

# CULTURE AND CONFIGURATION

**This article focuses on two areas of Paper P3's syllabus on preparing and evaluating a cultural web of an organisation, and the importance of organisational structure and configuration**

The Paper P3 *Study Guide* refers to the impact and evaluation of culture (using the cultural web) in Part A (6), and refers to the importance of organisational structure and configuration Part C (1). These topics have been tested regularly:

- in December 2008 – Question 1(b), National Museum
- in June 2009 – Question 2(a), Rock Bottom
- in December 2010 – Question 3, Frigate
- in December 2011 – Question 2(a), iCompute

As is so often the case in Paper P3 exams, candidates tend to describe a theory – for example, the constituent parts of the cultural web – but fail to apply findings to the scenario and to suggest the implications of their findings.

## KNOWLEDGE BROUGHT FORWARD FROM PAPER F1

In the ACCA Qualification, organisational culture and structure first arise in Paper F1, Accountant in Business. Organisational culture was described by Handy as 'the way we do things round here'. Most of us are very sensitive to organisational culture and tread warily when joining a new school, college or employer: we want to see 'how they do things round there'.

With regard to organisational culture, the work of three academics is mentioned:

(1) Handy's four cultural stereotypes. These are:

- Power culture. Here, power is concentrated in the hands of one person, 'the boss'. This culture is often found in small, family businesses, particularly where the name of the business is the same as the name of the boss. Fast – but perhaps arbitrary – decisions can be made. As businesses grow, it becomes more difficult for one person to wield absolute power simply because of the demands on their time and ability. However, it is sometimes seen in large organisations, but then it is usually taken as a danger sign, and many of the corporate governance rules are there specifically to spread power and reduce risks. For example, splitting the roles of chief executive and chairman, holding regular board meetings to encourage collective responsibility, and balancing executive and non-executive directors. The December 2010 exam question Frigate gives an excellent example of a power culture.
- Role culture. This is characterised by a traditional organisational structure in which jobs are arranged by function and seniority, and each employee has a distinct role and job specification. This culture can be efficient in a stable environment in which employees are expected to do the same tasks year-in year-out, but can lead to

inflexibility and can slow down response to change as employees defend their roles and rewards.

- Task culture. Here, the emphasis is on getting the job done. Flexibility is encouraged and it is more important to serve customers and clients well than to defend one's role. This culture is much more responsive to environmental and competitive developments.
- Person culture. In the person culture the employee is following a personal ambition in the context of the organisation, and interacts with the organisation as little as possible. In this culture the individual is the central point. The organisation is seen as serving the individuals within it. Barristers' chambers, architects' partnerships and small consultancy firms often have this person orientation. The organisation structure is as minimal as possible; the individuals are clustered together, a small galaxy of individual stars.

(2) Schein's determinants of organisational culture. These are:

- Artefacts. These are the influences on culture that can be seen. For example, how employees dress, the layout of the office, the way in which people behave.
- Espoused values. These are the strategies, goals and objectives of the organisation. For example, an emphasis on low cost or an emphasis on excellent service.
- Basic assumptions and values. These are the taken-for granted beliefs. They can be called a 'paradigm', which is a set of assumptions held in common.

(3) Hofstede's international perspectives on culture. Hofstede recognised that people in different countries often have different outlooks and that these will influence organisational culture. The influences are:

- Power distance. Cultures that favour low power distance expect power relations to be relatively consultative or democratic. In high power distance countries, the less powerful accept power relations that are more autocratic.
- Individualism v collectivism. Individualistic societies place stress on personal achievements. In collectivist societies, individuals act predominantly as members of a group or team.
- Uncertainty avoidance. People in cultures with high uncertainty avoidance tend to be more cautious and proceed by careful planning. Low uncertainty avoidance cultures feel relatively comfortable making unstructured situations and dealing with changing and novel environments.
- Long-term orientation v short-term orientation. Long-term oriented cultures attach importance to the future and place emphasis on persistence, flexibility and a willingness to change. Short-term oriented cultures emphasise tradition and meeting social expectations.
- Masculinity v femininity. Masculine cultures include competitiveness and assertiveness; feminine cultures place greater emphasis on relationships and consensus.

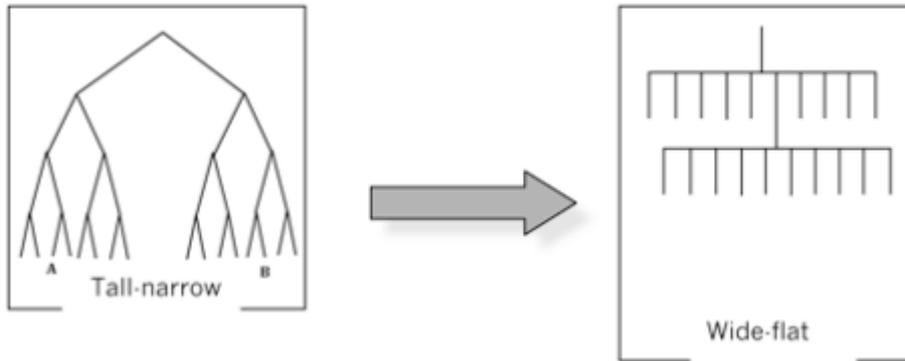
With regard to organisational structure and configuration, the Paper F1 *Study Guidements*:

*Entrepreneurial, functional, departmental, divisional and matrix structures*

- An entrepreneurial structure is one in which the owner (the entrepreneur) dominates. An entrepreneurial structure tends to be found in new businesses, where the entrepreneur is still a hands-on manager. A power culture and an entrepreneurial structure will normally go hand-in-hand.
- A functional (and departmental) structure is a conventional structure with different departments for accounting, sales and marketing, research and development, and so on. This structure can be efficient and can lead to economies of scale, but as departments increase in size and power, they can begin to look after their own interests more than the organisation's. Then a functional organisation has taken on the characteristics of a role culture: intense interest in role rather than getting the job done.
- As businesses grow, there is often a degree of diversification as new products and new markets are developed. It then often makes sense to set up separate divisions for each market and product group as this allows specialisation. So, the European Division will know about pricing, competitors, customer preferences in Europe, and the North American division will develop expertise for that market.
- A matrix structure is very common in project-led organisations as it allows multi-skilled teams to be set up for each project. However, it will mean that an employee is responsible to two superiors, and this was anathema to classical management theory. For example, the person shown below is responsible to the Project B manager and to the quality control manager. It is easy to imagine a situation where the project manager puts pressure on the employee to cut out some tests because the project is slipping and, at the same time, the quality control manager would put pressure on the employee to carry out full testing. The wrong way for the employee to choose what to do is to comply with the wishes of the manager who shouts louder; anyhow, it is unfair to expect the most junior member of the trio to make the decision. However, the matrix structure could empower the employee to point out to the two managers that there is a conflict and that they, as managers and as more experienced employees, should get together to resolve the problem.

	Engineering	Procurement	Quality control	Design
Project A				
Project B				
Project C				

(1) Tall and flat organisations



Tall-narrow organisations are characterised by having many management layers, with each manager looking after only a few subordinates. Wide-flat configurations have relatively few layers, but each manager has many subordinates. In the 1990s and 2000s, many organisations made a determined effort to move from tall-narrow to wide-flat. This process is known as 'delayering' or 'flattening' the organisation.

The drivers behind this structural change are:

- Cost. There was increasing price competition from products made in developing countries, and it was recognised that costs could be saved by getting rid of many of the middle management layers.
- Slow, poor communication. The tall-narrow structure fragments the organisation and imposes many layers between the bottom and the top of the organisation. If Person A in the diagram above needs to communicate with the chief executive officer at the top, in a strictly run organisation, the message might have to pass through many layers of managers, leaving scope for delay, misunderstanding and distortion. If Person A needs to communicate with Person B, once again many managers might be involved. In stable environments, people at the bottom of organisations rarely needed to communicate with the top. However, nowadays, new recruits are likely to have valuable information that top management needs to know. For example, the use of social media such as Facebook in marketing and stakeholder communication.
- Inflexibility. Many layers of management imply many grades of pay and benefits and, if the organisation needed to change to respond to environmental developments, the large number of managers can be obstructive so as to defend their positions.

Moving to a flat-narrow configuration can address these problems. Note that the tall-narrow structure is likely to exhibit a role culture, whereas the wide-flat structure is more likely to have a task culture. The movement to wide-flat can also provide job enrichment because if a manager has more people to look after, less time can be

given to each, and employees are therefore almost inevitably given more responsibility.

*(2) Centralisation and de-centralisation*

Centralisation means that most decision making is retained at the top of an organization, and this implies a power culture. Decentralisation means that decision making is passed down through the group, and this brings the following advantages: Top management has more time to concentrate on the most important decisions.

- Decisions are made by technical experts, are made more quickly, and are made with an awareness of local conditions. The best person to decide about advertising in Brazil is almost certainly someone with a marketing background resident in Brazil, rather than a chief executive from an accounting background based in London.
- Motivation of staff. Giving decision-making responsibility is an excellent example of job enrichment.

On the downside, there is an increased chance of dysfunctional decision-making, where one division or department makes a decision that hurts the group overall. To reduce the chance of this, management needs to keep a coordinating role.

## **SPECIFIC PAPER P3 MATTERS**

*(1) The cultural web*

This is usually depicted as follows:



In essence, this is a list of the factors that influence culture. It is a more detailed list than Schein's artifacts, espoused values, and basic assumptions and values. An approximate correlation between the two approaches is:

Cultural web		Schein
Symbols and titles	For example, how people dress and how they are addressed	Artifacts
Power relations	For example, autocratic or participative	
Organisational structure	For example, tall-narrow or wide-flat	
Control systems	For example, highly centralised or decentralised	
Rituals and routines	For example, a regular start-of-week meeting	Espoused values
Myths and stories	For example, a story about when the organisation won an important client	
Organisation assumption (paradigm)	For example, that the organisation exists to fulfil charitable objectives	Basic assumptions and values

The cultural web is a very useful way of analysing organisational culture and could have been used to great effect in all of the questions mentioned at the start of this article.

## *(2) Mintzberg's organisational configurations*

Mintzberg suggested that an organisation consisted of five elements:

- The strategic apex: the board and top management.
- The middle line: middle managers responsible for carrying out the decisions of the strategic apex; the chain of command down through the organisation.
- The operating core: the workers.
- Support staff: departments such as accounting, personnel and IT.
- The technocracy: the people responsible for devising and enforcing standards and procedures such as the personnel manual, the internal control system, the quality control system, health and safety rules.

The size and importance of these elements depends on the type of organisation being described, and diagrams can be drawn to illustrate this, but the diagrams are not

needed for the exam. The characteristics of three of Mintzberg's organisational stereotypes are as follows:

- The simple structure. This consists only off the strategic apex and the operating core: it is the boss and the workers and equates to Handy's power culture and to entrepreneurial organisations. Indeed, the simple structure is often known as the entrepreneurial structure.
- Machine bureaucracy. This refers to the structure that is common in mass-manufacturing industries. The middle line is lengthy, implying tall-narrow, with many management layers. The technocracy is large because in manufacturing companies, making large numbers of identical items, it is essential that production, quality, safety training and finance are carefully and repeatedly regulated.
- The professional bureaucracy. This refers to the structure that is typically found in firms of lawyers or accountants. The middle line is relatively short, implying wide-flat, with good communication between the top and bottom of the organisation. The technostructure is small because, although documentation can be standardised, each job is unique and is therefore not capable of standardisation. Because each job is unique, the partners (strategic apex) have to discuss directly the problems and findings of the accounting or legal staff who were closely involved with the work (the operating core). The professional form of organisation appears wherever the work of the organisation is dominated by skilled workers who use procedures that are difficult to learn, yet are well defined. Schools, universities and hospitals are prime examples. The National Museum scenario (in the December 2008 exam) was an example of a professional bureaucracy.

## **INTERACTION OF CONFIGURATION AND CULTURES**

It is important to realise that cultures and configurations go hand-in-hand. Indeed, Mintzberg has said that 'configurations are not just cultures, nor even just power systems. *They are cultures.*'

For example, a tall-narrow hierarchical structure will usually imply a role culture and a machine bureaucracy with great emphasis on control, symbols, titles, and strict power relations. As mentioned earlier, this can work well in stable environments, where the paradigm will often be based round efficiency and cost leadership. It is also needed in high-risk environments where careful supervision of subordinates is needed.

In contrast, a wide-flat structure will more often imply a task culture and a professional bureaucracy, with little emphasis on symbols of hierarchy, more participative decision making, and fewer stultifying controls. Here, the paradigm is more likely to be based around customer service, responsiveness, differentiation and innovation.

## **APPLICATION OF CULTURE AND ORGANISATIONAL CONFIGURATION TO SCENARIOS**

Culture and organisational configuration could be examined in the following contexts:

### *(1) Culture clashes*

A good example of this is seen in Frigate, Question 3 of the December 2010 exam, where there was a power culture that a new employee tried (unsuccessfully) to change to a role culture. Another example was seen in National Museum, Question 1(b) of the December 2008 exam, where a new director attempted to change both structure and culture to the fury of established personnel.

A recent real-life example is seen in the Hewlett-Packard (HP) takeover of Autonomy. HP is predominantly a hardware company and employed about 350,000 people worldwide. Autonomy was a relatively young, entrepreneurial software company based in Cambridge, UK, and had about 3,700 employees. HP took over Autonomy in 2011 for \$12bn and all of Autonomy's top level executives had left within about nine months; about 25% Autonomy's staff also left, claiming that the bureaucracy they encountered at HP was more than they could bear. 'We kept a running tally of the number of HP staff to Autonomy staff on conference calls. The record was 52 to 1,' said a former employee (Financial Times, 24 May 2012). Given that one of the main reasons for the acquisition of Autonomy was to acquire software skills and brainpower, losing a large proportion of staff is probably not a good result for HP.

A clash of cultures is likely to continue to appear in future questions. It allows the examiner to examine aspects of culture and configuration in context without suggesting that one culture is better than another.

### *(2) Inappropriate cultures and configurations*

For example, if an organisation wanted to change its generic strategy from cost leadership to differentiation, almost certainly both culture and configuration will have to change. A similar issue arose in the iCompute exam question, where the work routines effectively excluded female staff and customers were treated as lazy and incompetent. The survival of some organisations is threatened by clinging to a culture that is no longer appropriate, either within the industry sector or within society as a whole. Culture and configuration have to be changed to allow survival – however hard that is on individuals currently employed in the company.

### *(3) Different stages of an organisation's lifecycle*

Question 2 of the June 2009 exam explored how a business's culture and structure changed throughout its lifecycle, and how it should be managed. The company started in an entrepreneurial/power culture with a charismatic leader who recruited like-minded employees. Formal controls were non-existent and the company was fun to work in. Later it became listed and inevitably had to adopt much more of a role culture; controls became tighter and public scrutiny affected rituals, symbols and the organisational paradigm. Neither the founder nor existing staff enjoyed the new

situation. Finally, the founder bought back the company and tried to turn the clock back to earlier, happier days, but the staff then employed disliked those changes.

*(4) Change management*

If a culture or organisation structure has to be changed, then the problem of change management arises. How can we encourage employees and other stakeholders to willingly embrace the change – or at least not to oppose it actively? Communication, education and participation in the change process are usually advised.

## **CONCLUSION**

Culture and configuration is regularly examined in the Paper P3 exam, particularly with reference to the cultural web and Mintzberg's configuration stereotypes. Candidates must ensure that they can apply theories and principles to the case study scenario. Mismatch of cultures and configurations is likely to be a recurring theme.

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