Pavlina Kribikova[1]
ORGANIZATIONAL STRUCTURE AND TRENDS IN BIG CZECH COMPANIES

The article considers the issues of organizational development as well as the efforts to arrange sources of organization so that its performance is effective and leads to the satisfaction of not only customers, but also of employees. It is argued that there is a need to find an appropriate organizational structure that will correspond with internal and external company's environment. The aim of this article is to show the theoretical ways of organizational structures through the secondary analysis and description and to find out (with the help of the empirical survey) if the tendencies for releasing organizational structures, decentralization etc. appear also in big companies in the Czech Republic.
Keywords: classical (traditional) organizational structure; flexible organizational structure; centralization; formalization; integration, big company; Czech Republic.

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ОРГАНІЗАЦІЙНІ СТРУКТУРИ ТА ТРЕНДИ НА ВЕЛИКИХ ПІДПРИЄМСТВАХ ЧЕСЬКОЇ РЕСПУБЛІКИ

У статті описано організаційний розвиток як спосіб організації зусиль та ресурсів для підвищення ефективності та продуктивності, що у подальшому сприятиме підвищенню задоволеності не тільки клієнтів, а й самих співробітників. Обрана організацією структура має відповідати внутрішньому та зовнішньому середовищу. Коротко описано теорію організаційних структур, представлено результати аналізу анкетування менеджерів з метою відстеження трендів організаційного розвитку, процесів децентралізації тощо на великих підприємствах Чеської Республіки.
Ключові слова: класична (традиційна) організаційна структура; гнучка організаційна структура; централізація; формалізація; інтеграція; велике підприємство; Чеська Республіка.
Табл. 2. Рис. 4. Літ. 10.

Павлина Крибикова
ОРГАНИЗАЦИОННЫЕ СТРУКТУРЫ И ТРЕНДЫ НА БОЛЬШИХ ПРЕДПРИЯТИЯХ ЧЕШСКОЙ РЕСПУБЛИКИ

В статье описано организационное развитие как способ организации усилий и ресурсов для повышения эффективности и продуктивности, что в дальнейшем должно привести к повышенной удовлетворённости не только клиентов, но и самих сотрудников. Выбранная организацией структура должна соответствовать внешней и внутренней среде. Коротко описана теория организационных структур, затем представлены результаты анализа анкетирования менеджеров с целью отследить тренды организационного развития, процессы децентрализации и т.п. на больших предприятиях Чешской Республики.
Ключевые слова: классическая (традиционная) организационная структура; гибкая организационная структура; централизация; формализация; интеграция; большое предприятие; Чешская Республика.

Introduction

Today the requirement for releasing human resources potential appears in almost every publication or article which deals with the efforts to advice organizations how to succeed in competitive market. The main characteristics of today's environment

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are chaos, turbulences and unpredictability, that is why the key objective for any organization is to be prepared for changes. Organization is a living organism and is formed by employees and managers. This means that these people must be prepared for changes and ready to accept them. The classical hierarchical structure of work is as follows: managers manage, decide and can influence the functioning of organization, employees fulfill their tasks and their own initiative is taken rather negatively. The aim of this article is to confirm the scientific question: "Is it possible to notice the reflection of trends common in the chosen world companies — the trends leading to autonomy, self-management and self-control of employees, i.e. decentralization and organizational structures' "flattening" — also in the companies in the Czech Republic?" This article will be based on the field research and the questionnaire. In the first part, theoretical solutions will be analyzed. These will help readers to grasp the essence of organizational structures. This will be followed by the partial results of the realized empirical research carried out in big companies in the Czech Republic.

1. Organizational structure

Organizational structure means the way of internal formation of human resources (people), work, technologies and information. It is the principle how responsibility and power are divided among members of an organization and how working processes are performed. Pitra (2007) says that organizational structure is an ordered group of relations, where these connections mean working and communication connections. Organizational structure also influences social interaction among members of organization. The main characteristics of organizational structure are centralization, formalization and control. Some authors (e.g., Andrews, Kacmar, 2001) mention formalization, centralization and integration as its 3 main characteristics. *Formalization* reflects the level of work standardization in a company and the scope of employees' duty to keep rules and norms. Organizations with high level of formalization have many rules, norms and directions, that can reduce spontaneity and flexibility of workers needed for innovations. There is also reduced possibility of searching for alternative solutions by employees, their willingness to think about alternative solutions, to discuss it with others and talk about the best way how to work. In the organizations with low level of formalization, working behavior is relatively unstructured, members of such organizations have more freedom to fulfill their tasks which makes bigger area for wider social interaction among employees. This social interaction is more common and more intensive in these organizations than in the organizations with high level of formalization. These contacts among employees support knowledge sharing which is very important and required. *Centralization* reflects the hierarchical level where the decision making process is carried out. If the decision making process is being delegated to lower levels, we call this organization the decentralized one, if the decision making process is concentrated on the highest hierarchical level, we call this organization centralized. Centralization produces nonparticipative environment that lowers communication, cooperation and the process of becoming accustomed with tasks and projects by employees. *Integration* reflects the degree of subdivisions' cooperation (mutual collaboration). Employees should have adequate access to necessary information and knowledge needed for their jobs and problem solving. Structures of integration enable employees learn from their colleagues. Their collective work, knowledge sharing and in general their contacts with each

other can create a communication and coordination channel to exchange relevant experience and knowledge. The more the integration mechanisms work, the larger the social interaction in an organization can be (Chen, Huang, 2007). One more element in the organization should be added here and that is the control. *Control* is a cycle involving the setting of goals, measuring or monitoring and feedback. Control process can be made by rules, standards and internal procedures. Development and standing on the control of output and the rules of behavior make the decision-making process easier and raise the predictability of output.

Finally we can asume that lower formalization supports initiative and creativity of employees, makes communication, social interaction and knowledge sharing in an organization easier. Employees with wider skills, experience, knowledge and responsibilities need bigger autonomy and a possibility for self-regulation. If workers have freedom, independence and space for discretion to specify the required activities and the way how to do it, they will accept the results of the decision, because they had a possibility to give input and communicate their thoughts during the decision-making process. The more autonomy (independence) employees have, the more responsibility for their tasks they feel (Chen, Huang, 2007). The statements mentioned above are not autotelic. Attempts of decentralization, lower formalization and bigger involvement of employees in decision-making should lead to increased effectiveness and productivity of organization and therefore its higher competitiveness.

2. Optimal Organizational Structure

Due to the abovementioned characteristics, we can state that appropriate arrangement in organization can also influence its productivity. The whole process of change can be represented as a cycle, when the change of environment produces change in customers' needs, and this forces organization change its objectives (to meet these new needs), change strategy, adapt processes, technology and adapt all this organizational structure. The speed of reaction to these changes can determine the existence of organization.

Every organization is different and that is why the determination of optimal structure leading to better productivity is not possible. Different organizations need different structures depending on the environment in which they exist, because we must approach every environment differently. Organizations try to find the appropriate/adequate organizational structure to improve its productivity and lead to its goals due to external environment (external factors) and internal environment (internal factors). Adaptation of organizational structure which is appropriate for a given organization is a long-term and sequential process that leads to transformation of organization. Henry Mintzberg talked about organic and mechanic structures in reliance on the stability of the environment. Organic structures are (according to Mintzberg) more suitable for unstable environment that changes quickly. Such structures typically have lower level of formalization, decentralized decision-making and knowledge sharing. They are known as innovative structures (supporting innovative activity) and they are highly adaptable. Mechanic structures are suitable for stable environment, they are characterized by a high level of formalization and centralization.

World trends in organizational structures development tend to bigger use of organic structures (also known as flexible structures) and not to use mechanic struc-

tures (that is, classical structures). The reason for this is evident: classical structures cannot help release the independence and creativity of employees. Questions on the needed level of autonomy, self-management and self-control from employees or questions on the need of managers for organization functioning are the main topic of discussions for many specialists. Here are some opinions. Nonaka, Takeuchi (1995) point out the necessity of middle management – middle management is essential in the learning process and in the arrangement of visions of top management to workers in the first line. In their opinion, knowledge is made by middle manager who are often team leaders or leaders of projects and that is why they stand in the centre of knowledge management. They think that the so-called hypertext organizational structure, that works successfully in the KAO company (a Japanese company producing cosmetics and detergents), is a suitable organizational structure. Amoeba (another structure coming from Japan) can be another proof of successful functioning of flexible organizational structures. Amoeba as a system of management and organizations was made by Dr. Kazuo Inamori[2], who is the founder of Japanese Kyocera International Company. Dr. Inamori tried to eliminate the lowering flexibility of his company. Amoeba is based on the management system called amoeba management. Its main principles are autonomy, flexibility, inner entrepreneurship and self-management of employees. Due to these principles of amoeba management, we can say, that there is no middle management here. As opposed to Nonaka and Takeuchi stands Gery Hamel (2011), who states that managers are (broadly spoken) useless. He points out ineffectivity of their management and above all raised labor costs connected with their work in an organization on the highest level. Having a look at top managers' salaries, we usually see huge sums. And Hamel calls them "the costs of tyranny", as they are far away from the Peter Drucker's requirement: the highest managers' salary has to be no more than 20 times the salary of the worst paid worker. Hamel introduces the Morning Start Company (USA, California), with 400 full-time employees and incomes over 700 mln USD per year. Due to the company's visions, their target is to make a company where all team members will be self-managing professionals, they will communicate and coordinate their activities with their colleagues, customers, suppliers and other process participants and there will be no orders from anybody else. Employees are reliable for their own tasks (missions) which contribute to company's goals. This company has neither hierarchy, nor titles, it is not possible to climb up the promotion ladder. There is internal competitiveness and rivalry, but these are aimed to such questions as who will contribute more to company's success, not to get a better position. But also here it rules that responsibility motivates.

The number of companies that have solved the competitiveness problem by releasing their organizational structure is already big. The author of this article just shows the direction of world companies and how flexible organizational structures function.

3. Situation in the Czech Republic

The reality in the Czech Republic is affected by long-term centralized management. And even if we are trying to change it now, it will take a long time. The attitude to authorities which is deeply integrated and "inherited" into people is hard to over-

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[2] Available from: <http://global.Kyocera.com/company/summary/group_development.html>, cit. [2.4.2012].

come. But the problem stays on both sides. Managers are afraid of their positions and power and still keep their position of tasks distributors. They are not ready to become leaders or couches. Employees sometimes do not want active involvement into company's activities, they do not try to do that and they are not motivated to search for new, alternative and creative approaches to solve problems. They are also afraid of their positions, they think they can become redundant if they share their knowledge.

Situation in big Czech companies from top managers' (or owners') point of view is based on the chosen results from the empirical survey. This questionnaire survey was carried out during the spring 2012, the return of questionnaires was 10.1%, in total numbers it means that 77 big companies (with more than 250 employees) took part in the questionnaire. Low return of questionnaires can be accepted due to the situation in Czech companies – people still have the feeling that every piece of information is secret and must be kept confidential, even for employees. The questions chosen for this article deal with organizational structure, decentralization, team work etc.

The structure of the sample by the main activity is shown in Table 1.

Table 1. **Main activity of the respondents**

| Main activity	Frequency	Percent	Valid Percent	Cumulative Percent
raw materials extraction	6	7,8	7,8	7,8
manufacturing industry	28	36,4	36,4	44,2
civil engineering	11	14,3	14,3	58,4
accommodation and catering	10	13,0	13,0	71,4
others	22	28,6	28,6	100,0
Total	77	100,0	100,0	

Source: Processed by the author.

Manufacturing industry has the biggest representation, it is followed by the so-called "Others" – these are financial and other services, transport, telecommunications (see Figure 1). The respondents were also structured by to the number of employees. Only companies with more than 250 employees were surveyed, because following changes in organizational structure makes sense only in these companies. For more details on the surveyed big companies see Figure 2.
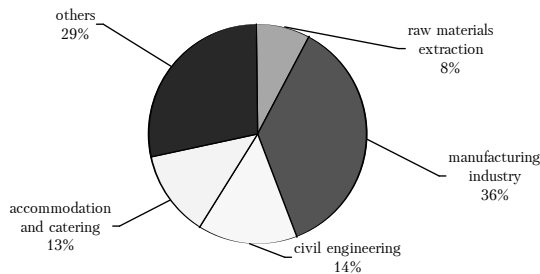
Source: Processed by the author.

Figure 1. **Main activity of the respondents**

Then goes the evaluation of the chosen questions from the questionnaire survey. The author evaluates when the last change of organizational structure was made, what was the reason for this change, how organizational structure has changed (how the respondents called the previous and the new structures) and what were the changes in the main characteristics of the structure.
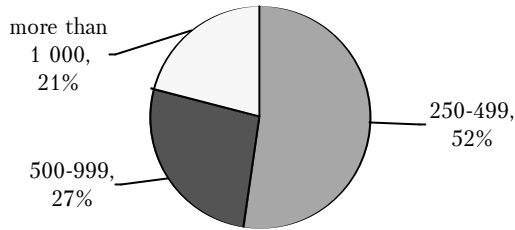
Source: Processed by the author.
Figure 2. **Surveyed big companies by the number of their employees**

As stated in Table 2, the biggest number of organizational structure changes was made during 2009–2010 (48.1% of the respondents) and in 2011 (37.7%). Companies tried to deal with the situation from 2008 (the beginning of financial crisis) which became noticeable in the Czech Republic in the following years.

Table 2. **Time of change in organizational structure**

Change of organizational structure	
2011	37,7
2009-2010	48,1
2006-2008	10,2
before 2006	4

Source: Processed by the author.

Figure 3 shows the stated reasons for these changes from the managers' point of view (they evaluated them on the scale from 1 to 5, where 1 is no effect and 5 is very strong effect).
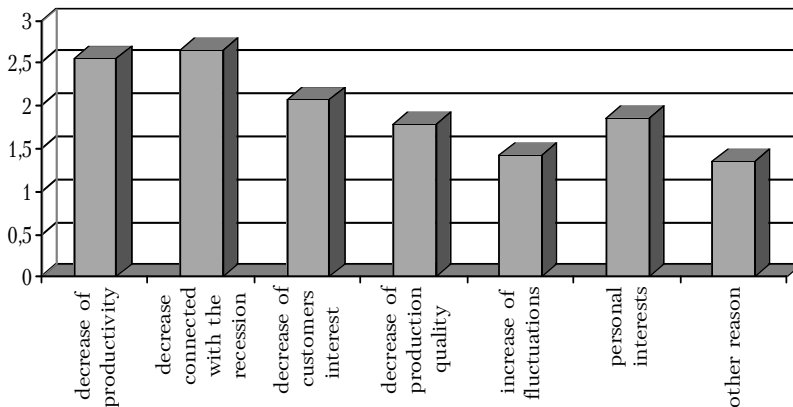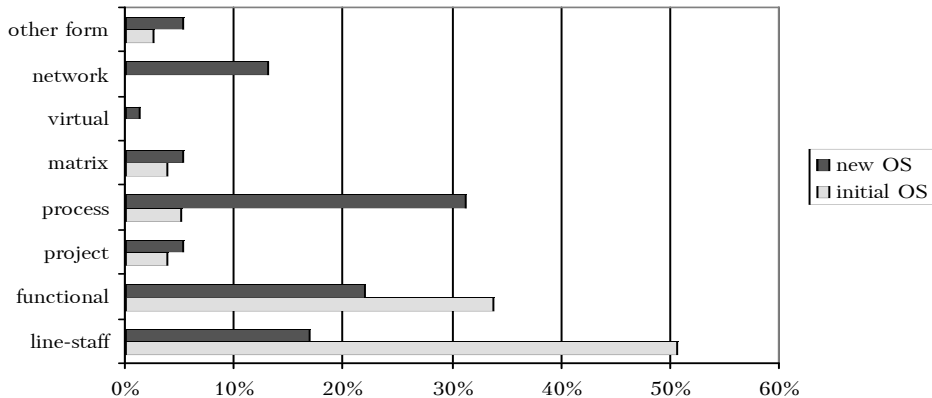

Source: Processed by the author.
Figure 3. **Reasons for the change of organizational structure**

Decrease of productivity connected with the recession was stated as the strongest reason for change (2.65). This was followed by the decrease of productivity not connected with the recession (2.56).

Changes of the type of organizational structure are very interesting. There is a decrease of classical organizational structures (originally 88.2% of companies, after the change – 44.1%), an increase of flexible organizational structures – this has caused a big decrease of functional and line-staff organizational structures (see Figure 4).

OS = organizational structure
Source: Processed by the author.
Figure 4. **Perceptual representations of organizational structures of the respondents**

The most frequent type of new organizational structure is a process structure which replaced the traditional functional structures used by the majority of big industrial companies in the Czech Republic. Other questions deal with the closer specification of organizational structure. Even if 31.2% of companies say they have process organizational structure, 72.7% of them say their departments were established on the basis of the ongoing processes — but this does not correspond with the following — only 37.7% of the organizations say that the predominant direction of communication in their company is horizontal. 63.6% of the managers said their organization was decentralized. But if managers had to evaluate the level of delegating powers on the scale from 1 to 5 (1 — keeping the majority of power, 5 — delegating all possible tasks), only 52% of the managers evaluated the level of delegating as 4 and 5. The questions on the evaluation of the level of initiative and independence of employees that is taken as positive and beneficial for the organization: only 7.8% of managers allow their employees fulfill their tasks on their own, 24% of managers enable their employees to co-decide and 53.2% enable their employees be present at the meeting, but they can not influence the result (co-decide). Then if 20.8% of the organizations say their functioning is based on team work, then teams are not fully responsible for their tasks (see above — employees in 7.8% of organizations are responsible for their tasks), 6.5% of the organizations do not create teams at all. Only 14% of the managers require keeping of superiority and inferiority relationships and fulfilling just the given tasks.

Conclusion

Due to the information stated above we can state, that classical organizational structures in big companies in the Czech Republic are being broken very slowly. Managers ask their employees for discipline and self-restraint and these two things are connected with classical organizational structures. This can be taken as a result of long-term organizational culture supporting the division to managers and "just" employees. Unsustainability of these structures in terms of their small space for sharing knowledge, initiative and creativity of employees and overall low adaptability to a

rapidly changing environment, increases with the arrival of a new generation that has experienced the above practices but also recognizes other values. Young generation is more independent, less loyal and has less respect to formal authorities. They call hierarchy to question and emphasizes team work, sharing responsibilities and having better communication. Team work enables active involvement of employees but is not used very often now in Czech companies, so it keeps big potential for the future. This potential in the connection with modern information technologies and using social networks to share knowledge can make Czech companies competitive in the world. So the scientific question from the beginning of this article is confirmed.

And finally, every organization is unique and its organizational structure and internal functioning are unique as well, so we can not definitely say: you must do it this way, that is right, because this works in other organizations. Every organization must be in harmony with its internal and external environments.

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