

## **A new organizational structure in a food and drink company**

The notion that organizations can respond to and manage changes in their environments through adapting new structures is central to much organization theory. However, the actual link between structure and firm performance is not so clear. Simply put, what specifically, makes an organization successful when they adopt a given structure? A recent study by Ogbonna & Harris (2002) addressed this issue.

Zenith Ltd. is pub/wine bar group that was established in the 1980s with four outlets and was acquired by a larger group, Bond Inns, during the 1980s. During the 1990s, a new director was appointed and the whole company was rebranded as the Zenith Group, retaining only 11 outlets. The new managing director wanted the structural change to make Zenith different from its competitors, so that the company could be positioned as innovative and trendy.

Prior to the rebranding, the Bond group had been a highly bureaucratic organization, with centralized decision making and a tall hierarchy. The culture was control oriented and formal, and dissent and disagreement were strongly discouraged. Many of the managers felt that the old structure was dysfunctional and needed changing, though some of the older managers liked the predictability and stability it afforded. After rebranding, the structure of the Zenith group, according to senior management, could be termed, organic. The culture is now informal, and staff are highly empowered. Decisions are made at the outlet level and staff have considerable freedom to experiment with different approaches to customer service and general management. This can bring disadvantages as well, because while staff are empowered, they also feel more stress as a consequence of having responsibility for the performance of the outlet at which they work. Nonetheless, the lack of interference from head office is welcomed. There are few levels of hierarchy, and

flexible functional boundaries, with tasks and activities loosely connected into broad and general remits of responsibility. The board of directors refer to the new structure as a wheel, with the customers and outlets in the centre. Since changing the structure, the performance of Zenith has improved considerably. Turnover increased by 16% in the two years following the re-structure, which was not matched by a corresponding increase in staff costs, indicating a greater level of staff efficiency. Company profit also increased by 8% gross and 5% net in this time period.

The researchers concluded that the success of the re-structure was related to a number of factors:

- A transformation (or politically astute) managing director who was able to convince employees and senior managers that the old structure was inefficient;
- The acceptance by the majority of senior managers that change was necessary;
- Widely held trust and belief in the Managing Director;
- The commitment and support of top management;
- Acceptance of the need to experiment with different structural forms through trial and error;
- Internal marketing to sell the change and promote it.

A critical finding from the research was that the change was brought about not by a participative, democratic style of leadership, as is frequently prescribed in the change management literature. Instead, the change was brought about through a political process, in which information was selectively presented in order to justify the need for change, and where recalcitrant senior managers who were opposed to the change were pathologised as resistant and 'encouraged' to leave. Furthermore, the

structure adopted by the company was not one that is widely discussed in organizational theory, despite possessing many features of an 'organic' structure. Moreover, this structural form was implemented in a traditional industry that was located in a stable environment. The researchers argue that this has implications for organizational theory in as much as structural innovation has generally been attributed to the effects of hyper-competitive environments.

### Questions

1. Why would the structural change bring about the cultural change described in the case?
2. Use Burrell and Morgan's (1979) subsystem framework to analyse the case before and after the change. What implications does your analysis have for the systems approach to organizational analysis?
3. Was the environment influential in this case? How and why?

Adapted from:

Ogbonna, E. & Harris, L.C. (2002) Innovative organizational structures and performance: A case study of structural transformation to "groovy community centers". *Journal of Organizational Change Management*, 16, 5, 512-533