

4. The new organization

Fifty years ago William Whyte wrote a book called “The Organization Man”. He thought that “traditional organizations” rewarded long service, obedience and loyalty. Their structure was characterized by a head office, which controlled both strategy formulation and its implementation. This system of control was represented by a tall hierarchy with a long chain of command.

The company that most closely illustrated this traditional organization was *IBM*. Today, however, 50% of *IBM*'s employees have worked for the company for under five years; 40% of its 320 000 employees are “mobile” and spend at least one day a week working away from an *IBM* site; and about 30% are women. This transformation has been enabled by developments in information and communications technology, the globalization of production and sales, and the shift of functions to subcontractors through outsourcing and joint-ventures. “The Organization Man” has become “The Networked Person”, who is always on the move with a laptop computer and a mobile phone. Many employees no longer have their own personal office space provided by their employer. The workforce is as a result more flexible in terms of location and working hours.

These changes have also allowed businesses to adapt their structures and operations, but have sometimes led to unexpected problems. Twenty years ago, *Motorola*, a co-inventor of the mobile phone, was a tightly centralized business. Three men in its headquarters were in control of almost everything. As the company grew, they decentralized and flattened the hierarchy. However, by the mid-1990s the business was growing so fast it was impossible to control. In 1998 the company made 25 000 people redundant and returned control to their headquarters.

As *Motorola* have become more global, they have adapted their traditional structures by appointing local managers to take account of different national markets and tastes. However, some commentators argue that these structures are more complex and inefficient and have lead to “conflict and confusion”.

[Source: adapted from *The Economist*, January 2006]

- (a) Define the term *decentralization*. [2 marks]

- (b) Explain how technological change has affected the way that global businesses operate. [8 marks]

- (c) Evaluate the suitability of traditional organizational structures for advanced technology firms such as *IBM* and *Motorola*. [10 marks]