, efficiency, and creating a competitive advantage.

According to Mohrman et al. (1995), "The use of teams and teaming mechanisms to integrate organizations laterally has increased dramatically in recent years" (p. 5). The TBO offers benefits of unique design features over the traditional structure and management operating system. The model optimizes its strength by capturing the full value of an organization's human resources, improving communications, establishing collective decision making as the norm, and creating a total organization focus on achieving customer satisfaction.

The effective implementation of teams can provide a powerful competitive advantage and can help organizations increase service quality and customer service, improve productivity, and decrease costs. The morale is also likely to increase as employees realize the opportunities to participate, assume new responsibilities, and increase their value to the organization.

Organizational Effectiveness Factors

According to Mohrman et al. (1995), there has been an increase in the use of teams in settings that house knowledge work. Unfortunately, many organizations that use teams fail to realize the objectives for which teams have been implemented. Mohrman et al. have identified

five effectiveness factors that work either as drivers for or barriers to successful teams: (a) organizational support, (b) process focus, (c) role clarity, (d) continuous learning, and (e) system alignment.

Organizational support. One important factor in building high-performance teams is the level of support for a team-based approach that exists throughout the organization, starting with the senior management. Success with teams increases when senior managers actively and visibly support the move to teams and can be counted on to provide necessary resources. In addition, senior managers need to model the values of teamwork and empowerment, because others in the organization will be looking to see if they walk the walk (Mohrman et al., 1995).

First-line managers and supervisors who have significant day-to-day contact with front-line employees must be committed to the move to teams. However, gaining the support of managers and supervisors for teams can be challenging, not only because of the nature of their work, but also because the number of managers decreases as the responsibilities they once held are taken over by the teams.

Support from front-line employees is also important, because the teams' success will depend on the contributions of all employees.

Process focus. In order for teams to succeed, the organization's structure and people must be oriented to support the core business process. In a traditional organization structure, which is built around functions and departments, the work groups have narrowly defined skills. Problems that occur in one functional area are usually passed on to others; as such, no one owns the overall process. Success is much more likely when teams include people with multiple skills who will share responsibility for a significant portion of the overall business process (Mohrman et al.,

1995). In the best team-based organizations, both the organizational structure and the people are process focused.

Role clarity. Role clarity is one of the most important factors related to success with the teams. As the organization and its people are transformed from traditional to team-based approach, roles change dramatically. If the roles and responsibilities are unclear, confusion and discouragement often ensue (Mohrman et al., 1995).

The FirstSource leadership will need to begin with making sure that every team member understands the purpose of the team and how the purpose fits in with the overall organizational purpose. Even with role clarity and clarity of purpose, confusion is likely to continue if the specific targets and parameters are not set toward empowerment and high involvement. The best team-based practices determine how fast, how far, specific responsibilities, set of expectations, and accountability.

Continuous learning. Team members who are asked to become cross-trained in other skills must also be given the time and resources to learn and use those skills. Team members who now are spending time in meetings, making collaborative decisions, and resolving conflicts need to have access to specialized training to develop these skills. Managers who need to delegate effectively, coach, manage change, and build trust need training to help them explore, practice, and apply these skills (Mohrman et al., 1995).However, trying to drive organizational success with teams through training alone may not bring success.

System alignment. Often lagging behind any major organizational changes are old systems, ones that were designed to support a very different organization than the one being created (Mohrman et al., 1995). To assess the status of the new system, organizations must ask the following questions: (a) Is the performance management system driving the team behavior

and objectives or just the individual behaviors and objectives?; (b) Is the selection system bringing employees and managers into the organization who will drive the team environment?; (c) Does the compensation system reward teamwork or just individual accomplishments?; (d) Are people promoted and recognized just for technical and business achievements, or must they display effective team behavior?; and (e) Is there a communication strategy that ensures the availability of accurate and timely information throughout the organization?

The FirstSource leadership and managers will need to begin with making sure that:

1. The proposed team-based change has organizational support. This will require the leadership and senior management to adopt the hands-on approach to re-organizing and providing necessary resources to the newly formed teams.

2. The organization structure is process focused. One way to assure that both the organizational structure and people support the core business processes is to form teams comprised of people with multiple skills who will share responsibility of the overall business process.

3. Every team member clearly understands the purpose of the newly formed teams. As FirstSource and its people are transformed from their traditional to team-based approach the roles will be changed dramatically. The confusion can be avoided by determining and conveying the boundaries, such as specific responsibilities and expectations.

4. Although training alone may not bring the success, allocating resources for the required such as the time and the materials may play an important role in the success of the proposed changes.

5. The performance management system is geared towards the team behavior and team accomplishments and not individual behavior or accomplishment.

Team-Based Organization for FirstSource

FirstSource was experiencing dramatically increased pressure to perform. It was being required to deliver services to its constituents with reduced funds and reduced work force. To meet this requirement, the organization had to reconceive and improve the business process employed to deliver value to the customers and redesign the organization around these processes. Mohrman et al. (1995) suggest, "The time can be compressed if activities that have traditionally been performed sequentially by different parts of the organization are performed concurrently" (p. 8). The response to performance pressures for cost and delivery of services, a flatter organization, was considered as the most viable option for FirstSource.

Galbraith (as cited in Mohrman et al., 1995) suggests that performance pressures and the complexity of the environment being faced by organizations today have far exceeded the capacity of the traditional, functional, hierarchical organization to coordinate effectively and integrate. Increased performance pressures carry with them a need for more efficient and effective processing of information by the organization. According to Mohrman et al. (1995), Galbraith has developed a basic design framework to help organizations develop ways to meet their growing information processing needs. The authors contend that increasing complexity in organizational environments creates situations that outstrip the goals of traditional organization design components such as hierarchy, rules, and goals to which to respond. Additional integrating mechanisms, such as teams and various linking roles, are needed to process the needed information adequately.

With the performance and financial pressures, FirstSource could no longer afford the hierarchical organization structure as a means to integrate increasingly complex work. The hierarchical design was mired with managerial and control roles and was causing delays from lack of responsiveness because the employees had to wait for the managers to make the decisions. A flat, laterally oriented organization, in which the front-line employees would be empowered to make the decisions instantaneously, seemed the logical answer.

Policy dimensions of organizational structure. According to Galbraith (2002), the following policy areas determine the structure of an organization: (a) specialization, (b) shape, (c) distribution of power, (d) departmentalization, and (e) organizational structure and processes.

Specialization refers to the types and numbers of specialties to be used in performing the work. The low and moderate skill work, such as that performed by an average FirstSource worker, can be handled by multiskilled teams of educated workers. Galbraith (as cited in Mohrman et al., 1995) suggests that these teams are given end-to-end responsibility to make decisions for an entire piece of work, providing a more rapid and effective workflow. These new work arrangements offer the benefits of greater speed, motivation, and lower coordination cost.

Shape refers to the number of people forming the department at each hierarchical level. The more people per department, the fewer the levels. The number of people is also referred to as the span of control. According to Galbraith (as cited in Mohrman et al., 1995), the trend today is to widen spans and flatten structure. Moving away from the command-and-control style of leadership, such as practiced at FirstSource, the managers can lead larger numbers of workers.

Widening span leads to more delegation. The organizational model at FirstSource used a span of seven workers. Galbraith suggests that it is easier to change the span; it is harder to eliminate the hierarchical levels.

The *distribution of power* refers to (a) vertical distribution of decision-making power and authority, which is also known as centralization or decentralization; and (b) the horizontal distribution of power. Galbraith (2002) contends that today in many competitive industries, the power of influence is shifting to knowledgeable customers. The decision-making power is shifting to units with direct customer contact. As discussed earlier, the decision-making power in FirstSource was vertical and centralized. The worker with direct customer contact had very little or no decision-making power.

Departmentalization refers to the choice of departments to integrate the specialized work and form a hierarchy of departments.

Organizational structure and processes. According to Galbraith (2002), "Hierarchies, albeit flatter ones, will still be around for some time" (p. 17). The hierarchies are useful for reaching decisions among large numbers of people in a timely fashion. FirstSource, as with most organizations, was organized around activities or functions, thereby promoting standardization. The weakness of the functional structure was adoption of one policy for everyone rather than each department inventing its own that directly corresponded to the situation with which it was dealing. According to Galbraith the functional organization is best at managing a single product or service.

Yet another weakness of the functional organization is that it dissuades cross-functional processes, such as responding to rapidly changing marketplace and customer needs. In the

employment training area, the market was beginning to demand mass customization and rapid deployment of services, which was overwhelming FirstSource.

In Galbraith's (2002) opinion "The most rapidly increasing type of organization structure is the one based on customer or markets" (p. 29). Service businesses, similar to FirstSource, usually focus on and organize around market segments. Their services are usually customized and personalized for various segments of the market or industries. To overcome the weakness of market-structured organizations, such as the tendency to duplicate activities, Galbriath's recommendation is to augment it with lateral processes.

Lateral processes are information and decision functions that coordinate activities spread out across different organizational units, providing mechanisms for decentralizing general management decisions. For market structure organizations, Galbraith (2002) recommends the formal group lateral process. In the formal group, the "Teams or task forces are formally created, members appointed, and goals set for the cross-functional efforts" (p. 45). By using lateral processes, FirstSource will be able to form new customer and process teams for various activities. One of the advantages is that FirstSource will become more nimble and flexible and will respond expeditiously to customer demands. In addition to the formal group, the involuntary or informal lateral process will improve the effectiveness of the proposed team-based organization structure. Voluntary acts, Galbraith suggests, occur spontaneously, are the least expensive, and easier to use.

Organization Redesign Proposal for FirstSource

The design team recommended a flat team-based organization structure based around the criteria suggested by Mohrman et al (1995), Galbraith (as cited in Mohrman et al., 1995) ,

Galbraith (2002), and Boje (2001). The organization design team recommended the following considerations for a flat team-based organization:

1. A network organization in which the planning process is horizontal or latticed and creates lateral instead of vertical participation and processes. According to Boje (2001), the so-called network organizations are supposed to accomplish this, because many voices of customers, both internal and external, get heard and networked into the planning process.

2. A FLAT organization that is (a) flexible with fewer layers of management; (b) latticed with a circle network of relationships among work teams without going through center pyramid and including both internal and external customers; (c) autonomous, self-disciplined, and diverse; and (d) team based with small groups that do their own planning, organizing, and controlling. The team's focus is continuous improvement.

3. A work place (a) where work teams are composed of multiskilled workers; (b) that is decentralized and has people-centered leadership; (c) that thrives on cooperation among work force and management; (d) that has flexible networks (matrix) with permeable boundaries; (e) where the organization's strength is in multiple voices (horizontal decision making) and diversity; and (f) that will exclude specialization, routinization, fragmentation, and division of labor.

4. Leadership influence means (a) authority is delegated to team leaders, (b) empowerment and ownership over work process, (c) people are self-disciplined, and (d) there is polyvocal and polylogic discourse.

5. The management is (a) comprised of servant leaders, (b) decentralized with very few layers, (c) people centered, and (d) visionary and innovative.

6. Controls involve (a) decentralization; (b) quality, which is everyone's responsibility; (c) two-way monitoring; (d) procedures, which are used to streamline the work process and not for controlling; and (e) information, which is accessible to all.

The design team proposed the organizational structure comprised of the following three teams (Appendix B):

1. The Management Team

2. Cross-Functional Business Integration and Support Team

3. Cross-Functional Business Resource Team.

The design team proposed a team-based organization design that would be radically different from the functional organization structure at FirstSource. The proposed design recommended a centralized support and administrative team, as opposed to the existing departmentalized support functions. The proposed model recommended reducing the administrative and support staff from 33 workers who performed a process oriented specialized functions, to a staff of 12 multiskilled workers to work in a cross-functional environment. Instead of separate jobseeker and business support specialists, the design team recommended cross-functional business teams consisting of team members trained in business, jobseekers, and outplacement support.

Summary and Conclusion

Simply because the regulatory and competitive economic environments that influence and require the organizations to change are constantly changing, organization change scholar practitioners need to create organizations that are continuously and fundamentally adaptive and self-renewing. However, one must understand that it is, at best, going to be a challenge.

According to Nevis, Lancourt, and Vassallo (1996), creating such an organization that is capable of this requires a change so significant that one could rightly say that one had created a new organization. The authors contend that such a change is a transformation that is continuous and would require resocializing the organizational members so that the new behaviors and structures become internalized as the new shared reality. Nadler (1992) also suggests that the process of getting people to think and behave differently is going to be more difficult and complex.

Any current organizational model can be effective in the right circumstances and for the right organization. FirstSource will need to be patient in order to obtain high-performance results from the reduced work force. FirstSource will achieve only a limited impact on effectiveness of its proposed organization design by focusing only on itself. What will be needed to ensure the success of the proposed design are management's commitment, continuous training and redesign, and judicious resource allocation and availability.

The role of the leaders is supremely important. The leaders are the decision shapers and decision makers. The decision-shaping role is achieved through the organization design. The new shape of FirstSource will provide its leaders the opportunity to influence the way the rest of the organization will make decisions.

Johnson (1992) contends, "Current trends in businesses are polarities to manage, not problems to solve" (p. xvii). Some of the trends, according to Johnson are from individual to team, from competition to collaboration, from centralization to decentralization, from rigid to flexible arrangements, and from autocratic to participatory management. In times of rapid change, it seems that the tough challenges crop up everywhere. The anxiety created by these problems without the solutions involves both organizational and personal pains.

While working with the design team to propose the flat team-based organization, my hope was to contribute to the future of people in FirstSource and infuse some hope. I would like to see, in the very near future, that the design team and the FirstSource leaders have taken the proposal to the next level and created an authentic work environment in which trust and collaboration are the operative words. Providing a work environment that is filled with opportunities and not the anxieties of uncertainties is a source of personal fulfillment that is aligned with the organizational vision.

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Appendix A

Similarities between Weber's ideal bureaucracy and FirstSource

Characteristics of Weber's ideal bureaucracy	Bureaucratic characteristics in FirstSource
A fixed division of labor	Employees' roles were extremely restrictive and there was no cross-training in intra- and inter-departmental functions
A clearly defined hierarchy of offices, each with its own sphere of competence	Every employee not only reported to someone, who in turn reported to someone, all the way up to the executive director, but also, each employee and each department had a specific role to play and specific set of competencies to the extent that their works were routinized
Officials are remunerated by fixed salaries paid in monies	There are no financial or other tangible incentives for the employees, regardless of their performance
Promotion is granted according to seniority or achievement that is dependent upon the seniors	The four department managers are relatively young, without advanced education and promoted into their positions because they have been with the organization the longest within the department of the job
A set of rules governs the performance of offices. Strict discipline and control in the conduct of the office is expected	From the receptionist all the way up to the executive director, the outcome of tasks is predetermined. People are encouraged to innovate and disciplined if the performance outcomes are not exact

Appendix B

Inventory of proposed cross-functional teams

The Management Team.

The management team will be responsible for:
- Business administration. To manage and ensure smooth business processes;
- Resource allocation. To ensure that the business support and business resource teams have resource available to succeed in their goals;
- Maintain liaison with external sources. To make sure that funds and grants necessary to achieve organizational objective; and
- Organizational leadership. To set and communicate organizational strategy, goals, and achieve organizational performance excellence.

The management team will consist of:
- Executive Director
- Deputy Director
- Manager, Human Resource, Internal Support and Facilities
- Information Technology (IT/IS). Responsible for all technology needs
  - IT/IS Team leader
  - Network (LAN) administrator
  - Web Master and On-line services administrator
  - Helpdesk and Database administrator
- Marketing Coordinator: Responsible for marketing and communication efforts.

Cross-Functional Business Integration and Support Team.

The business support team will be responsible for:
- Provide all necessary clerical support to the business resource team members;
- Provide all necessary and legislative and compliance support to the business resource team members;
- Make sure that all required legislative issues are aligned with client needs, and all necessary documents are maintained;
- Maintain information regarding qualified job seekers and job openings;
- Provide secretarial support to the organization; and
- Maintain resource center and help desk for businesses, employers, and job seekers.

The business integration and support team will consist of:
- Supervised by the Human Resource Manager
- Secretarial pool, consisting of two secretaries
- Legislative and Compliance – Eight team members
  - Legislative and compliance oversight
  - Jobseeker support help desk
  - Business and employer support help desk

- Documentation and clerical support

Cross-Functional Business Resource Team.

The business resource team will be responsible for:
- Manage customer relationship;
- Act as on-site human resource consultant to the business and employers;
- Responsible for new business development to meet or exceed organizational goals;
- Ascertain businesses and employers needs;
- Arrange and provide need-based on-site assistance to businesses and area employers;
- Act as a need-based liaison between businesses and business integration and support team for legislative and compliance needs;
- Act as need-based liaison between businesses and various government and regulatory entities; and
- Secure qualified job openings.

The business resource team will consist of: Eighteen team members.
- Supervised by the Deputy Director
- Business Resource Teams
  - Work in pairs and cross trained in jobseeker, business, and outplacement functions
  - Inter-governmental agency support staff.