ANALYSIS OF ORGANISATIONAL ARCHITECTURE IN NON-BUSINESS ORGANISATIONS FOR THE PURPOSES OF ORGANISATIONAL DEVELOPMENT STRATEGY DESIGN

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Abstract. The aim of this scientific paper is to present and elaborate the research findings of a scientific project focused on analysis of organisational architecture systems in non business organisations, especially educational and social care institutions in Macedonia and Bulgaria. Special attention is paid on main components of organisational architecture such as organisational culture and internal environment, leadership, motivation, performance management, organisational communication, delegating the authority etc. The main objective is to investigate the actual organisational architecture landscape, to identify potential improvement points, and to therefore contribute in organisational development strategy design for these organizations.

Scientific methodology was unified in both cases, and this paper is focused on specific project findings and conclusions drawn for Macedonian case.

Keywords: organisational architecture, non-business organisations, performance management, organisational development

Introduction

The origins of organisational architecture go back in 1990, when Daft and Lewin point out that "the *organisational architecture* is based on the premise that new theoretical and empirical knowledge can be used to improve organisation functioning and performance", (Daft and Lewin, 1990), which implies that the organisational architecture could be considered as an applied science, or, a "scientific art" (Thompson in early 1967 and later Snow, Miles and Miles in 2006). In 1992 Nadler has published a book entitled as "Organisational Architecture: Designs for Changing Organisations" (Nadler, 1992). The same author further elaborated this term in 1995, in his book "Discontinuous Change" (Nadler, 1995). The concept of organisational architecture was also elaborated in a Harvard Business Review, in an article entitled as "The CEO as Organisational Architect" (Howard, 1992).

Organisational architecture as a part of organisational performance management system involves designing a framework of formal and informal systems and struc-

tures as well as their inherent interactions enabling the creation of "organisation of the future" (Beckhard and Pritchard, 1992)[1]. The ultimate objective of organisational architecture is to design an organisation that provide maximum value to the customers and in the same time optimize the organisational performance by aligning all aspects of the system.

Contemporary approaches are rather comprehensive and emphasise the importance of designing a high performing organisations. The integrative and strategic perspectives are especially stressed out, as well as the organisational orientation towards maximization of performance on a long and a short run. Thus, organisational architecture in contemporary environment integrates the organisational structure, control systems, culture, and human resource management systems that together determine how efficiently and effectively organisational resources are used (Johnes, George, 2008). One of the most comprehensive definitions of organisational architecture emphazizes that it actually represents "a theory of the firm, or multiple firms, which integrates the human activities and capital resource utilization within a structure of task allocation and coordination to achieve desired outcomes and performance for both the short run and the strategic long run" (Burton and Obel, 2011a, 2011b)[2].

Even though these managerial principles are clearly understood in business organisations, implementation of managerial concepts in non-business organisations is steel a very sensitive issue, and a great challenge of contemporary environment. The initial assumption in this research was that non business organisations do not utilize to a great extent the benefits of implementing advanced managerial concepts for organisational development and performance management.

1. Theoretical and methodological foundations of the research

The main ***research objective*** was *to investigate the actual organisational architecture landscape in non business organisations, to identify potential improvement points*, and to therefore contribute in organisational development strategy design for these organizations. For that purpose, a research methodology was designed and conducted on a sample of respondents – individuals (managers, employees, relevant policy makers etc) from over 70 entities - non business organisations in Macedonia, mainly educational institutions, preschool institutions, medical and social care organisations, NGO's etc. Majority of respondents (over 80%) were employees, and about 20% of respondents were managers at various managerial levels. Special research attention was paid on main components of organisational architecture such as leadership, motivation, performance management, organisational culture and internal environment, organisational communication, authority delegation etc. For the purposes of the research**,** common methodology was applied in both cases, and methods and techniques used were unified as well.

The **initial hypothesis** of this scientific research was the following - even though the *organisational architecture (OA)* is considered as a significant variable in organisational performance management systems, its components in respective non

business organisations are not developed to the extent necessary for implementation of advanced managerial and strategic concepts that would contribute to highly performing organisations.

Consequently, following **sub-hypotheses** are derived:

H1 – Implementation of ***innovative performance management systems*** should consider significant organisational obstacles at this stage

H2 – The existing organisational architecture systems do not represent a strongly stimulative environment for i***nnovative thinking*** of employees and managers

H3 – There are significant potential improvement points in these organizations in terms of adjustment of organisational architecture components

2. Presentation of organisational architecture analysis research findings

Initial analysis indicates that 61% of respondents consider their organisational architecture as specific and distinctive from other types of organisations. They emphasise the organisational norms and rules as a *differentia specifica major,* that makes their organisation distinctive to other organisations. It is evident that the respondents pay special attention on mutual respect and polite manners as very important factors that determine the organisational internal environment. More than a half of respondents stress out the importance of a good organisational climate for increasing the individual performance of employees, and over 53% stress out the influence of organisational environment towards the interpersonal and intra-organisational communication, motivation and individual performance.

Research data indicate that the *core values* of interviewed respondents are related to the quality of life, safety, freedom of speech, comfort etc. Furthermore, over 70% emphasise that relative importance of individual benefits at work is much higher than group benefits. Social recognitions and other special motivation drivers are pointed out as very important by less than 20%, and these statements corresponds to the upper level managers and superiors in the sample of respondents. This is very important in terms of determining the primary motivational factors at various organisational positions. For majority of employees in these organisations, promotion in higher positions and social recognition are not that powerful motivational incentives, and they would be rather motivated with simple, every day situational appreciations and rewards related to previously listed factors – increased salaries that enable comfortable life, days off that enable increasing the quality of life, good atmosphere and improved internal communication etc. Only for 20% respondents, promotion and social recognitions are effective as motivational incentives, mainly for upper organisational level superiors.
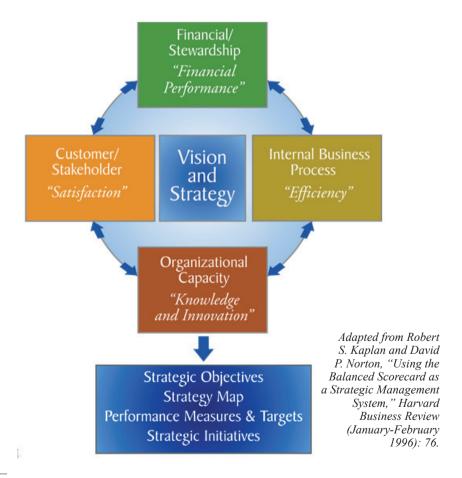
Regarding the respondents *degree of satisfaction with the current state of organisational architecture* of their organisation, over 60% of respondents claim that they are satisfied with the existing organisational architecture, but steel, 30% of the respondents claim that significant improvements could be done in this sense. Major objections are made to the overdosed formality in these organisations, which influences

the horizontal and vertical communication that, according to the majority of respondents, could be realised in less formal but more effective manner. The superiors are generally characterised as positive personalities, capable for effective communication and problem solving by more than 50% of respondents, but there are 15% of the respondents claiming that superiors are spreading a negative energy and are rather incapable to solve problematic situations in organisations. There are some really sensitive qualifications for some superiors, and main objections in this context is that they are demonstrating a lack of referent power, even though they are legitimately assigned leaders, which is one of the main deficiencies of a model of assigned leader, compared to the model of electing the leader in participatory procedure.

Also, ***delegating the authority***, a mechanism that should contribute to more efficient organizational communication is characterized as inappropriate, and there are serious objections to the principal implementation of this mechanism, and therefore, it contributes to distortion of information in organizations. Thus, respondents stress out frequent situations when, despite the competencies and capabilities of top managers and superiors, lower managerial levels that are in close communication with employees on a constant basis, could make major distortion of directives, commands, and the overall flow of communication as well as individual performance of non managerial employees. Thus, the level of motivation of subordinates could be significantly decreased, even though at upper organisational levels the instrumentality is not a weakness, i.e. there are mechanisms created for achieving great motivational performance at individual level.

Having in consideration the ***decision making models*** in these organisations, classical top-down model was pointed out as a dominant model that is regularly implemented, and important and non programmed decisions are mainly made according to the top down model – made and taken by upper managerial level in over 90% of situations. This is important indicator of the insignificant degree of involvement of employees in decision making activities, and it is obvious that in these types of organisations, participative decision making, or bottom up decisive approaches are not exploited to the extent that would lead to effective management and high organizational performance. The positive impact of participatory decision making processes is inevitable, and a motivation of employees and lower and middle level managers to perform would be much higher in a participatory decision making environment. This should be seriously considered as potential improvement point in the organizational architecture of these organizations. Also, it is evident that creative potential and benefits from team work are not utilized enough, as claim over 40% of respondents, and the same is valid for stimulating the innovative thinking and creative potential of employees, which could be also treated as a potential improvement point.

Having summarised the analytical data and information, the final conclusion is that research hypotheses are confirmed, and there are several potential improvement

points identified in terms of improving the existing architectural systems in non business organizations. One of major priorities in this context is to design *innovative performance management systems* that would support human resources as well as the organisational development in non-business context. Introducing these systems would enable to constantly increase the knowledge and skills of employees and managers, and development of learning organisations. One of major impediments could be the lack of expertise and/or experience for introduction of innovative performance management systems, but there are convergent trends in the global environment to support the innovative practices of this kind through international programmes. Therefore, there are many opportunities for non – business organisations to ask for external expertise in various EU programmes and funding schemes available, in order to utilize benefits of benchmarking and bench learning practices.

Adapted from Robert S. Kaplan and David P. Norton, "Using the Balanced Scorecard as a Strategic Management System," Harvard Business Review (January-February 1996): 76.

One of possible models for performance measurement that has been successfully implemented in various non-business organizations worldwide, is a Balanced Score Card model, that incorporates all above mentioned points and priorities.

The fact is that mechanical transplantation of simple business-oriented performance management systems could cause major deficiencies in functioning and implementation, but the Balanced Score Card model, and other similar comprehensive models in this category could be implemented in non-business context with a great success, in order to create a broad platform for organisational development. By integrating four essential BSC perspectives, such as organisational learning and growth perspective, perspective of internal processes, as well as financial and customer perspectives, this model enables creation of a platform that leads the organization towards maximum performance, which is an essential part of a definition for contemporary organisational architecture.

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