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Defense Systems Inc. (DFI) is a large company operating predominately in the United States with offices in 38 states as well as Asia and Europe. In this paper the organizational structure of one division, the Mobile Communications Group (MCG), at DFI will be assessed and recommendations will be made for changes in the structure to support an innovative and creative workplace where employees are empowered and confident in their ability to promote change within the organization.

The current organizational structure of DFI will be deconstructed in accordance with the theoretical work presented in Wren (2005), Hoopes (2005), Scott and Davis (2003), and Sehanovic and Zugaz (1996). The organizational structure of learning organizations will be derived from the work of Claver-Cortes, Zaragoza-Saez, and Pertusa-Ortega (2007) and Fielder, Gover, and Teng (1996). The process of organizational change will be viewed through the scholarship of Greenbaum, Holden, Spataro, and Spataro (1983), Lyons, and Nicol (2001), and Lysonski, Levas, and Lavenka (1995). Managing the change process will be considered through the work of Dickson, Resick, and Hanges (2006), Greenbaum, Holden, J.R. Spataro, and L. Spataro (1983), and Van Vugt, Hogan, and Kaiser (2008).

Organizational Structure at DFI

History

DFI is a multi-divisional corporation headquartered in New York City that was formed in 1998 from an existing firm specializing in the development and manufacturing of electronics equipment for the defense industry combined with product manufacturing divisions acquired from Lockheed Martin in a friendly acquisition. DFI originally positioned itself as a mezzanine corporate that supplied all the defense prime contractors with equipment. The concept was that

as a non-prime contractor, DFI was in a position to sell equipment to other contractors without competing for the same contracts, at a potentially lower equipment cost.

This model has operated successfully for the last ten years, but in order to maintain the kind of growth required by the shareholders, DFI changed from organic growth based on increased sales, new product development, and seeking to expand the customer base, to an acquisition strategy. The initial acquisitions were small and complemented the business model, but as DFI grew so did the acquisitions, reaching a single \$2 billion purchase in 2005 that changed the business model substantially by adding many firms that depended on prime contracts.

MCG builds turnkey mobile communications systems that are fully integrated into a vehicle, which can be a car, a van, or a 48 foot trailer. Some of the trailers are custom built. This division was acquired by DFI in 2005 as part of the \$2 billion acquisition. MCG also has significant strengths in networking and information management, which are both sold as services to government customers.

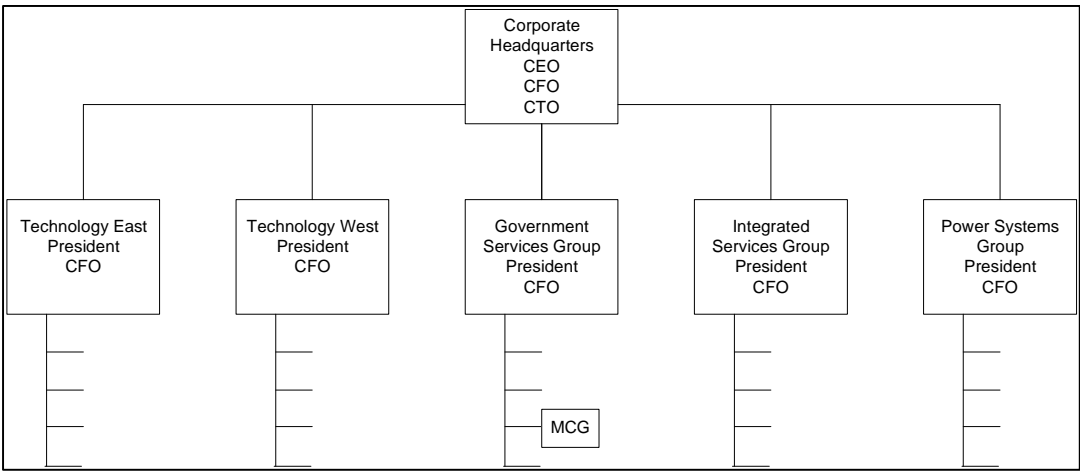
Organizational Structure

At its highest level DFI is an M-form (Scott & Davis, 2003), a multi-divisional structure with each division having the autonomy to pursue its business goal in support of guiding corporate strategy. Figure 1 shows the overall structure of DFI with the corporate headquarters providing top level guidance to the lower entities. Each group has its own infrastructure including contracting, finance, and human resources. MCG is a unit in the Government Services Group, which is composed of 65 units supporting various government activities. MCG has only vestigial finance and contracting capability since it relies on those services at the group level.

MCG is led by a vice president who is responsible to one of several managers at the group who have responsibility for division management – with 65 divisions within a group, the project

Figure 1

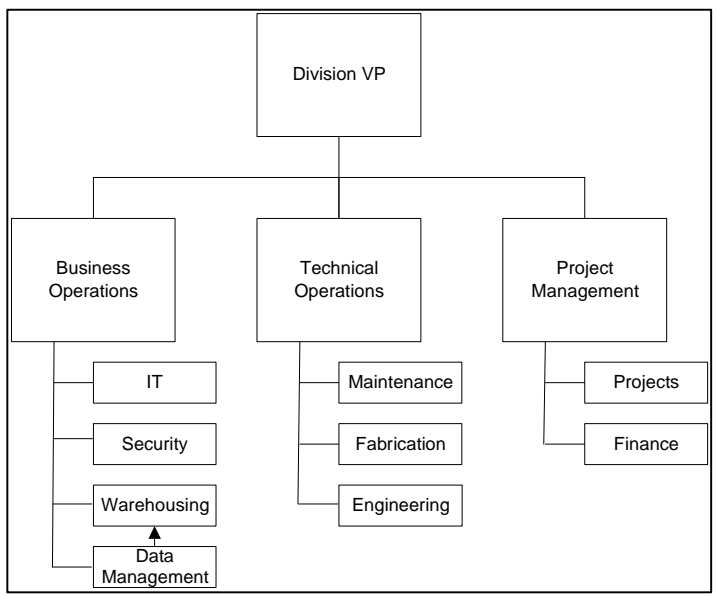
Top level organizational structure at DFI showing the level at which MCG operates



span of control would be far too large for a single manager. Three branch managers who are in

Figure 2

Management structure at MCG to the department level

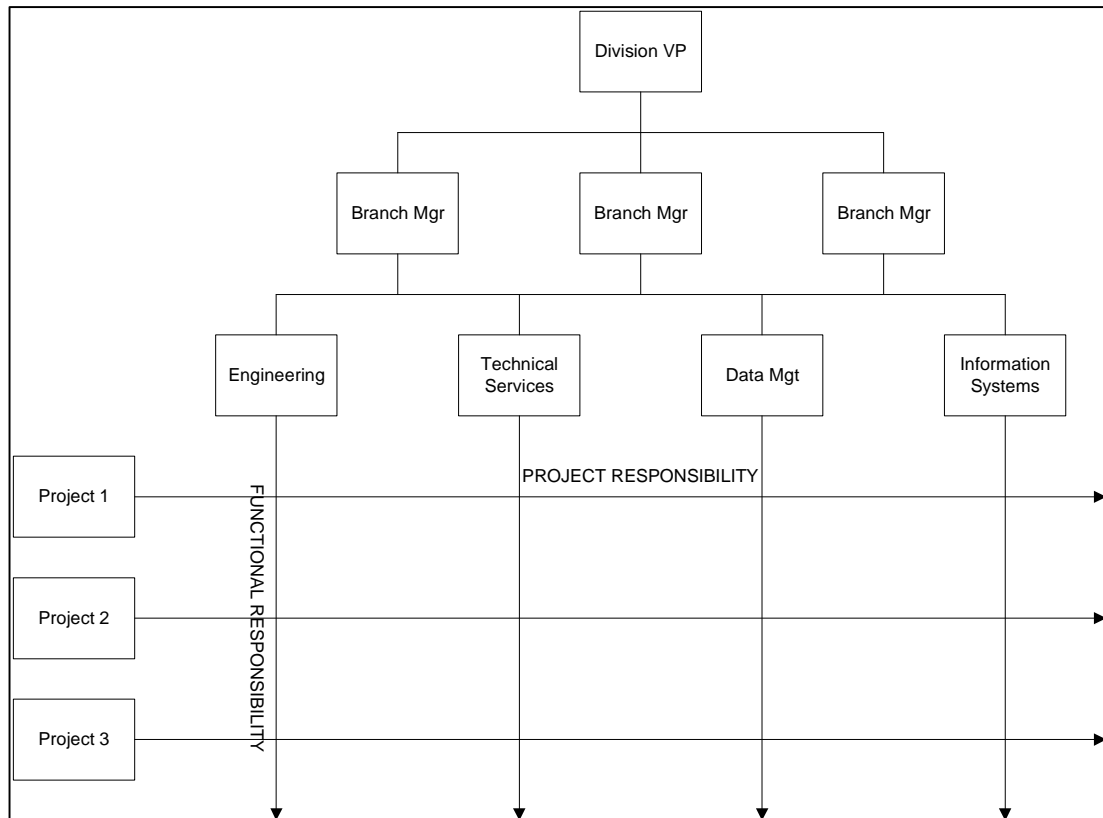


charge of business operations, technical operations, and project management, report to the VP.

Below the branch managers is a matrix organization that has free flow of personnel from the

Figure 3

Matrix Organization as it is Currently Implemented at MCG



the functional organization to the projects. This structure is shown in figure 2. Note that the finance department noted in figure 2 is directly related to project finance reporting since all other financial activity is managed at the group level.

MCG is a matrix organization (Kerzner, 1998), as shown in figure 3, which means that employees report to a functional manager who assigns them to projects that are run by project managers. There are inherent problems with this type of structure because of the conflicting lines of control to the employees who report to the project manager at the project level but are evaluated by the functional manager who also controls their project assignments (Kerzner, 1998).

Every employee at MCG has a computer at their desk with normal communication services like email and Internet connectivity. There are varying levels of access depending on job function and project assignments. There are severe constraints on external users accessing the network, with external users having access to their email but no Virtual Private Network (VPN) access to their desktop computers.

Many employees at MCG are knowledge workers implying that they have a requirement for ongoing training and the need to maintain an external, professional, social network (Nonaka and Nishiguchi, 2001). MCG has an active employee training plan to assure that knowledge workers maintain currency in their field of expertise. Information access is constrained at the department level so different knowledge workers have different degrees of access to their social network and data.

Proposed Organizational Structure for MCG

As an organization that depends on project execution predominately by knowledge workers, MCG should make two major structural changes in their organization. First, the organization would benefit from the change to a fully projectized (Kerzner, 1998) structure, which will remove the conflicting lines of control seen by employees. Second, the shift to a formal learning organization would remove the disparities seen between knowledge workers and give the organization access to the knowledge of employees at all levels (Nonaka and Nishiguchi, 2001).

The Learning Organization

According to Huber (1991) (cited in Hanvanich, Sivakumar, & Hult, 2006) "...a firm can gain knowledge through the organizational learning process, which consists of acquisition, dissemination, interpretation, and storage of knowledge..." (p. 600). This knowledge is

contained in a number of places including computer storage systems, employee memory, employee skills, and media (paper, audio, and video) (Nonaka and Nishiguchi, 2001). Shifting as much of the organization's knowledge to information systems has the benefit of ubiquitous availability for everything other than tacit knowledge (Nonaka and Nishiguchi, 2001), which is the knowledge that is experiential and not suited to normal documentation – this knowledge is normally shared through some kind of apprenticeship.

According to Sehanovic and Zugaz (1996) information technology has the ability to influence the organizational structure of a firm. Information processing is an activity that is similar to the production process because information obtained as an output from one process is used as an input to another process, which leads to information being regarded as “fuel” for all the processes (Sehanovic & Zugaz, 1996). The increased use of information systems leads to “an increased level of information culture throughout the entire system, which should improve management efficiency by permanent and everyday use of the entire package of integrated and optimized business policies.” (Sehanovic & Zugaz, 1996, p. 28).

MCG needs to reassess the constraints placed on information access with the approach that sharing is superior to controlling. Employee access to information will become greater than needed, which guarantees that they have access to the full spectrum of required information. The security concerns raised by the ubiquitous access are moderated by a non-disclosure agreement signed by all employees at the time of hire. Mushroom management (Mushroom management, 2001; Point/Counterpoint, 1991) is reduced when information is available as needed and employee perception of the work environment is improved (Point/Counterpoint, 1991).

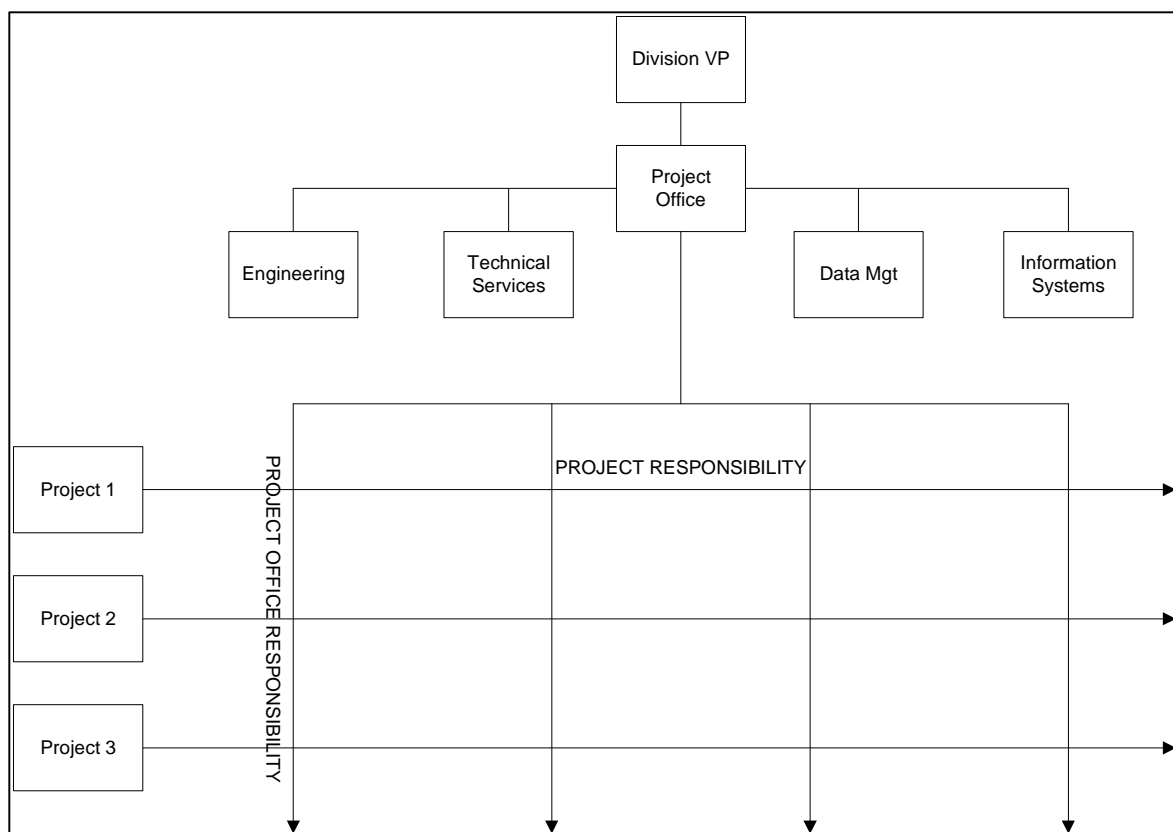
Information sharing also aids in creating an environment that fosters innovation since employees post their ideas and are publicly credited with those ideas in the information system,

they have the satisfaction of being recognized for their work (Drucker (1992), cited in Claver-Cortes, Zaragoza-Saez, and Pertusa-Ortega, 2007). Employees are empowered because they have a sense that they are trusted with the information generated by the firm and they are contributing to the productivity of the firm. Creativity is fostered because the level of recognition received is a positive reinforcement (Claver-Cortes, Zaragoza-Saez, and Pertusa-Ortega, 2007).

Claver-Cortes, Zaragoza-Saez, and Pertusa-Ortega (2007) stated that “[excellent]...firms tend to show increasingly horizontal, flexible structures with fewer hierarchical levels and a

Figure 4

Proposed organizational structure for MCG



widespread communication at all organizational levels...” (p. 54), implying that a flatter organization promotes better information exchange. From these statements the inference is that

changing the organizational structure has the same effect as improving communications across levels of the organization.

The Project Organization

The matrix organization currently in place at MCG is one that can appear very chaotic to the employees since they feel that they have too many people in charge (Kerzner, 1998). There is also conflict between the project managers and the functional managers since employees may be assigned to projects on some basis other than needed expertise (Kerzner, 1998). Changing to a project organizational structure would relieve the employee concerns and the functional managers would be absorbed into the project control department, which allocates projects and assigns personnel to them, which would alleviate the conflict amongst the managers.

Figure 4 shows the structure of a completely projectized organization. The source of project control is centralized with the functional components serving the needs of projects. There are no issues related to control conflicts and there are no issues between functional and project managers. The project organizational model is also viewed unambiguously by all personnel, leading to an affirmative environment and improved employee satisfaction (Dickson, Resick, & Hanges, 2006).

Conclusion

A division of a large defense contractor, DFI, was analyzed to determine the organizational structure areas that would most likely create a significant improvement if they were changed. The areas identified were changing the approach to information systems management in order to promote a learning organization, and changing the management structure of the division to flatten it and to reduce conflict within the organization.

Using scholarly work as a basis for change, it was shown that making these two changes had a number of ancillary effects including greater employee satisfaction, increased innovation and a sense of empowerment. Creativity is encouraged because innovation is rewarded by the recognition of their peers as well as management. The company benefits from the increased innovation and creativity and the employees benefit from the increased openness and sharing as well as the reduced stress.

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