Organizational Structure and Management Systems

STEPHEN R. TILLER, D.M., P.M.P., C.S.E.P.

ABSTRACT: A carefully designed organizational structure is essential for success in a competitive business climate. However, without a practical management system that can establish companywide information dissemination, structure loses its full effectiveness. Equally influential are the players within the management system, who must be able to address all cultural factors that may affect the operation of a company. These factors include organizational characteristics, relationships, competition, and performance. All elements combine to form an integrated business process.
Context and Culture

Internal and External Relationships

A networked management system promotes better understanding among the internal and external relationships that naturally evolve in the conduct of any business enterprise. Tuomi (1999) clearly stated that a system designer has to understand all the complex relationships among the people and the information to create a system that can be successful at any level of organization. Some of the most powerful factors in determining or defining a company’s culture are those internal and external influences that emanate from customers and organizations with whom a company must interact.

Internally, a company can be damaged by adopting “vertical, separate management systems” (Griffith 2000, p. 236), commonly called stovepipes. Stovepipes inhibit the sharing of information that is needed to promote better understanding of individual departmental functions. If the management system can provide the combined use of company information and foster an integrated approach to dealing with outside customers, suppliers, and competitors, business usually increases. Griffith recommended a cross-functional management system with a strong, “forward-looking approach that can bring together individual functions within an integrated management system” (p. 232).

Competitive Landscape

The management system must provide a clear focus on the competitive landscape, because competition largely drives a company’s initial strategy, with the structure and design following the strategy. The competitive environment is critical to a company’s survival in any market, so any management system must accommodate the particular nature of each market. For example, a trucking company management system would focus on highly efficient scheduling and distribution systems, and a mining company system might use efficiencies in how much ore could be extracted in comparison to competitors. A management system built to spotlight company specifics contributes directly to creating value for the company and thus makes it successful in the competitive arena (Morin and Jarrell 2001).

To achieve and maintain a competitive position, a company needs a reliable information system to provide the framework on which to do market analyses. The management system has to be integrated with all external interfaces and has to be flexible enough to do periodic estimates of the effects of market and product line changes. Competition can erode if the system is not capable of frequent company-wide involvement in market studies. Morin and Jarrell (2001) warned that “competitive position has a major effect on a company’s profitability and continued cash flows, and, hence, on its market value” (p. 233).

Strategic Challenges and Performance Improvement

Strategic challenges abound for any management team, and the management system must allow decision makers to keep pace with the daunting task of meeting the company’s daily challenges. A poignant example of a company that was presented with a serious strategic challenge is Yum! Brands, which acquired the Pizza Hut company after it was shed by parent corporation PepsiCo in 1997 (Mike 2004). Under PepsiCo, the company culture centered on competitive, fast-moving managers eager for quick growth. Under Yum! Brands, the culture had to change its focus to concentrate on the staid, reliable, and mundane workings of a restaurant. The need to communicate the new culture and to place new emphasis on the restaurant and food service business immediately challenged company leaders to change corporate attitudes. The company struggled with the changeover, but the primary tool for effecting that change was the management system and its built-in methods for communicating the new culture (Mike 2004). The new Yum! way of doing business was communicated to every employee via a management system designed to reach all levels of employees.

Linked tightly with both strategic challenges and the management system are performance improvement challenges. Rarely are strategic challenges unrelated to improving a company’s performance. To meet challenges effectively, studies have shown that the management system must be implemented so as to be sustainable and “linked to the overall enterprise strategic plan” (Oktem et al. 2004, p. 17). Making a continuous bid for improvement is also the challenge of the top management, regardless of how well automated systems are integrated. To make permanent and effective improvements, both aspects must interplay successfully (Oktem et al. 2004).

Stakeholder Groups

The management system should be designed to provide a balance among the stakeholders and to show how the differing needs of stakeholders can affect the financial well-being of the company (Lorca and García-Diez 2004). Many times the needs of different groups, although each is independently of value to the company, can conflict unless compromises are struck among different factions. The management system has
a major role in providing information on where to build those compromises.

**Customers and Users**
The customers or end-product users of any company's product can be the largest of the stakeholder groups. Customers must be an integral and perhaps driving force behind the design of a management system, because the company must be able to retain and access as much information as possible about the customer base. The implications for management system design are huge, especially with a sizable company. Companies are themselves linked inexorably to their computer systems, and the information systems that run the organization have to be scaled for the size of the user base, which can vary from dozens to thousands of people. The design of the databases and local area networks alone can cost millions, and if the systems are not designed to accommodate the user base, it can literally shut down the enterprise (Oktem et al. 2004). Companies that cannot satisfy their customer base simply because the management system does not provide the right means of communication can easily disappear in a market that offers customers a number of other choices. However, the system must also provide an equitable interface with the producers of the product line—the employees.

**Employees**
Sometimes overlooked but always influential is the welfare of a company's employees (Stuart 2002). If their needs as stakeholders are not met, a company can lose its grip on the market, its hold on quality, and its workforce itself (Bogaard 2006). A prime reason for unions' existence in the industrial world is managers who have not cared for employees' welfare to their satisfaction, and in today's business climate there is little excuse for not providing benefits, information, and connectivity for employees. All but the smallest or fledgling organizations can develop a management system that allows universal access to the human resource needs of the employees. Employees and their attitudes, abilities, and production capabilities are now becoming an integral part of company value and indeed significant inputs to the balance sheet (Morin and Jarrell 2001).

**Investors and Suppliers**
Lorca and García-Diez (2004) claimed that a company's financial success depends on its relationships with investor stakeholders, and those relationships are so important that managing them is fundamental to keeping the business viable. Atkinson and colleagues (1997) examined stakeholder influence as it related to financial performance measures and came to the same general conclusion—a company must spend time, effort, and money to design systems that accommodate the stakeholder demands, especially shareholder and supplier demands. The financial aspects of accommodating stakeholder needs can make or break a company, so the design of a system to handle those aspects becomes an essential part of the internal system.

**Senior Leadership**
Strong leadership is necessary for any business organization that expects to please its stakeholders and maintain a profit line. Without strong leadership, business strategies and plans can easily fail, and with poor leadership, a well-thought-out strategy is only a piece of paper. The senior leadership team is the top group that uses the management system, and unless the team's specific needs are folded into system design, there is a real danger that the company could falter in its basic function. In addition, senior leaders need instant and reliable data to review.

The senior management team is so important to the conduct of a business that even with the best employees, a company can fail if the management team does not review the progress and capability of the organization at regular internals. The management system must be tied directly to this review process—the management review must address the possible need for changes to policy, objectives, and other elements of the management system (Oktem et al. 2004). Oktem et al. made a strong recommendation to develop a sustainable management system, equating it to sustainable growth and even business survival. Crossan et al. (2005) identified leadership desires as one of the four points of their Diamond-E framework for developing a strategy, so it is an easy bridge to suggest that the leaders' desires also play in designing a management system and in turn sustain a company's survival.

**The Community**
The final factor in the development and design of a management system is the community in which a business thrives. Crossan et al. (2005) felt community was so important that they included it as a factor in their Diamond-E model of strategy development. As a stakeholder group, the community has a far-reaching effect, because it can be defined as the sum total of all stakeholders outside the walls of the company. Lepineux (2005) considered society as a whole to be a single stakeholder with which a company must contend: "Instead of being considered as an optional, subordinate stakeholder, civil society ought to hold a
prominent position in the stakeholder list” (p. 108). When considering the complete set of potential customers, the entire supply network, and the original source of the employee workforce, it would be industrial suicide for any company to ignore the needs of the community.

CONCLUSION
Building an effective organizational management system involves consideration for people, automated systems, and the business as a whole. If a business is expected to grow financially and be a contributor to the welfare of the community in which it exists, it must be able to control itself successfully. Vital to that control is a system that integrates all stakeholders, all parts of the organization, and all aspects of the business functions. Company management must realize that a management system encompasses virtually the entire culture of the business and can affect the culture of the surrounding community.

REFERENCES

Stephen R. Tiller graduated from the U.S. Air Force Academy with a degree in engineering and a commission as an officer. An Outstanding Graduate of U.S. Air Force pilot training, he was a fighter pilot in the F-4, an intelligence analyst, and a program manager in fighter aircraft development. He received an M.S. in aerospace engineering from the University of Dayton in Ohio. After retiring from the Air Force in 1991, Steve embarked on a second career as a management consultant and systems engineer and completed a doctor of management degree in 2007. Dr. Tiller is currently a principal systems engineer with the SI Organization, Inc., Chantilly, Virginia. He can be contacted at stephen.r.tiller@lmco.com.