Approaches to changing organizational structure: The effect of drivers and communication

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**Abstract**

A changing organizational structure is probably the most apparent indicator and clear evidence of organizational change. The purpose of this study is to examine the relationship between the steps of the process of changing organizational structure, with special focus on drivers, components, communication, and outcomes. To study a change in organizational structure, the analysis employs a multiple case study research design, focusing on four organizations. The results derive approaches to changing organizational structure. Those approaches' characteristics are a) an emphasis on external or internal drivers of the change, and b) the prevalence of formal or non-formal communication on the change. A mutual combination of these characteristics leads to four possible outcomes, pictured in a 2 × 2 matrix as approaches to changing organizational structure. The matrix helps to understand how changing the content or form of communication facilitates changes in different components of organizational change.

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1. Introduction

Adaptation and change are necessary for an organization's survival. Organizations have to adjust both their operations according to the changing environment, and their organizational structures according to new operational models. Although the literature recently treats organizational change as a continuous process (Burnes, 2004), a change of organizational structure is an apparent indicator and clear evidence of discrete organizational change. Researchers, consultancy companies, or individual consultants in academic and professional journals, and professional websites discuss a change in organizational structure. Many theoretical frameworks of organizational change, organizational design, or organizational development apply to changing organizational structure (Table 1). However, managers responsible for changing organizational structure often solve a problem just by changing a single component without thinking about its connection to other components and the broad consequences of the change.

This process of change contrasts with Damanpour’s (1991) conclusions, stating that successful change effort may depend more on the congruency or fit between content, contextual, and process conditions than on the nature of a change. Examining relationships between other factors is key to minimizing resistance to change (Armenakis & Bedeian, 1999). Both academic literature on organizational change (Armenakis & Bedeian, 1999) and professional frameworks (International Institute of Business Analysis, 2009) concur in four elementary themes or steps common to all change efforts: a) contextual issues that deal with drivers, b) content issues that focus on substance or components of the change, c) process issues and their determinants, and d) assessed outcomes. Recent studies see high priority in examining such relations, and they recommend to study, for example, interactions between externally and internally-driven structure changes (Argyres & Zenger, 2013), or links of formal and non-formal communication and structure (McEvily, Soda, & Tortoriello, 2014).

Thus, the purpose of this study is to explore relationships among the steps within the process of changing organizational structure. Two complex research questions lead the research: 1) What are the relations between the components of organizational change? 2) What are the relationships between drivers, components, communication, and outcomes of change? The analysis employs a case study approach, and studies a change in organizational structure in four companies.

In the field of organizational change, development, and design, some respected authors reject the typical direction of theory and research of practice, and admit developing their models from practice, not from extensive theory or research. Among these models are the Causal Model of Organizational Performance and Change (Burke & Litwin, 1992), McKinsey’s 7S framework (Waterman, Peters, & Phillips, 1980), and the Congruence Model for Organizational Analysis (Nadler & Tushman, 1980), all of which count with the acknowledgment of scholars. Recently, empirical methods in organizational design studies have become topical again, with Puranam (2012) predicting that scholars can expect a revolution in empirical methods. Empirical development helps to overcome the chasm between practitioners and researchers, while providing frameworks that practitioners can use.

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Note: relationship between components “factors” means that the components are the factors influencing organizational structure.

(Worren, Moore, & Elliott, 2002), and helping practitioners to transform their tacit knowledge into theories (Nadler & Tushman, 1997). The literature also expresses a demand for new empirical models (e.g. Erwin & Garman, 2010; Puranam, 2012; Puranam, Alexy, & Reitzig, 2014; Worley & Mohrman, 2014; Worren, 2012). This article responds to the demand and brings an empirical model of changing organizational structure.

Although this research aims to develop theory from practice, an initial definition of terms, scope, and focus of the study is important (Eisenhardt, 1989). Thus, this research first develops the theoretical framework. Consequently, the study discusses research design, selection of organizations, data collection, and data analysis. The results’ section starts with a brief description of individual case studies, and then a cross-case analysis concludes the section, developing the model of approaches to changing organizational structure. Finally, the conclusion section discusses theoretical and practical implications.

2. Literature review

This article bases the research framework upon a synthesis of practices of business analysts, a review of professional frameworks, and academic literature on organizational design, change, and development. According to the steps stated above, the framework’s structure is: context (drivers), content (components), process determinants, and outcomes. Fig. 1 represents the framework’s structure.

Contextual issues focus on forces or conditions existing in an organization’s external and internal environments, and these conditions present drivers of the organizational change. Organizations typically present a need, a problem, or a dysfunctionality, which are sometimes only symptoms of other underlying problems (Cummings & Worley, 2015). Thus, business analysis commences any organizational change project with an analysis of organizational needs (International Institute of Business Analysis, 2009). Attempts to categorize possible drivers of change vary in type of perspective and also in number of drivers, which go from three (Argyres & Zenger, 2013) or four (Puranam et al., 2014), to over 30 (Sutevski, 2013). Thus, the first part of the framework covers drivers of change. Due to divergence in categorizations of drivers, the framework retains elementary classification of internal and external drivers.

Content issues focus on the substances of the change, and from the organizational theory perspective, these substances are the components of organizational models or frameworks. The study conducts an analysis of 16 generally acknowledged frameworks of organizational design, organizational change, and organizational development, and this article synthesizes the results in Table 1. The frameworks overlap in elements, some provide statements of cause and effect, and others project variables, some provide statements of cause and effect, and others project components into a process or a recommended order.

Organizational structure is a key component of the analyzed frameworks because all 16 available frameworks include this structure; in addition, some models treat organizational structure as a central or an ultimate component of organizational design. Daft (2012) describes organizational structure as a result of numerous contingencies, such as strategy, culture, environment, technology, and size. Cummings and Worley (2015) adopt an identical approach, as does Jones (2012), who just swaps culture for human relations. Senior and Swales (2010) use a slightly different framework: their model supports components that have direct (environment, strategy, technology, and size) and mediating (culture and leadership) effect on organizational structure. For this reason, this study treats organizational structure as a central phenomenon. Despite its central role within the models, organizational structure requires people, meanings, actions, and other contingencies (Bate, Khan, & Pye, 2000). Without alignment with other components, organizational design does not bring a competitive advantage (Hernaus, Aleksic, & Klindzic, 2013). The same principle applies to the
change of organizational structure: only changing organizational structure is a formal step, and other components can activate the effects of the change. For this reason, organizational structure is the center of attention.

Apart from organizational structure, the frameworks' analysis shows six other components included at least in half of the frameworks: strategy (12); people, culture, and technology (9); and processes and environment (8). The role of environment is ambiguous because environment presents drivers of change as a contextual issue. However, the study assesses all the components, consequently extracting the most important factors.

Issues of the change process focus on determinants of change. These determinants can catalyze or inhibit the process, and influence the result of the change. Generally, people are resistant to any change, and hence, anything that helps to overcome the resistance can be a catalyst, and anything that supports the resistance can be an inhibitor. Studies identify that some factors might overcome resistance to change: climate for modernity, empowering leaders, and supportive coworkers (Hon, Bloom, & Crant, 2014); high past performance, firm ownership or leader charisma (Zhou, Tse, & Li, 2006); and leadership (Erwin & Garman, 2010; Raineri, 2011). Nevertheless, the most prevalent determinant of the change process is communication (Johansson & Heide, 2008; Miller, Johnson, & Grau, 1994; Nelissen & van Selm, 2008; Raineri, 2011; Rogiest, Segers, & van Witteloostuijn, 2015). This article's framework divides the determinants into inhibitors and catalysts, paying special attention to communication.

The final step in the process of organizational change is an assessment of planned and real results. The change process complies with common practice, and limiting the outcomes would be counterproductive (e.g., only financial performance).

3. Method

The study employed a multiple case study research to examine the process of organizational change. The process of the research respects Eisenhardt’s (1989) process of building theory from case study research, which other authors have validated over time (Ravenswood, 2011). Such research can overcome the chasm between survey and single case study research (Woodside, 2010). Researchers especially recommend case study research for investigations on organizational settings (Pettigrew, 2013; Pettigrew, Woodman, & Cameron, 2001). Furthermore, studies of organizational change oversee survey design, which might suggest a bias toward traditional designs (Erwin & Garman, 2010).

The study selected and studied four organizations changing organizational structure. The analysis purposely selected organizations with a different form of leadership and style of change, and thus, these organizations represent critical cases of different approaches to changing organizational structure. Two organizations were from the IT development branch, and two were from manufacturing. The study included all sizes of organizations (small, medium and large) according to OECD classification (OECD, 2010).

The analysis combined multiple sources of data from interviews with the managers responsible for the change. The study also gathered follow-up interviews with employees, and organizational documents (including presentations, e-mails, minutes from meeting, etc.). The process of organizational change as described in the previous chapter shaped the content of data collection, guided semi-structured interviews with change managers, and served as the focus of the organizational documents’ analysis. Researchers recommend this process of data collection for studying change in organizations (Langley, Smallman, Tsoukas, & Van de Ven, 2013; Van de Ven & Poole, 2005). During the process of data collection, participant observation was also possible, which provided another point of view and helped to triangulate the data. The study also recorded and transcribed key interviews with change managers for further analysis, while registering follow-up interviews and observations as field notes.

The study first conducted a within-case analysis, using thematic analysis (Grbich, 2013) to cope with the amount of data acquired, including transcripts and field notes. Consequently, the study searched for cross-case patterns, categorizing themes to reveal possible cross-case differences or relations.

4. Results and discussion

The results start with a description of the individual case studies. Consequently, the section analyzes cross-case patterns and discusses the proposed findings comparing them to the literature.

4.1. Case 1: strategy driven change

The first organization is a middle-size company that provides services in developing IT systems. Three changes of organizational structure occur between 2012 and 2014: The first change has little impact, consisting in adding a single business unit; the second change substantially changes a divisional organizational structure to a process structure; and the third change reorganizes organizational units at all levels of the structure, and leads to a substantial increase in the span of control. The primary drivers of change are changes in the external environment, specifically a change in customers’ requirements and in the market. In all cases, the strategy changes before the structure. The company announces the change of the strategy in the annual report and in their internal magazine. Thus, employees are aware of the new strategy and accept the organizational structure change. However, the change does not have the expected outcomes in, for example, a unified corporate culture: neither hard indicators (such as fluctuation), nor soft indicators.
(such as shared values or communication) show changes in corporate culture.

4.2. Case 2: decentralization of processes

The second organization is a small company that provides IT system solutions. During the 11 years of its history, the company’s growth is slow but steady. The owner of the company intends to decentralize because he feels overburdened, and because of his vision of an ideal structure. Therefore, the company divides the core business unit into three subunits, adopting a structural design project. The departmentalization and the decentralization create a new level of management, and the company informs employees through meetings. The definite structure only provokes a perceived change in the processes, as this change does not affect neither the strategy (which is rather implicit), nor culture (which is generally quite weak). The acceptance of change is ambiguous. The improvements in the supporting processes, as opposed to the competencies of project managers, satisfy the company. The company suffers from turnover of key employees.

4.3. Case 3: optimization of processes

The third organization is a large manufacturing company in the automotive industry with steady growth over the past 10 years, currently having over 700 employees. The main organizational change simplifies the structure by decreasing the span of control and merging subunits at upper levels of management. Drivers of the change are 1) improving the effectiveness of production, 2) eliminating rivalry between subunits, and 3) leadership issues (“to have the right people in the right places”). Thus, the company designs the new structure to achieve effective processes, and informs employees through meetings. Managers evaluate the change positively because they solve all dysfunctions and the process is more effective. Employees accept and see the benefits of the change over time.

4.4. Case 4: survival through collaboration

The fourth organization is a large toy manufacturing company. Substantial organizational change is a consequence of a long-lasting crisis. The organization intends to simplify its organizational structure by reducing levels of management from eight to six. The drivers of change are: (1) long and slow communication, (2) low flexibility of production, (3) inability to react to market requirements, and (4) an overly complex portfolio. The change of the structure interconnects with a change of strategy, defining new processes and adjusting the culture. However, the focus is on people, communication, and leadership. The aim is “managing at eye level,” which means being able to talk to people at the company; thus, the change supports open and non-formal communication. The official presentation of the change takes place at an all-hands meeting, describing the change’s reasons, process, and outcomes. From the managerial point of view, the outcome meets the plans: The processes are effective, annual turnover is rising, and production is meeting market requirements. Employees give positive feedback and the change results in minimal fluctuation.

4.5. Across-case analysis: approaches to the changing of organizational structure

The across-cases analysis reveals patterns in the process of changing organizational structure and answers to the research questions. The first finding shows the links between the components of organizational change. In every case, a change of some component precedes the change in organizational structure. This component initiates the change, rationalizes the change of organizational structure, and is the primary focus of the organizational change agent. Organizational change has one initiating component, even if the change encompasses more components. Such component is the leading component. The key role of the leading component is influencing other components and providing the ground for their subsequent change. Positive acceptance of changing the leading component facilitates a consequent change of further components. For example, in case study 4, a change of people influences the culture and procedures, ultimately fulfilling the new strategy. These subsequent changes result from changing channels and content of communication. The research identifies four possible leading components: strategy, processes, people, and culture. On the other hand, previous research (Heckmann, Steger, & Dowling, 2016) excludes environment and technology as leading components, because they affect the change mostly as drivers or as determinants of successful change.

The second finding connects drivers of change, communication of change, and the leading component. A matrix comprising two dimensions depicts the findings: the first dimension deals with drivers of change and differentiates between emphasis on external and internal drivers; prevalent communication channels characterize the second dimension. Written or recorded formal communication uses channels such as e-mails, newsletters, staff meetings, blanks, etc., and the message has a clear direction. Non-formal communication is non-systematic, uses any channel (mostly face-to-face), and stretches in all directions (Johnson, Donohue, Atkin, & Johnson, 1994; McEvily et al., 2014). A combination of the two dimensions of the matrix leads to four possible approaches to changing organizational structure (Table 2). The leading component of the change originates the terms of the approaches. For example, external drivers of change in combination with a prevalence of formal communication support strategy as the leading component. An organization reacts to environmental changes by changing its strategy, and consequently, the changes in strategy results in a change in the organizational structure. The first case study is an example of the “strategic approach.”

Table 2
Matrix of approaches to changing organizational structure.

<table>
<thead>
<tr>
<th>Emphasized drivers of structure change</th>
<th>Internal</th>
<th>External</th>
<th>Procedural approach</th>
<th>Strategic approach</th>
<th>Human approach</th>
<th>Cultural approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prevalence of communication channel</td>
<td>Formal</td>
<td>Non-formal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3
Categorization of selected dimensions for individual cases.

<table>
<thead>
<tr>
<th>Approach to change</th>
<th>Communication perception by employees</th>
<th>Acceptance of the change by employees</th>
<th>Outcome — congruence with expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case 01</td>
<td>Strategic</td>
<td>Vague</td>
<td>Parly met</td>
</tr>
<tr>
<td>Case 02</td>
<td>Procedural</td>
<td>Vague</td>
<td>Partly met</td>
</tr>
<tr>
<td>Case 03</td>
<td>Procedural</td>
<td>Open</td>
<td>Fully met</td>
</tr>
<tr>
<td>Case 04</td>
<td>Human</td>
<td>Open</td>
<td>Fully met</td>
</tr>
</tbody>
</table>

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The approaches represent four possible options, but no approach is optimal for successful outcomes. Cases 2 and 3 both use the procedural approach with a different level of achievement of planned outcomes, and with different acceptance of the change by employees. The main difference between these two cases is in the communication about the change. Communication uses mostly formal channels in both cases, but communication in case 3 is substantially more frequent, because the company not only announces the change, but also explains all its aspects. This process of communication successfully supports feedback, and is open and two-way in case 3. Table 3 shows a categorization of selected dimensions and provides a simplified view of the role of communication.

This finding gives further evidence of the important role of communication in organizational change. Only frequent (Chew, Cheng, & Petrovic-Lazarevic, 2006; Miller et al., 1994; Rogiest et al., 2015), and two-way (Kamarudin, Starr, Abdullah, & Husain, 2014) communication lead to the desired outcomes.

5. Conclusions

The empirical method of this article has some limitations. First, the aim of tying contextual, content, and communicational issues, as well as the theoretical framework are quite broad. Second, the research sample of four organizations limits the outcome, because the size and model are pragmatically valid mostly for small and medium organizations. Future deductively designed survey studies might overcome the limitations of the proposed model. Another possibility for future research is searching for the congruency between leading component and the change agent (Battilana & Casciaro, 2012).

The article contributes to the theory of organizational change, explaining the congruence between the context, content, and communication of organizational change as Dampon (1991) and others suggest. Specifically, the model combines determinants, components, and formal and non-formal communication. The model suggests a possible combination of the communication channel and the driver of change, to ensure an effective change of the leading component. The novelty of the model lies in the leading component of the change, and also in the identification of the connection between hard and soft approaches in formal and non-formal communication during organizational change (McEvily et al., 2014). Ultimately, the article provides an easy and useful tool for managers dealing with changing organizational structure. The model just points at a possible path of change, but does not ensure positive outcomes. Only through a continuous, frequent, explanatory, open, and reciprocal communication, companies might achieve positive outcomes of organizational change.

References


