

LCBB4003 Assessment 1

COVER SHEET

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EXECUTIVE SUMMARY

This essay examines and assesses the different types of organisational structure and culture and their influence on organisational performance. The organisation I have chosen is Marks & Spencer because it is an iconic image of UK retailers. The company survived against difficult trading environment by adapting its structure, culture and leadership to provide a better customer experience.

There is no perfect organisational structure or culture, and they need to be adjusted according to the current needs of the business. Moreover, it is important to note that there is a need to find balance between the needs of the industry and the material and social needs of employees.

INTRODUCTION

Profile of the organisation

Marks & Spencer (M&S) business started in 1884, as a Penny Bazaar stall in Leeds. The early development of the company is owed to Michael Marks who was a Jewish immigrant pedlar. In 1894, his partnership with Thomas Spencer, a cashier from North Yorkshire, led to a prosperous growth from a chain of market stalls to their first shop. The company flourished throughout the years but it also faced many difficulties during wartime because of inflation or competitors. Nowadays, M&S is one of the British main retailers that has an international presence as well. M&S is a family of own label accountable businesses specialised Food, Clothing & Home and Bank & Services (Nyame-asiamah *et al.*, 2019). In 1998, BBC News announced that Marks & Spencer was the first and only retailer to make a pre-tax profit over £1 billion.

The 2021 company's annual report mentions a number of 1509 stores and over 100 websites globally serving 30 million customers a year (Plc, 2021). The business aim is to restore the business and brand while delivering a long-term, sustainable and profitable growth and maintaining the core brand values of quality, value, service, innovation and trust.

The 2021 company's annual report highlighted a revenue of £9.0 billion by 31 of March 2021 and an adjusted profit before tax of £41.6 million – the lockdown has heavily impacted the food and clothing market, resulting in an 11.8% reduction in revenues. In 2020, the company had a grocery market share of 3.1% and it started the cooperation with Ocado platform to sell food products online due to a substantial shift to online and digital. Ocado delivered 43.7% revenue growth over the last year and contributed a share of net income of £78.4m (Plc, 2021).

Organisational behaviour

The behaviour and performance of people at work is highly influenced by organisational factors and management practices. Contrasting opinions on structure, operations and management among workers within an organisation emerged into increased awareness of understanding the organisational behaviour (Mullins, 2007).

Therefore, the organisational behaviour comes down to different aspects of interrelationships in the context of a wide organisation and this relates to an understanding of people's behaviour, management processes within a setting, organisational processes and policies and interaction with external factors (Mullins, 2007). Organisational behaviour can be identified and defined by different dimensions: the individual, the group, the organisation and the environment (Mullins, 2007).

The relationship between organisational effectiveness, the human factor resource and the role of management is seen as an integrating activity towards improvement of practical applications, personal growth and increased knowledge (Mullins, 2019).

MAIN BODY

Organisational structure, types and their appropriateness with different organisations

There is no doubt that the right organisational structure is the backbone of a business' success. The changing nature of work organisation implies the necessity of an effective management and a greater organisational flexibility (Mullins, 2007). The organisational structure refers to the collective effort to achieve the goals and objectives of the organisation by formally defining the roles and responsibilities of each member, outlining the amount and type of work to perform and coordinating effectively their activities (Maduenyi, Oke and Fadeyi, 2015).

There are various ways to categorise the departments within an organisation, leading to many ways to structure a business. Each type of structure has its own benefits and drawbacks. Thus, deciding upon the right type of structure to avoid unnecessary conflicts is an important part of running a business.

Long time ago, since the birth of bureaucracy, the business were structured around functional specialties (Baker, 2017). Even though most companies still operate under these conditions, many have tried to evolve and shift to alternative structuring methods:

- organised by function, product, area, customer, process
- hierarchical, flat, matrix
- centralised, decentralised

Functional structure is one of the most common types of organisational structures. Starbucks follows this structure where employees are grouped by the function, roles and skills they perform, i.e. sales, marketing, finance. Based on this structure, the employees share same knowledge and complete similar tasks improving specialisation, productivity, accountability and clarity.

Hewlett Packard is an example of organisation structured by product: Personal Systems Group, Imaging and Printing Group and Corporate Investments and Services (HP, 2021), which allows it to focus more on innovation and marketing. Large multinational companies such as Hewlett Packard, Nestlé are divided along geographical areas. Each region has an independent functional system in place and the advantage of this structure refers to the ability to better tailor the activity to the local needs (Soctt, 1970). Some organisations will organise their employees by process. For example, Argos or Travis Perkins have different groups of employees in charge

with roles in packing, displaying products or customer service. Due to its relatively small business size, Boots has a flat organisational structure. There are not many management layers, which makes the communication between employees very effective. Tesco stores operate with a highly hierarchical structure that supports the large size of the business. The board follows an effective corporate framework and it is committed to high standards of governance, monitoring the activities of each Board Committee: Audit, Corporate Responsibility, Nominations and Governance and Remuneration. Moreover, based on their location or size, each Tesco store presents around four layers of management (Dudovskiy, 2016). The matrix structure is mainly created around projects taken by the company to solve different problems that customers face. This structure can become quite complex and not every company can successfully adopt it. As such, an organisation can be primarily broke down by region but it can also have secondary means of divisional breakdown. Few examples following a matrix structure can be HP, Philips, Starbucks, NASA (Safina *et al.*, 2019).

Organisational culture, types and their appropriateness with different organisations

Schein (1990) argued that it consists of two layers of concepts when talking about organisational structure, namely visible characteristics – building, clothing or language and invisible characteristics – values, norms, faith (Fard *et al.*, 2017). Current literature on organisational culture state that it represents the behavioural guidelines, beliefs and understandings that drives the organisation to achieve a common goal. According to Hofstede, there are different aspects of culture levels, from national to organisational level. The national culture relies on the early stages of a person's development and it is deeply rooted, while the organisational culture refer to corporate practices and can be easily adapted (Erthal, Marques and Erthal, 2018).

Generally, the organisational culture and its shared system of values, beliefs and assumptions provide a stable working environment which is resistant to change, but it can be maintained through social interaction (Hald, Gillespie and Reader, 2020). The embodied values, beliefs and behaviours serve as an organisational guideline in dealing with uncertainty, uncontrollable situations or difficult events throughout the life of the organisation (Roscoe, 2019).

Considering the competing values framework proposed by Cameron and Quinn (1999) (Cameron, 2006), it facilitates the classification of organisational structure into four types: clan, adhocracy, market and hierarchy cultures (Oh and Han, 2018). Studies on organisational culture, leadership or management skills gave born to two major dimensions: flexibility – stability and internal – external focus respectively. Please see Figure 1 for a better understanding of the two dimensions and types of organisational cultures.

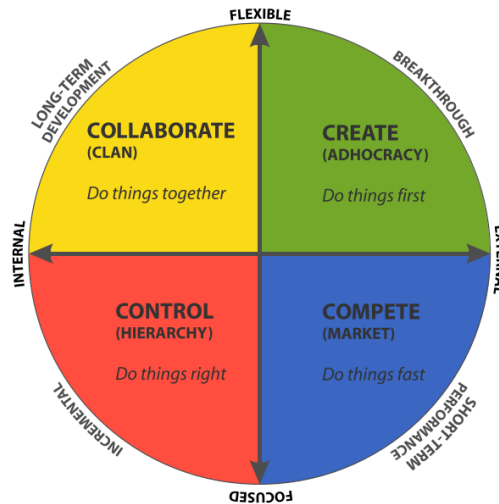


Figure 1: The competing values framework and four types of organisational culture (Cameron, 2006)

The clan culture focuses on the long term development and relies on the ‘human relation model’. The values that characterise this culture refer to internal relationships in a flexible organisational environment (Oh and Han, 2018). It has a collaborative orientation and sustains the effectiveness through human development and high commitment. This culture is strongly embedded within organisations with a history of stable membership (Cameron, 2006).

Adhocracy culture supports a creative orientation and it is characterised by external relationships in flexible organisational structures. Values such as creativity, transformation, innovation and vision produce effectiveness and they drive into a proactive approach to changing situations. This culture fits best organisations without a specific purpose that can perform under a decentralised system and that is being able to quickly reorganise when facing new challenges (Cameron, 2006).

Market culture involves a competing orientation that focuses on external relationships, i.e. the market or external stakeholders, and competency enhancement i.e. resources from outside the organisation (Oh and Han, 2018). Their theory of effectiveness relies on a customer focus approach (Cameron, 2006).

Hierarchy culture focuses on internal relationships and hierarchical structures. The organisations following this culture value control, predictability and centralisation through routines, norms, standards and clear guidelines (Cameron, 2006).

Organisational structure and organisational performance

Many have argued that the organisational structure represents the architectural arrangement of the business and refers to competence, leadership, individual talent, and functional relationships (Yen and Tian, 2012; Maduenyi, Oke and Fadeyi, 2015). Performance is defined by the outcome resulted from structural limits and boundaries as well as the management and execution of decisions (Yen and Tian, 2012). During the early stages of organisational development, flexibility is essential. Moreover, it is important to accept that what was once

good may no longer be beneficial as the organisation matures in size, environment or technology (Pathak and Parker, 2013; Dudzik-Lewicka, 2018). Studies have shown that organisational structure contributes to the growth of the organisation, diversification and optimism level which are key elements for performance (Pathak and Parker, 2013; Maduenyi, Oke and Fadeyi, 2015).

Marks & Spencer is known as being one of the world's great retailers being one of the UK's first premium brands that has survived recessions, PR nightmares and dry periods. Despite the spectacular and dramatic 'fall from grace', Marks & Spencer still remains a formidable presence on the UK market (Mellahi, Jackson and Sparks, 2002).

Organisational crisis literature places the case study of M&S failure on top of the list providing an insight into the importance of both internal and external factors as markers of performance. The M&S crisis was triggered by a continuously changing of business conditions and environment as well as the management vulnerability. The Board was mostly defined by a monolithic structure and inefficient reporting relationships. Thus, it was isolated from the real world assuming that the name and the brand that were already created can face an unstable and unreliable market. Therefore, the misperceptions of the management board who had neither the will nor the vision to properly respond to the crisis led to M&S failure (Mellahi, Jackson and Sparks, 2002). To address this problem, M&S has implemented changes in the organisational structure, moving from a highly structured organisation to a flatter structure, with reduced number of layers between managers and front-line employees. This structure had a twofold benefit: increased the individual performance as well as the company's overall performance. It increased the effectiveness of collaboration between different levels of employees, giving them more autonomy and responsibility. Moreover, the company could address better the customers' needs and their expectations through a rapid change, necessary adjustments and personalised problem solving at a local level (Mellahi, Jackson and Sparks, 2002).

This flat structure increased the training demand to start developing staff within the organisation. As a result, the employees' social experience: status, certainty, autonomy, relatedness and fairness increased, influencing the organisational performances.

Organisational culture and organisational performance

Marks and Spencer started as a small family business and, as such, it embraced most of the family values: quality, value, service, innovation and trust. The company's main mission is to make people aware of the importance of using quality products. Its vision statement is: "To provide a standard against which its competitors may be measured, from customer experience to care for the environment and community and to the working environment for employees."

Throughout the years, Marks and Spencer managed to overcome many crisis and these experiences resulted in positive lessons to learn, introducing another core value: willingness to change. The company successfully established a renewed and reinvigorated workplace transforming the values of the past in a modern way. The flat structure promote an organisational design to a family which ease the communication and closeness between employees. The 2020 annual report (Rowe, 2020) mentioned the creation of a culture of plain speaking that equally welcomes the challenge and respect. The sense of shared mission is

created through trainings and courses to develop core technical, leadership and behavioural skills. Marks & Spencer continued programmes to support the diversity of the company's workforce: i.e. 25% people with disabilities, 20% people from BAME community, being the first UK retailer to introduce sunflower lanyards into all stores to help customers and colleagues with hidden disabilities.

The company's latest strategic plan (Plan A) (Rowe, 2020) focuses its attention on the employees, to attract, develop and retain top talented people. It provides the necessary technology, i.e. tablets, to facilitate the access to information.

This strong employee-responsive culture enhances employees' behaviour, external adaptation and internal integration to voluntarily improve the company's performance. The plan addresses significant change in leadership emphasis, message credibility, employee empowerment, and peer involvement, resulting in happier, more motivated and proactive employees.

RECOMMENDATIONS

Both organisational structure and organisational culture have a crucial role in company's overall performance. Most people view organisational performance not only as an organisational financial achievement but also its service and product quality and people satisfaction.

It might sound overwhelming but it is important to note that there is no best way to structure a business or adopt a certain culture. Depending on many external and internal factors, a company must be ready to adapt to the demands within its well defined area of focus and it should be aware that it may require a mixture of structural and cultural dimensions in order to succeed.

CONCLUSION .

In conclusion, it has been demonstrated that organisational structure and culture has a huge impact on organisational performances. However, there is a controversial topic to discuss: the success is not limited only to the organising structures and models, but also to the people and their individual behaviour. Behaviour is affected by factors relating to the person or by context and no one can ever have full control over someone's behaviour. Nonetheless, companies can contribute to the overall positivity of an individual and implicit to their performance by endeavouring to have in place a well-defined structure and culture.

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