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~~████████████████████~~ **FRIED**
Accountants,
Inc.

By 1970, ~~████████████████████~~ **FRIED** ~~████████████████████~~ **"FA"** Accountants, Inc. ~~████████████████████~~ was ranked eighteenth in size by the American Association of Accountants. In order to compete with the larger firms, ~~████████████████████~~ **FA** formed an Information Services Division designed primarily for studies and analyses. By 1975, the Information Services Division (ISD) had fifteen employees.

In 1977, ~~████████████████████~~ **FA** the ISD purchased three minicomputers. With this increased capacity, ~~████████████████████~~ **FA** expanded its services to help satisfy the needs of outside customers. By September 1978, the internal and external work loads had increased to a point where the ISD now employed over fifty people.

The director of the division was very disappointed in the way that activities were being handled. There was no single person assigned to push through a project, and outside customers did not know who to call to get answers regarding project status. The director found that most of his time was being spent on day-to-day activities such as conflict resolution instead of strategic planning and policy formulation.

The biggest problems facing the director were the two continuous internal projects (called Project X and Project Y, for simplicity) that required month-end data collation and reporting. The director felt that these two projects were important enough to require a full-time project manager on each effort.

In October 1978, corporate management announced that the ISD director would be reassigned on February 1, 1979, and that the announcement of his re-

placement would not be made until the middle of January. The same week that the announcement was made, two individuals were hired from outside the company to take charge of Project X and Project Y. Exhibit I shows the organizational structure of the ISD.

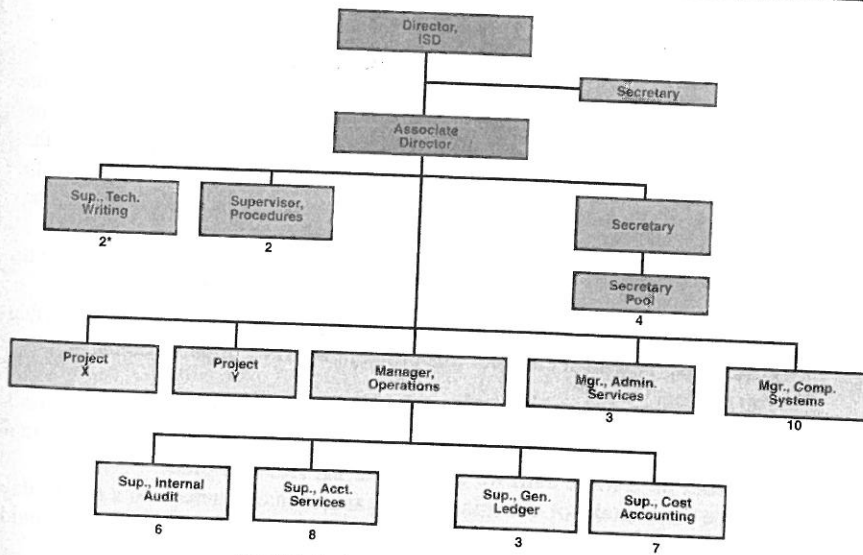
Within the next thirty days, rumors spread throughout the organization about who would become the new director. Most people felt that the position would be filled from within the division and that the most likely candidates would be the two new project managers. In addition, the associate director was due to retire in December, thus creating two openings.

On January 3, 1979, a confidential meeting was held between the ISD director and the systems manager.

ISD director: "Corporate has approved my request to promote you to division director. Unfortunately, your job will not be an easy one. You're going to have to restructure the organization somehow so that our employees will not have as many conflicts as they are now faced with. My secretary is typing up a confidential memo for you explaining my observations on the problems within our division."

"Remember, your promotion should be held in the strictest confidence until the final announcement later this month. I'm telling you this now so that you can

Exhibit I. ISD organizational chart



*Denotes The Number of Additional Functional Employees

begin planning the restructuring. My memo should help you." (See Exhibit II for the memo.)

The systems manager read the memo and, after due consideration, decided that some form of matrix would be best. To help him structure the organization properly, an outside consultant was hired to help identify the potential problems with changing over to a matrix. Six problem areas were identified by the consultant:

1. The operations manager controls more than 50 percent of the people resources. You might want to break up his empire. This will have to be done very carefully.
2. The secretary pool is placed too high in the organization.
3. The supervisors who now report to the associate director will have to be

Exhibit II. Confidential memo

From: ISD Director
To: Systems Manager
Date: January 3, 1979

Congratulations on your promotion to division director. I sincerely hope that your tenure will be productive both personally and for corporate. I have prepared a short list of the major obstacles that you will have to consider when you take over the controls.

1. Both Project X and Project Y managers are highly competent individuals. In the last four or five days, however, they have appeared to create more conflicts for us than we had previously. This could be my fault for not delegating them sufficient authority, or could be a result of the fact that several of our people consider these two individuals as prime candidates for my position. In addition, the operations manager does not like other managers coming into his "empire" and giving direction.
 2. I'm not sure that we even need an associate director. That decision will be up to you.
 3. Corporate has been very displeased with our inability to work with outside customers. You must consider this problem with any organizational structure you choose.
 4. The corporate strategic plan for our division contains an increased emphasis on special, internal MIS projects. Corporate wants to limit our external activities for a while until we get our internal affairs in order.
 5. I made the mistake of changing our organizational structure on a day-to-day basis. Perhaps it would have been better to design a structure that could satisfy advanced needs, especially one that we can grow into.
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reassigned lower in the organization if the associate director's position is abolished.

4. One of the major problem areas will be trying to convince corporate management that their change will be beneficial. You'll have to convince them that this change can be accomplished without having to increase division manpower.
5. You might wish to set up a separate department or a separate project for customer relations.
6. Introducing your employees to the matrix will be a problem. Each employee will look at the change differently. Most people have the tendency of looking first at the shift in the balance of power—have I gained or have I lost power and status?

The systems manager evaluated the consultant's comments and then prepared a list of questions to ask the consultant at their next meeting.

QUESTIONS

1. What should the new organizational structure look like? Where should I put each person, specifically the managers?
2. When should I announce the new organizational change? Should it be at the same time as my appointment or at a later date?
3. Should I invite any of my people to provide input to the organizational restructuring? Can this be used as a technique to ease power plays?
4. Should I provide inside or outside seminars to train my people for the new organizational structure? How soon should they be held?