

## Change-Supporting Organizational Structures: Challenges and Limitations

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### Abstract

*In the dynamic modern world, organizations are faced with the challenge of increasingly frequently undergoing changes as a response to the changed environment they operate in. The effectiveness of the undertaken changes, the time their implementation requires, and how easily they occur are strongly determined by organization design and, in particular, by organizational structure. Based on a review of findings by a number of researchers, consultants and practitioners, this paper outlines the dimensions of structuring which would enable organizations to incorporate change in their daily routine, to include it in their organizational mindset, and, in this way, to become continuously changing organizations instead of such that are required to undergo radical changes. The advantages and limitations of those structures that are considered to be change-supporting, are discussed. The conclusions can be of use to managers in revising the existing structures in their organizations and in choosing such ones which would facilitate the implementation of whatever changes are necessary and whenever they are necessary.*

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### Introduction

Any organization's activity and the result of it are determined by a number of choices the organization makes, including the choice of strategy, structure, control and reward system, manners of motivation, formal and informal relationships built, values adopted, etc. One of the theses of the contingency approach is that a successful organization is one that has achieved the best fit possible between its internal elements enumerated above, as well as between them and the nature of the external environment it operates in. Nowadays, organizations are faced with the challenge of working in an environment which is not only highly dynamic, but also highly unpredictable. This puts the organizations' ability to change to the test. What is more, the nature of the changes requires different skills and a different organizational context which supports the realization of these changes. There are changes whose necessity can be predicted and they can be planned accordingly. In a highly unpredictable environment that changes suddenly, however, the challenge facing the organization increases significantly. That is why the context in which they operate, their organizational structure included, must be such that support, or at least do not impede the realization of changes.

This paper focuses on the influence of the structure on an organization's capability for realizing changes. The aim is, by outlining the stages of change realization, to identify those key factors for the success of each stage which can be influenced, either positively or negatively, by the dimensions of organizational structure. Afterwards, taking into account the change-supporting features, to formulate the types of structures which possess these dimensions and to analyse the advantages they bring with regards to the realization of changes, as well as to pay attention to some limitations and additional requirements presupposed by the use of these structures.

### 1. Stages of change management and structure dimensions: theoretical research framework

The literature dedicated to change management describes a variety of models outlining the stages a company must undergo in order to successfully realize change –from Lewin's indispensable "Unfreeze-Change-Refreeze" model (Lewin, 1951), to Kotter's 8-Step change model (Kotter, 1995),

to variants from the last decade (such as Hayes, 2018). By synthesizing the stages pointed out as crucial by different authors, we can outline three main ones:

- 1) The first stage is **preparation** – here, the main point is recognizing the necessity for change. Next is the necessity of deciding what change needs to be made. These first steps strongly depend on the organization's absorptive capacity, namely its ability to recognize the value of new external knowledge, assimilate and apply this knowledge (Cohen and Levinthal, 1990). The more points of contact an organization has with its external environment, the more successful the recognition of the value of external knowledge is. The assimilation of information, its transformation into knowledge and its implementation are strongly influenced by the nature of communication and information flow within the organization. Recognizing the necessity for change and knowing what change is needed is not enough if there is no one there to realize the change. Communicating the necessity for change to everyone who will be affected by it and involving them in the change is significant at this stage. Decreasing resistance to change is key and also strongly affected by the quality of communication.
- 2) The second stage is the change itself – its **realization** – the ability to act at this stage depends on the degree to which the individuals are motivated, trained in the specific skills, and empowered to act. Communication and information exchange also remain significant and help reduce the fear of change.
- 3) The realization of change is not where it all ends – the changes need to be implemented in the company's day-to-day practice. This is the stage of **sustaining** the change. There are actions required in order to prevent the return to old practices and preserve the new way of operation.

How are these stages influenced by the type of structure chosen for the organization? What should the structure dimensions be so as to allow the company to successfully go through the stages of change? In order to identify the structures which would facilitate change, we will first outline the dimensions that characterize a structure. Robbins (1990) describes them as:

- Degree of complexity – concerns the degree of horizontal, vertical and geographical differentiation. The horizontal one concerns the formulation of units along the horizontal axis, based on the professional specialization of their members and the nature of tasks they complete. Horizontal differentiation shapes the type of specialization, or the criterion according to which the activities are separated. Vertical differentiation, on the other hand, shapes the hierarchy in the organization – the more hierarchical levels there are, the more complex the organization is. Geographical differentiation refers to the territorial distribution of the units, and as it grows, so does the complexity of the structure.
- Degree of centralization – denotes the degree to which decision-making is concentrated in a single point within the organization. Centralization concerns the distribution of power within the organization, delegation or refusal to delegate power for decision-making. According to Robbins, this is the most problematic parameter.
- Degree of formalization – concerns the degree to which activities are standardized. A high degree of formalization entails a multitude of written rules, requirements, procedures for operation. Job descriptions are formulated in writing and clearly define the boundaries of each employee's responsibilities. Employees are neither expected, nor allowed to overstep said boundaries.

What should the degree of complexity, centralization and formalization of the structure be in order to create conditions for the necessity for change to be detected in time, and for the communication to occur in a way which makes everybody who is to be involved in the change aware of its necessity, willing, qualified and able to realize it? Does the respective structure work in favor of or against sustaining the realized change? These questions are the subject of discussion in the following paragraphs. Fig. 1 visualizes the research framework.

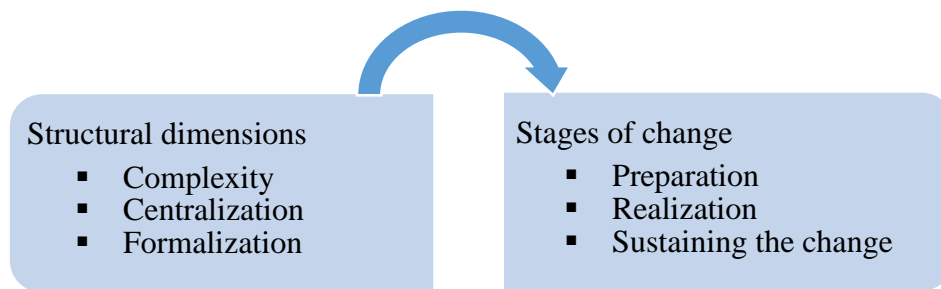


Figure 1. Research framework

## 2. Discussion on the influence of the structure on the stages of change and the factors for realizing them

A number of studies connect the dimensions of the structure with the organization's ability to change (Lawler & Worley, 2009), to innovate (Marotti de Melo et al., 2012, Palmer et al., 2016), to acquire and apply knowledge (Martínez-León & Martínez-García, 2011). In order to support the idea that the type of structure influences both the ability to detect the necessity for change and the speed and effectiveness of its realization, the following considerations are of use:

1) The dimensions of the structure influence, to a large extent, *the accumulation of information as well as the scope and speed of its exchange*. The access to information influences all stages of change – from the recognition of the necessity for change, to the minimization of fear and resistance to change by increasing transparency and trust, to understanding the effects of the already realized change and its implementation into the organization's day-to-day practices. It is precisely communication (“communicating clearly and often”) that is named by 65% of respondents in a study by Robert Half Management Resources (2016) as one of the most important factors when leading their company through a major organizational change. The study includes 300 senior managers at US companies with at least 20 employees.

2) The type of structure also influences *the scope of knowledge and skills* that individuals gain and develop in the organization. The possession of a wider skill set in turn influences the process of change, predominantly by increasing the capabilities of individuals to perform different actions, which increases confidence, minimizes fear and thus resistance to change.

3) The possession of information, knowledge and skills can only be fully made use of with an appropriate degree of *staff empowerment*, which is also determined by the chosen organizational structure. Empowering more participants not only accelerates the decision-making process, but also enriches their experience and provides additional motivation by increasing each participant's sense of significance for the end result. Empowering others to act is, in fact, stage 6 of Kotter's 8-step model, immediately following creating the vision and communicating it.

Having described the factors established by the structure and influencing the different stages of change realization, we must next outline the connection between said factors and the structural dimensions. Table 1 shows how and which structural dimensions (formalization, differentiation, centralization) help/ deter the process with regards to the organization's readiness for change.

Table 1. The influence of structural dimensions on the key factors for the change initiative’s success

Factors for the change initiative’s success	Structural dimensions and their influence on the organization’s capability for change	
	<i>Negative influences</i>	<i>Positive influences</i>
<ul style="list-style-type: none"> <li>▪ <i>Ability to accumulate information; scope and speed of information exchange</i></li> </ul>	<ul style="list-style-type: none"> <li>▪ A long hierarchical chain decreases the speed of information flow and creates a prerequisite for information to get lost or twisted along the chain</li> <li>▪ Strong horizontal differentiation and separation by function increases differences in the professional jargon different specialists use, thus creating problems in decoding information.</li> <li>▪ Strong centralization (especially when paired with a high degree of formalization) leads to an overload of information as well as errors in its interpretation, which in turn decreases both the speed and sometimes the quality of decision-making. Errors in interpretation are also conditioned by the fact that the decision-maker is often far removed from the source of information.</li> <li>▪ A high degree of formalization may cause manipulation of parts of the information, or lead to information overflow and thus to its understanding and prioritizing. It also slows down the flow of information and thus the recognition of the necessity for change.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Minimizing vertical differentiation and thus the hierarchical chain quickens the flow of information and leads to less loss or twisting of information; a shorter communication chain encourages building trust between management and staff, which helps reduce resistance to change.</li> <li>▪ Decentralization also shortens the path of information and a decision is made closer to the source of the problem and of information about it. This facilitates a timely recognition of the need for change. Along with minimizing hierarchical levels and creating a flat structure, this widens staff exposure to external networks, and thus to external sources of information.</li> <li>▪ In decentralized, self-managing teams, it is more likely that performance feedback will be timely and transparent, which facilitates sustaining the change</li> <li>▪ The informal transfer of information may add nuance to it which may be omitted in written documentation</li> </ul>
<ul style="list-style-type: none"> <li>▪ <i>Scope of staff knowledge and skills</i></li> </ul>	<ul style="list-style-type: none"> <li>▪ A high degree of horizontal and vertical differentiation means a narrower scope of knowledge and skills.</li> <li>▪ Strong formalization limits experimentation, initiative and the acquisition of varied experience.</li> <li>▪ Strong centralization impedes the development of</li> </ul>	<ul style="list-style-type: none"> <li>▪ A lower degree of horizontal differentiation, the use of job rotation, cross-functional teams and process-based rather than functional grouping encourages knowledge-sharing and broadens skills.</li> <li>▪ Decreasing formalization, focusing on results and not methods</li> </ul>

Factors for the change initiative's success	Structural dimensions and their influence on the organization's capability for change	
	leadership skills in lower-level managers.	encourages experimentation and developing new skills <ul style="list-style-type: none"> <li>▪ Decentralization encourages taking responsibility and initiative for making improvements and develops managerial skills.</li> </ul>
<ul style="list-style-type: none"> <li>▪ <i>Degree of staff empowerment</i></li> </ul>	<ul style="list-style-type: none"> <li>▪ A high degree of centralization combined with a high level of formalization takes away initiative from staff and lower-level managers, thus decreasing commitment and accountability.</li> <li>▪ Strong centralization creates a sense of uncertainty in lower-level staff due to the lack of direct contact with the decision-maker. This is a prerequisite for increased resistance to change.</li> <li>▪ A high degree of formalization of processes also does not facilitate change.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Decentralization means wider employee participation in management decision-making and taking more initiative, which allows more freedom of change-making action</li> <li>▪ A lower degree of formalization, more relaxed rules and procedures, focusing on results and not methods also allows freedom for making changes within different units.</li> </ul>

Looking at the right side of the table outlining structural dimensions supporting change, we can see the dimensions of an organic system as defined by Burns and Stalker (1961). Minzberg (1983) also defines adhocracy as the opposite of bureaucracy (or mechanistic structures), pointing it out as an organizational opportunity in a highly dynamic environment. Other researchers point out the significance of semi-structures, in which some features (e.g. responsibilities and priorities) are prescribed or determined while others are not (Baskarada & Koronios, 2018), and state that semi-structures are to be preferred over purely organic or mechanistic structures because they are sufficiently rigid so that organizational change can be structured but not so rigid as to prevent it from happening. (Brown and Eisenhardt, 1997).

Hadjiev (2018) studies the advantages and disadvantages of various types of structures and compares them using five criteria – their efficiency, adaptability, timeliness, reliability and accountability, as well as two situational variables – fitting external environment and strategy. Comparing the functional, divisional, matrix and network structure, he concludes that the latter is fitting for a highly dynamic and changing environment with a high score in timeliness and adaptability (precisely the criteria indicating ability to change). Also scoring high in these criteria is the matrix structure which is considered fitting for a complex external environment. Their advantages, as well as those of adhocracy and project structure and the challenges when using them, are synthesized in Table 2.

Table 2. Advantages of the structures and challenges when using them

Name of structure	Advantages/ change-supporting features	Challenges/ additional requirements when using the structure
Matrix	<p>✓ The interdisciplinary nature of project teams <i>facilitates the flow of information</i> between different specialists and <i>stimulates the process of organizational learning</i>.</p> <p>✓ The security of functional department positions supports <i>lowering resistance to change</i>.</p> <p>✓ Involving organization members in different teams and activities contributes to <i>the diversification of their skills</i>. This also has the psychological benefit of <i>minimizing stress, fear and resistance to change</i>.</p> <p>✓ The direct subordination of project managers to the senior management minimizes hierarchical levels and <i>accelerates decision-making</i>.</p>	<p>Balancing the positions of power of functional and project managers may pose a challenge.</p>
Project	<p>✓ Similar to the matrix structure – broadens the skill sets of the team members; the presence of specialists from different fields broadens the horizons and the ability to <i>realize the benefits of change</i>; the independence of the project team and its direct subordination to the senior management removes a variety of limitations and <i>accelerates decision-making and the realization of the change</i>.</p> <p>✓ In some versions of the structure, team members temporarily move away from their responsibilities in their functional department and this <i>increases their commitment</i> to the project task related to the realization of a change. Simultaneously, their long-term belonging to their functional departments facilitates horizontal communication, informal included, between the project team and the rest of the departments, and <i>supports the distribution of the idea of change</i>.</p>	<p>The choice of project team members is critical for success and must be made in accordance with at least two aspects:</p> <ul style="list-style-type: none"> <li>▪ The professional capabilities of the participants involved</li> <li>▪ Their personal traits and their colleagues' trust in them</li> </ul> <p>The latter is crucial for minimizing resistance to change from the rest of the staff.</p>
Network	<p>✓ Intensified communication with external subcontractors and partners enriches the information and <i>allows the organization timely awareness of the necessity for change</i>.</p>	<ul style="list-style-type: none"> <li>▪ Weak competition in industries where partners are needed may put the company</li> </ul>

Name of structure	Advantages/ change-supporting features	Challenges/ additional requirements when using the structure
	<ul style="list-style-type: none"> <li>✓ The necessity for bureaucratic control is low – control is instead exercised through the market (Ouchi, 1980), which also accelerates the reactions to environmental changes.</li> <li>✓ Partnering with different organizations confronts staff with different cultures and improves their coping skills in a multicultural environment, thus increasing adaptability.</li> <li>✓ Communication is predominantly horizontal, <i>increasing the speed of information flow</i>.</li> <li>✓ <i>Stress caused by change and the resistance to it are reduced</i> by the fact that part of the change is made by the partnering organization, or simply signifies a change of partnering organization(s).</li> </ul>	<p>in a dependent position and, in some cases, block change.</p> <ul style="list-style-type: none"> <li>▪ When networks are stable, all partners must be ready for change</li> <li>▪ Operation in a network requires better work coordination skills, as well as the ability to synthesize information incoming from a multitude of sources.</li> </ul>
Adhocracy	<ul style="list-style-type: none"> <li>✓ Horizontal communication <i>facilitates information flow</i>.</li> <li>✓ The experimentation culture in this type of organization <i>encourages taking initiative and undertaking changes</i>.</li> <li>✓ The dynamic grouping of individuals <i>accelerates the mastering of new knowledge and skills</i>.</li> <li>✓ The expectation of recognition upon success <i>increases commitment</i> and the determination to make the endeavor successful.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The dynamic transition from one project to the next is possible when the task's degree of specialization is low to moderate.</li> <li>▪ Management must support the redirection and provide training when a new initiative requires it.</li> </ul>

Each of the analyzed structures possesses features which help the organization accept change as a natural and continuous process and successfully implement innovations. Knowing the limitations and additional requirements that the use of a structure presupposes would make the choice of one more justified and successful.

### Conclusion

To conclude, it bears noting that structure is just one of the organization's components which influence the success or failure of initiated changes. Other elements of the organization's hardware and software, such as control and reward system, strategy, leadership style, values adopted by the organization and organization culture, informal environment, etc., are no less significant for the success of each change initiative. As all of them influence each other, looking at them as a whole is just as important as getting to know each element in depth.

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