Dimensions of Organizational Structure

LEARNING OBJECTIVES

When you have read this chapter you should be able to

1. explain the three most commonly cited elements of organizational structure,

2. describe the different ways in which a sport organization exhibits complexity,

3. discuss the advantages and disadvantages of formalization,

4. understand the factors that influence whether a sport organization is considered centralized or decentralized, and

5. explain the interrelationship of complexity, formalization, and centralization.

BRUNSWICK RESTRUCTURES

In the early 1980s Brunswick, one of the oldest companies in the United States involved in the sport industry, was a highly diversified organization with interests in bowling, billiards, recreational boats, defense, and medical equipment. Financial analysts were critical of the company and pessimistic about its future, suggesting that its only valuable asset was its medical equipment business. CEO Jack Reichert was annoyed by what he heard. Going against popular views he sold the medical equipment business, a subsidiary that had generated Brunswick approximately one-fifth of its net earnings, and set out to restructure the rest of his organization.

The steps Reichert took were drastic. Four hundred white-collar jobs and layers of middle management were eliminated. Corporate staff

was reduced by nearly 60 percent and there were only five levels of management between Reichert and the lowest-paid employee. Two-thirds of the 600,000-square-foot company headquarters was subleased, saving the company $2 million. Computer systems were introduced, a just-in-time management program was created and staff was given incentive pay. Two of three corporate jets were sold and the executive dining room was eliminated. While the latter move did not save the company large amounts of money it was symbolic of Reichert's efforts to cut costs. Approximately $20 million was saved in salaries and other operating costs. Eleven divisions were consolidated into eight. Reichert was quoted as saying, "The pyramid was too tall." The company started to focus on what it did best—work in the sport indus-

(continued)

try, with some involvement in aerospace and defense. Bowling alleys, which were spread throughout the country, were consolidated. At Brunswick's Mercury Marine Division, which produced outboard motors for boats, a product line structure and four divisions were changed to a functional structure.

Reichert's restructuring worked. In 1984 Brunswick's debt fell to 26.6 percent of capital as compared with 39.4 percent in 1981. By 1987 sales had risen from a 1982 figure of $1 billion to $3 billion. Managers at the operating level no longer had to go through numerous hierarchical levels to get approval for projects. The general managers of each division now reported directly to Reichert and the turn-around time for decisions was reduced from months to days or even hours. This restructuring continues to be successful, with 2003 net sales of more than $4.1 billion.

Based on information in *Business Week* (1984), Reichert (1988), Bettner (1988), and Brunswick (2003).

What Jack Reichert did at Brunswick was change the structure of the organization so it could more effectively achieve its goals. But what exactly do we mean when we talk about structure? For many people, organizational structure is something represented by the patterns of differentiation and the reporting relationships found on an organizational chart, and to a certain extent this view is correct. For Thompson (1967, p. 51), structure referred to the departments of an organization and the connections "established within and between departments." He suggested that structure was the means by which an organization was able to set limits and boundaries for efficient performance through controlling resources and defining responsibilities. The term structure has in fact been used by different theorists to encompass a wide variety of organizational dimensions and their interrelationships.

In this chapter we focus in detail on only the three most commonly used dimensions. However, we show how the terms complexity, formalization, and centralization may actually encompass some of the other terms used to describe organizational structure. We also look at the interrelationships among these three primary dimensions.

Complexity

Complexity is, in many ways, one of the most readily apparent features of any sport organization. Anytime we look at an organization we cannot help but be aware of such things as the different job titles, the way in which the organization is departmentalized or divided into subunits, and the hierarchy of authority. Even a cursory look at a sport organization such as a university's faculty of health, physical education, and recreation will verify this observation. Individuals have job titles such as dean, chair, professor, research associate, graduate student, and secretary. Faculties may also be divided into departments or subunits, with names such as leisure studies, health, and sport sciences. Even a sport organization such as a local judo club, which at first glance may appear relatively "noncomplex," will probably have job titles, a committee structure, and a simple hierarchy of authority. In some sport organizations the level of complexity may actually vary among departments that are perceived as equally important. A large sport equipment manufacturing company, for example, may have a research-and-development department with little in the way of a hierarchy of authority, no clearly defined **division of labor**, and a relatively wide span of control. In contrast, the production department is quite likely to have a clear chain of command, high levels of task differentiation, and a narrow span of control.

As we can see from these brief examples, complexity is concerned with the extent to which a sport organization is differentiated. This differentiation may occur in three ways: horizontally, vertically, or spatially (geographically).

Horizontal Differentiation

Horizontal differentiation occurs in two separate yet interrelated ways, specialization and departmentalization. *Specialization*, in many ways one of the central tenets of organizational theory, has its foundations in such works as Adam Smith's *The Wealth of Nations* (1776 and 1937) and Emile Durkheim's *The Division of Labor in Society* (1893 and 1933). There are two ways in which specialization occurs in sport organizations: first, through the division of an organization's work into simple and repetitive tasks, and second, through employ-
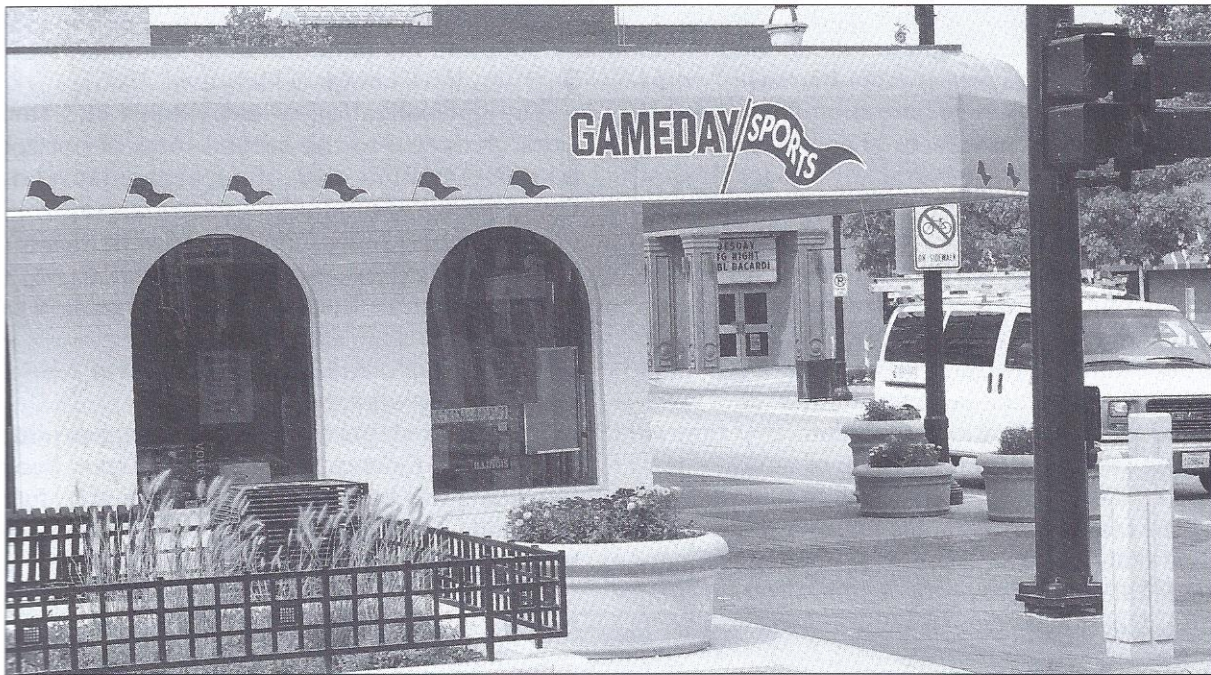
A local, independent sporting goods store might be viewed as having a relatively simple structure, yet complexity is evident in titles (e.g., owner, manager, assistant manager, sales clerk), a hierarchy of authority, and a division of labor.

ing trained specialists to perform a range of organizational activities. The more a sport organization is divided up in these ways, the more complex it becomes. Complexity occurs because **task differentiation** (or **functional specialization**, as it is often called), the dividing up of work into narrow routine tasks, means there are more jobs to manage and a need to establish relationships among these jobs. The specialization of individuals rather than their work, what Robbins (1990) calls **social specialization**, also increases organizational complexity. The different training and knowledge that specialists have, such as professionals (e.g., a sport lawyer) and craft workers (e.g., a custom-skate maker), create different approaches to work, and thus make the coordination of their activities more difficult. They may have different ideological positions, different goals for the organization, and even different terminology for the work they do. All of these differences make interaction among these people more complex. Slack and Hinings (1992), for example, report that as a result of their training and background, the professional staff of national sport organizations in Canada showed greater commitment to changes being brought about by a government-initiated rational planning system than did the volunteers who had traditionally operated these organizations.

The task differentiation that occurs when work is broken down into simple and repetitive tasks is most often found in sport organizations that produce large quantities of a commodity in the same way. For example, when Hillerich and Bradsby build one of their Power Bilt golf woods, the production process is broken down into 77 operations; an iron requires 36 operations. Since these processes are routine and uniform, this type of division of labor creates jobs that are relatively unskilled; hence, there is usually high substitutability in this type of work (management can usually replace workers easily). On the other hand, when the type of work to be performed is nonroutine and varied, specialization is usually based on education and training. Professionals or craft workers are employed because their skills cannot be easily routinized. In sport we find this type of specialization in organizations such as architectural firms specializing in sport facilities, custom-bike manufacturers, and university physical education departments. For example, Daniel F. Tully Associates, an architectural firm with a specialization in sport and recreation facility planning, not only utilizes a core project team but also has in-house professionals with such specialist titles as architect, engineer, designer,

graphic artist, cost estimator, interior designer, and construction manager.

While specialization creates increased complexity within a sport organization that must be managed through processes of coordination and integration, there are several advantages to specialization. While these advantages pertain primarily to functional specialization, some are relevant to social specialization. Specialization means that the time required to learn a job is relatively short, the chances of making errors when learning the job are reduced, and (because the task is frequently repeated) the person becomes more skillful in its execution. Specialization also means that time is not lost switching from one task to another; the chance of developing techniques to improve the way the task is carried out is improved, and individual skills are used in the most efficient manner. The dehumanizing aspects of specialization (primarily functional specialization) have been well documented by human relations theorists such as Argyris (1964) and Likert (1967). In an attempt to counter these dehumanizing aspects, many organizations employ techniques such as job rotation, job enlargement, job enrichment, and (more recently) quality circles (Crocker, Chiu, & Charney, 1984; Lawler & Mohrman, 1985).

The specialization of individuals and their work gives rise to the second form of horizontal differentiation, that of departmentalization. **Departmentalization** refers to the way in which management groups differentiate activities into subunits (divisions, work groups, and so on) in order to achieve the organization's goals most effectively. As figure 4.1 shows, departmentalization may occur on the basis of product or service, function, or geographic location.

Reebok is departmentalized along product lines; Human Kinetics, the publisher of sport books (including this one) is departmentalized by function; and Canada Basketball is departmentalized by geographic location.

Researchers in both sport management and the broader field have defined these forms of horizontal complexity in different ways. Hage and Aiken (1967b) focused on levels of occupational specialization and professionalization. They suggested that complexity includes the number of occupa-

TIME OUT *Using Quality Circles in Intercollegiate Athletic Departments*
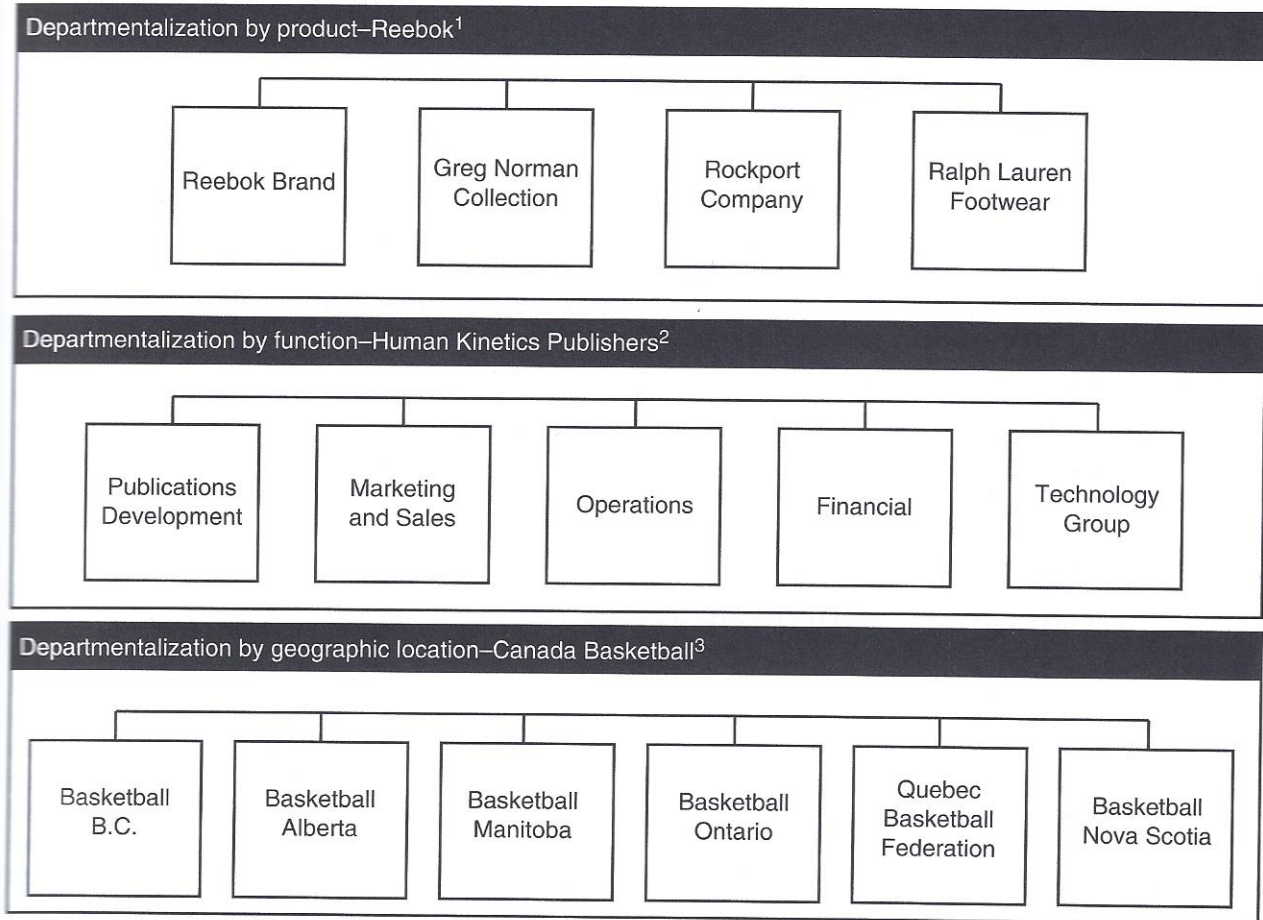
In recent years intercollegiate athletic departments have experienced considerable change. Pressure from shifting client attitudes and changing societal needs, and increased public and private competition have resulted in these organizations becoming more complex in terms of their structural arrangements. Such complexity can result in communication problems, employee feelings of inferiority, and loyalty to a subunit rather than a department. Hunnicutt suggests that, by introducing quality circles into athletic departments, these types of problems can be eased and team spirit can be created.

Quality circles, which originated in Japan but in recent years have been introduced into a number of North American businesses, are designed to bring small groups of employees together to solve problems relating to their work. Hunnicutt suggests three steps to making quality circles work in athletic departments. First, he suggests it is necessary to establish who participates in the circle. Membership should be voluntary and the size of the unit should be somewhere from 6 to 10 people. They meet approximately four times per month for about an hour, usually during business hours, to work on problems that they select. Problems discussed may range from issues such as academic advisement to facility maintenance. Second, the quality circle should have a facilitator who helps the members of the circle in case of difficulty and acts as a liaison with other circles. Finally, quality circle evaluation should be undertaken in a constructive manner. Hunnicutt believes that integrating participative management techniques, such as quality circles, can improve teamwork in an athletic department, increase productivity, and help solve the communication problems that may result from increasing complexity.

Based on information in Hunnicutt (1988).

Departmentalization by product–Reebok[1]

| Reebok Brand | Greg Norman Collection | Rockport Company | Ralph Lauren Footwear |

Departmentalization by function–Human Kinetics Publishers[2]

| Publications Development | Marketing and Sales | Operations | Financial | Technology Group |

Departmentalization by geographic location–Canada Basketball[3]

| Basketball B.C. | Basketball Alberta | Basketball Manitoba | Basketball Ontario | Quebec Basketball Federation | Basketball Nova Scotia |

Figure 4.1 *Three types of departmentalization.*

[1]Based on Reebok 2002 Annual Report. [2]Based on material provided by Human Kinetics. [3]Based on information from Canada Basketball, www.basketball.ca.

tional specialties, professional activity, and professional training. They then classified individuals as to their occupational specialty (e.g., teacher, coach, athletic therapist) based on their major duties. Professional activity was measured by the number of professional associations in which an individual was a member, number of meetings attended, and so on, and the variable professional training was measured by the amount of education and other professional training an individual had experienced (Hage & Aiken, 1967a; Hage & Aiken, 1970). Basically, Hage and Aiken's (1967a) argument is that the more training people have in their different specialties, the more differentiated they are (greater degree of professional activity), and hence the greater the level of organizational complexity.

Peter Blau and his colleagues, in some of their work, adopt a somewhat different definition of horizontal differentiation. Blau and Schoenherr (1971), for example, define horizontal differentiation as the number of major subdivisions in an organization and the number of sections per division. Hall, Haas, and Johnson (1967) and the Aston group (Pugh, Hickson, Hinings, & Turner, 1968) use similar measures to those of Blau. Hall et al. (1967) focus on the number of major divisions or departments in an organization and the way they are subdivided. The Aston group focuses on functional specialization and the extent to which there are specialized roles within these functions.

In the sport literature both Frisby (1986b) and Kikulis et al. (1989) have used aspects of the work of the Aston group to examine horizontal complexity. Frisby, in her study of the organizational structure and the effectiveness of voluntary sport organizations, used measures of professionalism and specialization. Professionalism was defined as the level of education attained by both volunteers and paid staff; specialization measures were based

on the number of roles for board members, executive committee members, paid staff, and support staff, as well as the number of committees in the organization. Kikulis et al. (1989) used the concept of specialization in their work. It was a composite variable defined as "the extent and pattern of differentiated tasks, units, and roles allocated to different organizational segments" (p. 132). Table 4.1 shows the items that Kikulis et al. include in their measure of specialization.

Vertical Differentiation

Vertical differentiation refers to the number of levels in a sport organization. The more levels there are, the greater the problems of communication, coordination, and supervision, hence the more complex the sport organization. The number of levels in an organization is usually related to the size of an organization and also to the extent to which it is horizontally differentiated. A small custom-bike builder like H H Racing Group of Philadelphia has virtually no vertical differentiation and very little horizontal differentiation. In contrast, a large producer of sporting goods like Huffy has several vertical levels and shows a high level of horizontal differentiation. Although research findings vary, horizontal differentiation is generally seen as being related to vertical differentiation, because, as Mintzberg (1979, p. 72) notes, "when a job is highly specialized in the horizontal dimension, the worker's perspective is narrowed, making it difficult for him to relate his work to that of others. So control of the work is often passed to a manager. . . . Thus, jobs must often be specialized vertically because they are specialized horizontally."

The pattern of vertical differentiation is often assumed to represent the **hierarchy of authority** in an organization and, as Hall (1982) notes, in the vast majority of cases it does. There are, nevertheless, situations in some sport organizations where this assumption may not be valid, for example, when professionals work in bureaucracies. In professional service firms in the sport industry (e.g., companies that specialize in sport law, sport medicine clinics, and architectural companies that specialize in sport facilities), professionals, because of their specialist training, are central to the firm's operations. Because the professionals require a relatively high degree of autonomy to do their jobs, management has to delegate to them a considerable amount of authority, responsibility, and, subsequently, control. Heightened by a voluntary, as opposed to for-profit, nature, this type of situation has been increasingly prevalent in national sport organizations in Canada. Volunteers who have traditionally managed these organizations have in recent years lost much of their control to professionally trained sport managers who are actually positioned at a lower vertical level in the organization (cf. Macintosh & Whitson, 1990; Thibault, Slack, & Hinings, 1991). Thompson (1961) suggests that one way to deal with such a situation is to create a dual hierarchy. However, Schriesheim, Von Glinow, and Kerr

Table 4.1 Measures of Specialization in Voluntary Sport Organizations

Measure of specialization	Operationalization
Program specialization	The number of programs operated by the sport organization (e.g., national team, coaching certification)
Coaching specialization	The number of coaching roles within the sport organization (e.g., men's head coach, women's head coach, junior coach)
Specialization of professional staff	The number of professional staff roles (e.g., managing director, coach, technical director)
Specialization of volunteer administrative roles	The number of administrative roles held by volunteers on the sport organization's board of directors (e.g., vice president of administration, treasurer)
Specialization of volunteer technical roles	The number of technical roles held by volunteers on the sport organization's board of directors (e.g., vice president of coaching, director of officials)
Vertical differentiation	The number of levels in the sport organization's hierarchy

Based on information in L. Kikulis, T. Slack, C.R. Hinnings, and A. Zimmermann (1989).

(1977) raise a number of questions about the use of dual hierarchies. A more recent development to address this situation, and one used by a number of Canadian national sport organizations, is an organizational design known as the professional bureaucracy. Whereas the traditional bureaucracy "relies on authority of a hierarchical nature . . . the Professional Bureaucracy emphasizes authority of a professional nature—the power of expertise" (Mintzberg, 1979, p. 351). We examine this type of organizational design more fully in chapter 5.

As we have discussed, size influences the number of levels in an organization. It is nevertheless quite possible for two sport organizations with a similar number of nonmanagerial employees to have a different number of vertical levels. As figure 4.2 shows, some organizations like Organization A can have what is usually referred to as a **flat structure**. In contrast, Organization B has a relatively **tall structure**. The difference, as figure 4.3 shows, relates to what is termed the span of control (sometimes called the span of management). The **span of control** in an organization refers to the number of people directly supervised by a manager. In figure 4.3, although Organization X has just over 200 more first-level employees than Organization Y, it has a span of control of seven, and consequently fewer managers and a flatter structure. Organization Y, which has a span of control of three, has a tall structure and more managers.

Opinions vary as to what is an appropriate span of control. Classical theorists such as Urwick (1938, p. 8) suggest that "no superior can supervise directly the work of more than five or, at the most, six subordinates whose work interlocks." Human relations theorists favor a broader span of control that gives more autonomy to workers. A wider span of control can also enhance communication in an organization. As Simon (1945) notes, administrative efficiency increases when the number of organizational levels is minimized.

Employees may feel more secure in a taller structure because they are easily able to obtain help from a supervisor. However, tall structures with a narrow span of control may result in closer supervision than employees see as necessary. Cummings and Berger (1976) suggest that senior managers prefer tall structures whereas lower-level managers are more comfortable with a flatter structure. The nature of the work being performed also affects the size of the span of control. Some jobs require close supervision; others, particularly professional jobs, do not.

Spatial Differentiation

Spatial differentiation can occur as a form of either vertical or horizontal differentiation. That is to say, both levels of power and tasks can be separated geographically. For example in the province of Saskatchewan, the department responsible for sport, the Department of Culture, Youth, and Recreation, has a number of zone offices throughout the province that help facilitate the provision of opportunities for participation in sport. Power is differentiated between these zone offices and the central government offices in the provincial
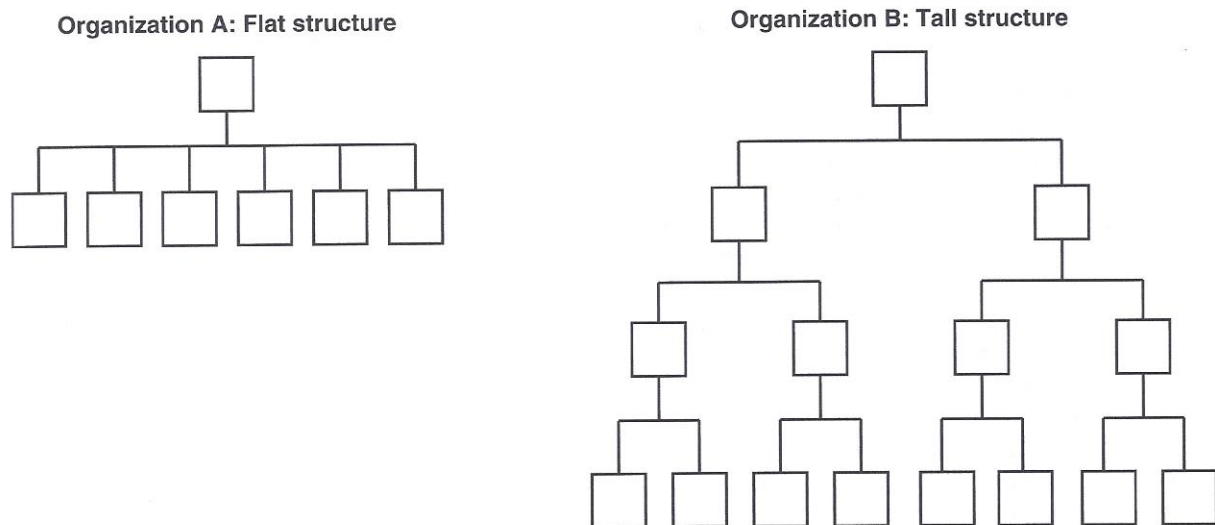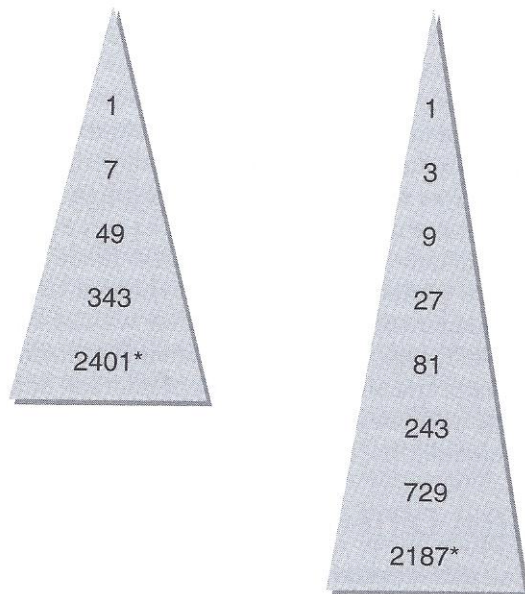
Organization A: Flat structure

Organization B: Tall structure

Figure 4.2   *Flat and tall structures.*

Organization X:

Span of control of 7

Organization Y:

Span of control of 3

* First-level employees

Figure 4.3   Comparing the span of control.

capital, Regina. Because senior managers are housed in the provincial capital and lower-level zone managers are placed throughout the province, complexity is increased more than if they were all in one location.

Horizontally differentiated functions can also be dispersed spatially. Muddy Fox, a British-based mountain bike company, has offices and a warehouse just outside London, but buys Japanese components, has them assembled in Taiwan, and sells them through the approximately 600 approved Muddy Fox dealers dispersed throughout the United Kingdom (and a growing number in the United States) (Ferguson, 1988). The locations of the organization's central office, production source, and assembly plant in different parts of the world, and the use of 600 sales outlets, obviously increase organizational complexity.

The physical separation of an organization's operations increases its complexity, which can be further increased as a result of distance (cf. Hall et al., 1967). For example, a sporting goods company with several retail outlets throughout

London would be considered less complex than the same type of company with a similar number of outlets dispersed throughout the United States.

Interrelationship Among Elements of Complexity

Although we have treated each of the three elements of complexity separately, you may be tempted to ask if there are interrelationships among the three. The most obvious interrelationships are in very big and very small sport organizations. Companies like CCM, a major manufacturer of hockey skates; Bally Manufacturing Corporation, a leading owner of health and fitness centers; and L.A. Gear, an athletic footwear manufacturer (and at one time one of North America's fastest-growing companies), all exhibit high levels of horizontal, vertical, and spatial differentiation. In contrast, companies such as Ed Milner Consulting Services, a small company that provides advice on sport surfaces and facilities; Yeti Cycles of Agoura Hills, California, a small custom-bike manufacturer; and the Double G Card Shop, a sport card store in Spruce Grove, Alberta, are low in all three areas.

Beyond these extremes of size it is hard to generalize. Universities, for example, often have high levels of horizontal differentiation in terms of the number of departments that exist, a relatively low level of vertical differentiation, and usually no spatial differentiation. Football teams have high horizontal differentiation, with roles such as running back, wide receiver, and linebacker, but usually only have two levels of vertical differentiation—coaches and players (Hall, 1982).

The Managerial Consequences of Complexity

As sport organizations grow, which most aim to do, they generally become more differentiated. People occupying different roles, working in different departments, and having different levels of training exhibit different attitudes and behaviors; they also have different goals and expectations for the organization. This complexity leads to problems of communication, coordination, and control. Consequently, as a sport organization becomes more complex increasing pressures are placed on managers to ensure that the organization progresses smoothly and efficiently toward achieving its goal(s). In short, managers have to manage complexity, so they introduce such things as committees, rules, procedures, and manage-

TIME OUT   *The Emergence of Elements of Complexity in a Voluntary Sport Organization*

The Alberta Section of the Swimming Natation Canada was founded in the 1920s by the members of three Edmonton swimming clubs. In its early years the organization operated with a relatively loose and informal structure; there was little in the way of any type of role specialization, as all members at various times had to assume the responsibilities of the coach, meet organizer, timer, starter, and so on. The members of the organization, with little in the way of any professional qualifications, attained their positions in the organization because of their enthusiasm, not through any type of special training or credentials.

As the organization grew, clubs from other parts of the province began to join the provincial association; hence, the organization became more geographically dispersed. Increased size also meant that members began to take on specialist roles; some concentrated on coaching, others focused on organizing meets or timekeeping. As clubs joined the association, zones were created, with the effect of introducing another level into the hierarchy of the organization, because these zones acted as links between the clubs in their area and the provincial association. Eventually, as the association grew relatively complex, one of the unstated qualifications for getting elected to the provincial executive was some type of professional qualification. It was felt that, by having people on the board with specialist training in areas such as accounting and business management, the association would run more effectively. Ultimately, the workload became so great that volunteers could no longer run the organization, so a staff person with a professional background in sport management was hired.

Based on information in Slack (1985).

ment information systems. The more complex the sport organization becomes, the more time and effort managers have to spend dealing with issues of communication, coordination, and control.

Hall (1982, p. 90) describes this phenomenon as "an interesting paradox in the analysis of organizations." He notes that, although complexity is increased to help organizations economically and to improve their efficiency, it also creates pressures to add managers to maintain communication, coordination, and control, and to reduce conflict. Consequently the economies and efficiencies realized by increased complexity have to be counterbalanced by the added burden placed on managers to keep the organization together.

Formalization

The second structural dimension is formalization, a key dimension because it strongly influences the way individuals are able to behave in an organization. Just as the rules of a sport limit the way an individual can behave in the playing area, formalization in organizations works to control the amount of discretion individuals or groups are allowed to exercise when performing their jobs.

As Hall (1982, p. 95) notes, the focus on the way formalization controls individual behavior does not mean a move away from "the organizational level of analysis. Formalization has important consequences for the organization and its subunits in terms of such processes as communication and innovation."

What Is Formalization?

Formalization refers to the extent to which mechanisms such as rules and regulations, job descriptions, and policies and procedures govern the operation of a sport organization. If a sport organization is highly formalized it will have lots of rules and regulations, comprehensive policies and procedures, and detailed job descriptions to guide its operations. In this type of sport organization, employees have little discretion over how and when they do their work. In sport organizations with low formalization, however, employees are given the freedom to exercise discretion about their work, and how and when it is carried out. In this sense, formalization is not only a structural component, but also a control mechanism that has political and ethical ramifications (cf. Braverman, 1974; Clegg & Dunkerley, 1980).

Different types of sport organizations exhibit different levels of formalization. W.L. Gore & Associates, the manufacturer of Gore-Tex, a product used in sport equipment such as rain gear, tents, and sleeping bags, prides itself on low levels of formalization. In contrast, other companies that mass-produce sport equipment usually have relatively large numbers of unskilled jobs, which are likely to be highly formalized. Even sport organizations that require employees to use some degree of discretion in their work will formalize aspects of their operations. U.S. Athletics, a specialty athletic footwear store, for example, has "compiled a 50-page training manual [for staff], which includes everything from store policies, to the anatomy of a shoe, to information about features and quality in athletic footwear" (Gill, 1987, p. 47). The more professionals there are in a sport organization, the less likely it will have high levels of formalization. Doctors who specialize in sport medicine, university professors who teach sport management, and architects who design sport facilities are all professionals in different aspects of sport organizations that demonstrate relatively low levels of formalization.

The extent of formalization differs not only from organization to organization but also among the hierarchical levels of an organization and among departments. At the higher levels of a sport organization, jobs are generally broad and nonrepetitive, and allow more discretion over how they are carried out than at the lower-level jobs; consequently, manager's jobs are less likely to have to follow formalized procedures than those they supervise. As we have already noted, production departments tend to be highly formalized; in contrast, a research-and-development department, because of the creative nature of the work and the fact that it is likely to be staffed by professionals, will not have high levels of formalization.

There is some question as to whether or not rules, procedures, and so on have to be stated in writing in order for an organization to be considered "formalized." Pugh et al. (1968) used the terms "formalization" and "standardization" in their work. The two concepts are in fact highly correlated. *Formalization* refers to "the extent to which rules, procedures, instructions, and communication are written" (Pugh et al., 1968, p. 75). In the research by Pugh et al. (1968) the concept was operationalized by measuring the extent to which an organization had such written documentation as policies and procedures, job descriptions, organizational charts, and employee

handbooks. *Standardization*, on the other hand, refers to events that occurred regularly and were legitimated by the organization but not committed to written form. Pugh et al. (1968) rated activities such as taking inventory, ordering materials, and interviewing for their degree of standardization. Hage and Aiken (1970) used the term "formalization" to include both written and unwritten rules, by breaking formalization down into two elements: job codification (i.e., how many rules a worker is asked to follow) and rule observation (how closely workers must adhere to these rules). For their work they used both official documents and the perceptions of employees as measures of formalization. As Hall (1982) notes, the use of perceptual measures recognizes the existence of informal procedures in an organization, something that cannot be obtained from official records only. Despite the fact that both approaches purport to measure the same concept, they have been shown to produce different results (cf. Pennings, 1973; Walton, 1981).

Studies carried out on sport organizations have tended to focus on the existence of written documentation as an indicator of formalization. Frisby (1986b) in her study of organization structure and effectiveness used three indicators: publication formalization, the total number of publications produced by the sport organization; constitution formalization, an estimate of the number of words in the sport organization's constitution; and job description formalization, an estimate of the number of words in volunteer and paid staff job descriptions. Slack and Hinings (1987b) used the term "standardization" but note that standardized procedures are often committed to writing. Thibault et al. (1991), in their study of the impact that professional staff have on the structural arrangements of voluntary sport organizations, operationalize the concept "formalization" by measuring the existence of written documentation across a range of organizational activities such as personnel training, planning, marketing, and promotion.

Reasons for Formalization

Of the reasons for formalizing the operations of a sport organization, the most central are to replace direct supervision, which would be unduly expensive, and to provide a consistent way of dealing with recurring problems. In small organizations such as a local sport equipment store, a manager can supervise employees directly, because they

are in close contact and there are few employees. In larger sport organizations this type of direct supervision is not possible. Although a narrow span of control can help supervision issues, it can be time-consuming if a problem has to go through several hierarchical levels before a decision can be made. Formalizing procedures so that recurring problems are handled in a consistent way can alleviate supervision problems.

Formalization also helps monitor employee behavior. In many sport organizations employees are required to submit reports about what they accomplish in their jobs on a weekly, monthly, or yearly basis. These reports help managers determine if employees are contributing to achieving the goals of the sport organization. Companies like Tottenham Hotspur Football Club, Reebok, and Huffy, because they are publicly held, all file formalized annual reports for their shareholders, who in essence own the company, to keep them informed of its accomplishments. Besides helping to monitor the behavior of employees, formalized procedures also help ensure employees understand procedure. For example, professors who teach sport management courses often receive guidelines about how to mark student papers and what to do if students miss assignments because of illness. Such procedures help ensure that all students are dealt with fairly and in the same manner.

Economic aspects of formalization are also important to consider. Formalizing jobs generally means that they require less discretion, and in turn can be filled by less-qualified, and hence cheaper, workers. Formalization also promotes efficiencies, because organizations often spend considerable time, effort, and money to determine the best way to conduct a particular operation; once the best way is determined, formalizing the procedure induces other people who perform the operation to do so in the most cost-efficient manner.

Formalization clarifies job requirements. At Louisiana State University, student football managers are given an 87-page handbook that outlines their job responsibilities and how they should be performed (Equipment Handbook, 1988). Formalizing procedures is also beneficial to determine what the organization is supposed to do. For example, Sport Canada stresses that national sport organizations must write down organizational structures and processes if they want to receive funds.

No organization can develop formalized rules and procedures for every possible situation that can arise, but there are ways in which formalization can help. Many professional organizations develop a written code of ethics, which provides generally accepted principles based on professional values, and which can be followed when unfamiliar situations are encountered. Earle Zeigler proposed such a code of professional ethics for the North American Society for Sport Management (NASSM) (see Zeigler, 1989). Included in Zeigler's proposal are a commitment to a high level of professional practice and service, the availability of such services to clients of all ages and conditions, and professional conduct based

TIME OUT   *Policies and Procedures Manuals: Making Life Easier for Athletic Department Administrators*

Milton E. Richards and George Edberg-Olson suggest that the management of college athletic departments has changed considerably during the last twenty years. In many ways athletic directors have become more like business people. In order to help athletic directors perform their jobs, Richards and Edberg-Olson suggest the development of a policies and procedures manual that formalizes many of the athletic department's operations. The format for this policies and procedures manual is based on an analysis of the manuals of 31 Division 1A schools. Figure 4.4 provides a sample outline of the areas Richards and Edberg-Olson suggest should be contained in the manual.

The authors acknowledge that it is not possible or maybe even desirable to cover all aspects of an athletic department's operations in a policies and procedures manual. However, they suggest that "for handling routine operations and normal, daily activities, many athletic administrators believe a manual of policies and procedures is an invaluable aid" (p. 40).

Based on information in Richards and Edberg-Olson (1987).

1. General preface or introduction
2. Purpose (and short history) of the department of intercollegiate athletics
3. Department personnel
   A. Organizational chart
   B. Job description and duties: relationships between department members as well as outside administration
   C. General policies and procedures
   D. Policy and professional organizations and meetings, scholarships, and publishing
4. Financial policies
   A. Budgeting
   B. Accounting and budget control
   C. Business office policies and procedures
   D. Athletic ticket priorities and privileges
   E. Funding, fund-raising, foundations, booster and pep clubs, cash donations, gifts, gifts-in-kind (trade outs)
5. Travel policies—team and individual
   A. Travel request policy
   B. Expense vouchers
   C. Accommodations: air travel, bus, personal automobiles, van, hotel, other
6. Purchasing
   A. General
   B. Equipment
   C. Capital expenditures

   D. Emergency requests
7. Facility operations
   A. Scheduling
   B. General maintenance
   C. Maintenance of records and files
   D. Events management
8. Scheduling/contracts
   A. Philosophy and mechanics of scheduling
   B. Revenue sports
   C. Non-revenue sports
9. Student-athletes
   A. Recruiting
   B. Admissions
   C. Financial aid
   D. Housing
   E. Academic advising (eligibility)
   F. Rules and regulations governing athletes
   G. Training and medical services
   H. Strength and fitness center
   I. Letter awards, academic honors, dean's list, etc.
   J. Sports banquets
10. Public affairs
    A. Sports information and publicity/media relations
    B. Marketing/promotions
11. Sports camps and clinics, lectures, and demonstrations
12. Miscellaneous

Figure 4.4 *A sample outline for a manual of policies and procedures.*

on sound management theory. NASSM adopted a code in 1992.

Finally, formalizing procedures provides an indication to employees as to the purpose of the organization, its overall goals, and what they as employees can expect from their involvement. Formalization can strengthen an employee's identification with the organization and provide a safeguard, because the organization's commitment to its employees is formally documented. Formalized commitments can help morale because employees have a tangible indication of their rights and responsibilities.

Methods of Formalization

There are a number of ways in which managers can formalize the operations of a sport organiza-

tion. In this section we examine the methods most frequently used.

Hiring the Right Employee

As we saw earlier, sport organizations with high numbers of professionals tend to have relatively low formalized operations. The reason is that in many ways professional training is a surrogate for formalization, and may be considered a means of standardizing behavior prior to a job. Through their training, individuals not only learn technical skills, but also the standards, norms, and accepted modes of behavior of their profession. Consequently, in staffing, organizations face what Robbins (1990) calls "the make or buy decision": The organization can either control employee behavior directly through its own formalized rules and procedures, or control can be achieved indirectly by hiring trained professionals (Perrow, 1972).

Regardless of whether an organization is hiring professional staff or unskilled workers, candidates often deal with application forms, tests, reference letters, and interviews before employers hire the "right" person. The right person is someone who it is perceived will perform the job well and is willing to follow rules and regulations (cf. Hage and Aiken, 1970). Coaches often use this logic in team selection. Because they want players who are willing to conform to rules and show consistent behavior patterns, they do not always select talented players unless they "fit in" with the team. Selecting the right person is then a method of formalization; it helps ensure consistency in employee behavior.

On-the-Job Training

Even though they go to considerable lengths to hire the right people, some sport organizations still provide on-the-job training for their employees. Training activities may be influenced by a number of factors and can include such activities as workshops, films, lectures, demonstrations, and supervised practice sessions (cf. Slack, 1991b). The idea behind all of these methods is to instill in new employees the norms and accepted patterns of behavior of the organization. Mecca Leisure, a British organization involved with ice skating rinks and billiard and snooker halls, could not find the type of staff it needed from higher education, so it developed its own in-house training program (Brown, 1990). The organizing committee of the 2001 *Jeux de la Francophonie* (Games of La Francophonie) held in Ottawa-Gatineau, Ontario-Québec, Canada, developed a training program for volunteer employees. The program provided volunteers not only with information about the history, philosophy, and operation of the games, but also with some knowledge of the protocols that had to be followed when dealing with visiting dignitaries, members of competing teams, and spectators. Again, the idea behind the training was to standardize employee behavior.

Policies

Policies are general statements of organizational intent. They provide employees with a certain amount of discretion in making decisions in the areas covered by the policy. Policies may be internally focused; for example, Human Kinetics Publishers has policies that cover such areas as the advancement of employees and attendance at work. Policies may also be externally focused. A small sporting goods store, for example, may use them to cover situations such as returning merchandise and cashing personal checks. Policies are generally written to provide some leeway in their interpretation. The City of Winnipeg Parks and Recreation Department Sport Services policy (1990) states the following: "The Department will cooperate with other agencies and organizations to ensure a base level of sport programs and opportunities and encourage advanced levels of participation." The policy does not specifically state how the department will cooperate; consequently, staff is given the discretion to determine whether cooperation will merely mean endorsing a program or providing funding and other resources.

But policies can also conflict. With the return of the Olympic Games to Greece in 2004, the IOC promoted a policy of inclusion. It encouraged as many countries as possible to participate in the Olympic Marathon, which would follow the exact route Pheidippides ran on his way to Athens to tell of the victory of the battle of Marathon. However, the Canadian Olympic Committee (COC) set a seemingly conflicting policy of sending only top athletes who had a chance of winning a medal. Its very tough qualifying standards ultimately meant no Canadian marathoner was in the Olympic event.

Procedures

Procedures, developed for the **standardization** of particular organizational activities, are different from policies in that they are written instructions detailing how an employee should carry out an activity. These instructions, determined to be "the one best way" of operation, contribute to the efficiency of a sport organization by standardizing

inputs and outputs, and abetting the optimal use of time and resources in the transformation process. While procedures can facilitate the smooth running of a sport organization, too many procedures, like other methods of formalization, can create difficulties for employees, customers, and clients. Good sport managers establish procedures only when they are necessary to help achieve organizational goals.

Rules

Rules are specific statements that tell employees what they may and may not do: "No smoking in the building"; "Employees are allowed an hour-long lunch break"; "All accidents must be reported immediately." Rules, unlike procedures, do not leave any leeway for employee discretion. Sport organizations will have rules for various aspects of the organization and its processes, products, and services, such as rules that apply to legal protection, public relations protocol, and employee work hours. Some sport organizations even have rules for clients as well as employees. Snow Valley Ski Club in Edmonton, Alberta, Canada, for example has the following rule: Place skis in rack when not in use (Snow Valley Ski Club, 1992). Rules such as these perform a public-relations function; they signal to people using the ski area that the management is concerned about public safety. They also serve a legal function in that they set limits on clients to reduce the chances of injury.

Job Descriptions

Each individual in a sport organization has a particular job to perform. Job descriptions provide written details of what a job entails. In this way they regulate employee behavior by making sure that job requirements are carried out and individuals do not impinge on other people's responsibilities. Job descriptions vary in terms of detail; some are very explicit as to responsibilities, while others are far more loosely defined. In general the farther up the organizational hierarchy one moves, the less specific the job description. Usually the job description outlines who the employee reports to and supervises, and the specific duties of the job. The job description for the manager of media relations, reporting to the director of communications of the COC, lists several such responsibilities:

- Develop and implement a national media relations plan and contribute to the development of corporate and games communications plans.

- Act as the day-to-day contact for sport and news media, and arrange interviews with COC representatives.
- Proactively identify and organize opportunities to increase corporate profile and exposure with national sport and news media.
- Identify emerging issues and prepare issue notes and key messages.
- Prepare news releases, backgrounders, press kits, speaking notes, and other communications materials.
- Lead organization of press conferences and other COC events (COC, 2005).

Committee Terms of Reference

Many sport organizations, particularly those that are volunteer-based, operate with a committee structure. Much as job descriptions provide individuals with direction to perform their job, so terms of reference provide committees with direction as to the areas for which they are responsible. For example, the executive committee of the COC has as part of its terms of reference the following responsibilities:

- Prepare the COC quadrennial budget and do all things necessary to ensure receipt of needed revenues and adequate control of projected expenditures.
- Receive reports from, and give direction to, the CEO and committees of the COC (Canadian Olympic Committee, 2003, p. 34).

The Dangers of Excessive Formalization

As we have seen, there can be considerable advantages to formalizing the operation of a sport organization. Nevertheless, excessive amounts of formalization can produce a number of dysfunctional consequences.

Goal Displacement

In some sport organizations adherence to rules and regulations becomes so important to members of the organization that the rules and regulations themselves become more important than the goals they were designed to help achieve. As Merton (1957) explains, instead of being seen as a means, adhering to the rules can become an end in itself. This condition results in what he calls **goal displacement.**

Minimal Adherence to Rules

The purpose of rules and regulations is to indicate to employees what is considered unacceptable behavior. But they can also be seen as the minimum level of employee performance required by the organization (Gouldner, 1954). Viewing the rules in this manner promotes a **minimal adherence to rules.** If employees are not motivated by their work, the existence of rules can encourage apathy; they come to define minimum standards of behavior rather than unacceptable behavior. When employees perform at the minimum acceptable level, management attempts to control behavior even more.

Bureaupathic Behavior

As a result of the growing gap between managers who have the right to make rules and regulations and the specialists (i.e., the skilled workers who operate at lower levels of the organization but have the ability to solve specialized problems), superiors come to depend on subordinates. This dependence creates anxieties and insecurities in superiors, who then react with excessive controls, overreliance on rules, and insistence on the rights of their position. This tendency to overemphasize rules and follow them for their own sake is what Thompson (1961) refers to as **bureaupathic behavior.**

TIME OUT — John Tarrant, the Ghost Runner: The Tragic Consequences of Goal Displacement

John Tarrant was born in London in 1932. Due to the death of his mother and his father being away in the army, John spent much of his early life in a children's home. In his last two years of school John developed an interest in running, but when he left school at age 15 to work as a plumber's mate, he found little interest in running in the town where he lived. He did, however, meet former RAF boxing champion Tom Burton, who was keen to promote boxing. Burton approached several local young men in the town to see if they would be interested in earning a little money in a boxing tournament. In 1950 Burton promoted his first tournament; 18-year-old John Tarrant fought four two-minute rounds, for which he was paid £1 (about $1.50 U.S.). In just under two years John fought eight bouts in unlicensed rings and won a total of £17 (about $25 U.S.), his largest "purse" being £4. In his eighth fight John was knocked out in 55 seconds; that convinced him that boxing wasn't his sport and he decided to return to his first love, running.

But when John applied to the Amateur Athletic Association (AAA) he was told that because he had boxed for money he would have to first be reinstated by the Amateur Boxing Association (ABA). John tried, but because he had broken the amateur rules he was turned down by the ABA. Despite repeated letters to both associations, John was unsuccessful in his efforts. But John's desire to run was not easily quashed; on August 12, 1956, he ran his first marathon as an unofficial competitor. Over the next year John gate-crashed several races, and in August 1957 actually received an invitation to gate-crash a 7 1/2 mile race. When he arrived at the race, instead of a number John was given a piece of cardboard with the word "GHOST" on it. John ran many races as the ghost runner. In 1958, after considerable pressure from the media and fellow runners, John was reinstated by the AAA, but under the rules of the International Amateur Athletic Federation (IAAF). The fact that John had broken amateur rules and boxed for money meant that he could not compete internationally for his country. Despite this ruling John continued to run in England and "ghosted" other races in different parts of the world. He set world records for the 40- and 100-mile distances, and won a number of marathons and many of the classic long-distance races. But because he had won £17 boxing, John had broken the rules; rigid adherence to those rules meant that he was never allowed to realize his ambition of competing for his country.

Based on information in Watman (1979).

Formalization and Complexity

A number of researchers have identified a strong positive correlation between formalization and complexity. In a study by Pugh et al. (1968), overall role specialization correlated highly with overall standardization (0.80) and with overall formalization (0.68). Other studies have produced similar findings (cf. Child, 1972a; Donaldson & Warner, 1974), but they apply primarily to situations when employees are performing simple and routine tasks in a repetitive manner. Here standardized rules are used to control employee behavior. In sport organizations this type of work situation is more frequent at a work site where a particular product, such as a hockey stick, is mass-produced.

In work situations that are less narrowly defined and use professionals or craft workers, the relationship does not hold true (cf. Hage, 1965), because, as we noted earlier, professional training is a surrogate for formalization. Consequently, in situations when relatively unskilled workers perform narrow and repetitive tasks, formalization will be high, but where professional or craft workers are used, formalization will generally be low. However, as the Time Out below shows, this general trend may not hold in some situations, such as this one involving voluntary sport organizations.

Centralization

All sport managers make decisions. The question is: Which managers get to make which decisions and how do they make them? For example, it is unlikely that Paul Fireman, the Chairman and CEO of Reebok, makes decisions about the purchase of paper clips and staples for his office staff; these decisions are delegated to lower-level managers. But in 1987 when Reebok acquired Avia, another athletic footwear company, Fireman and other members of the board of directors of Reebok were intimately involved in the acquisition decision. Questions about the authority to make decisions and how they are made are the issues addressed when we look at our third element of organizational structure, centralization.

What Is Centralization?

Of all three elements of organizational structure, **centralization** is by far the most difficult to explain. It is generally accepted that if decision making takes place at the top of the organization, it is centralized; when decisions are delegated to lower levels, the organization is **decentralized**. But consider the following:

TIME OUT *The Impact of Hiring Professional Staff on the Levels of Formalization in Voluntary Sport Organizations*

While the presence of professionally trained employees is usually associated with lower levels of formalization, Thibault et al. (1991) found in a study of voluntary sport organizations that when professionals were hired in these organizations, formalization increased. They provide two possible explanations for this unexpected phenomenon. First, when the professionals entered the organizations being studied, formalization was low; consequently the professionals created written rules, procedures, and guidelines to clarify their roles. A second explanation was that increased formalization was initiated by volunteers as a method of

retaining control of the organization. Because they were not willing to give up the power they had previously held to these newly hired professionals, the volunteers imposed formalized behavior controls on them. By instituting formalized policies and guidelines, the volunteer executives were able to ensure that the consistency they had established was maintained in the accomplishment of tasks, that standards were kept uniform throughout the organization, and (most important for them) that they maintained the control of the organization.

Based on information in Thibault, Slack, and Hinings (1991).

- In a large sport equipment manufacturing company the authority to make decisions has been delegated to department managers. However, the CEO of the company closely monitors these people; because she can considerably influence their career prospects, the department managers make their decisions based on what they think the CEO wants.

- In a chain of retail sporting goods stores managers have been told they "can run their own show." But policy manuals and frequent memos from the head office detail how inventory must be displayed, how sales people should deal with clients, and what type of sales promotions the store should be using. In addition, a computer information system provides corporate headquarters with up-to-the-minute information in areas such as staff costs, inventory, and sales figures.

- In a national sport organization the coach of the team has the authority to select the players he thinks are the best. However, final ratification of his decisions has to be undertaken by the members of the organization's board of directors, many of whom have never seen the players perform together.

- In a state high school athletic association Judy Smith served four terms as president; she then stepped down as president but still remains a member of the organization. Despite the fact that she is no longer on the board, many directors still consult Judy about the decisions they have to make.

These few hypothetical examples should serve to illustrate the difficulties of determining the extent to which a sport organization is centralized or decentralized. Researchers who have studied this aspect of organizational structure have had similar difficulties in their work and as a result have produced conflicting results; probably the most notable debate in the literature concerns the question of whether or not bureaucracies are centralized (cf. Aldrich, 1975; Blau & Schoenherr, 1971; Child, 1972a; Child, 1975a; Donaldson, 1975; Greenwood & Hinings, 1976; Holdaway et al., 1975; Pugh et al., 1968). Researchers have also defined the concept of centralization in a number of different ways. Pugh et al. (1968, p. 76) suggest that centralization has to do with the locus of authority to make decisions affecting the organization. This point in the hierarchy was ascertained by asking, "Who was the last person whose assent must be obtained before legitimate action is taken—even

TIME OUT   *Centralized Functions at Synchro Canada*

In a study of Synchro Canada, Canada's governing body of synchronized swimming, Morrow and Chelladurai (1992) found that three primary organizational functions were centralized at the top of the organization's hierarchy with its board of directors. The three areas over which the board had ultimate control were budgeting, policy development, and personnel selection. The first stage in the preparation of the organization's budget was undertaken at the vice president level. The various vice presidents in the organization forwarded their budget request to the finance committee (a group consisting of the president, the vice president of finance, the treasurer, and the executive director). The finance committee was responsible for preparing an overall budget for revision and review. The final budget was approved by the board of directors, the highest level of the organizational hierarchy, and submitted to the annual general meeting for ratification.

Policy proposals were also ultimately approved or rejected by the board of directors. Although standing committees and professional staff could recommend and offer input into the policy process, the ultimate power for policy lay with the board. In terms of personnel decisions, a personnel committee was responsible for developing policy for employees. However, the hiring and firing of professional staff was the responsibility of an executive committee of the board of directors.

Based on information in Morrow and Chelladurai (1992).

if others have subsequently confirmed the decision?" This approach to centralization has been used in several studies of sport organizations (cf. Kikulis et al., 1989; Slack & Hinings, 1987a, 1987b; Thibault et al., 1991). Van de Ven and Ferry (1980) also use the locus of decision-making authority as a central premise of their definition. They suggest (p. 399) "when most decisions are made hierarchically, an organizational unit is considered to be centralized; a decentralized unit generally implies that the major source of decision making has been delegated by line managers to subordinate personnel." Van de Ven and Ferry further suggest that any consideration of centralization must take account of the substance of the decision. In a study of Canadian voluntary sport organizations Kikulis et al. (1995a) extend this idea and suggest that decisions of less strategic importance are more likely to be decentralized.

Mintzberg (1979) focuses his definition primarily on the issues of who has the power to make decisions and the extent to which this power is concentrated. He notes (p. 181) that "when all power for decision making rests at a single point in the organization—ultimately in the hands of a single individual—we shall call the structure centralized; to the extent that the power is dispersed among many individuals we shall call the structure decentralized." Hage and Aiken (1970, p. 38) propose a similar definition:

> Centralization refers to the way in which power is distributed in any organization. By power we mean the capacity of one actor to move another (or other) actors to action. The smaller the proportion of jobs and occupations that participate in decision making and the fewer the decision-making areas in which they are involved, the more centralized the organization.

This approach was used by Frisby (1986b) in her study of the organizational structure and effectiveness of national sport governing bodies.

Brooke (1984) has examined the way the terms "centralization" and "decentralization" have been used in a number of empirical studies, and summarizes the differences in the connotations attached to the two concepts, as shown in table 4.2.

Issues of Centralization

The question of determining the extent to which an organization is centralized is complicated by several issues; some have already been alluded to in the examples in the preceding section of this chapter. In this section we explore these issues more fully.

What Role Do Policies and Procedures Play?

While many managers will delegate decisions to the lower levels of a sport organization, the amount of discretion an individual is allowed in making a decision may be severely constrained by the existence of policies and procedures. A sport manager can use them to limit the choices available to lower-level decision makers. Consequently, while the organization gives the appearance of being decentralized, decisions are actually programmed by the policies and procedures, and a high degree of centralization remains (Hall, 1982). For example, if a lifeguard at a swimming pool sees someone in the pool ignoring the established procedures, the person concerned may be asked to leave the pool. While it may appear that

Table 4.2   Characteristics of Centralized and Decentralized Structures

Centralized	Decentralized
Decisions made at the top of the organization	Decisions made at the lower levels of the organization
Limited participation by lower-level staff in decision making	Lower-level staff actively participate in decision making
Lower-level staff have restricted choice of decision-making alternatives	Lower-level staff given choices when making decisions
Top down decision making	Participative decision making
Senior managers control	Senior managers coordinate
Autocratic structure	Democratic structure

Based on information in M.Z. Brooke (1984).

the lifeguard is making the decision to remove this individual, the procedure and steps to follow in this situation have been established by management; consequently, the lifeguard has little choice in this situation.

What About Informal Authority?

As we saw in the preceding section the definitions of centralization used by both Pugh et al. (1968) and Van de Ven and Ferry (1980) focused on the authority to make decisions. While not explicit in their definitions, both are referring to the formal authority vested in managerial positions. But what about our example involving Judy Smith? Although Judy no longer had any formal authority, she was still able to influence the decision-making process of her state athletic association through informal channels. While most definitions of centralization focus only on formal authority, informal influences on the decision-making process should not be discounted.

Do Management Information Systems Help Maintain Control?

In many sport organizations advanced computer technology has become an accepted means by which managers obtain information about their organization's operations. Management information systems (MIS) are used to "collect, organize, and distribute data to managers for use in performing their management functions" (Daft, 1992, p. 288). Like policies and procedures, MIS act as a mechanism to control decision making. Even if decision making is delegated to the lower levels of the sport organization, using MIS allows managers to closely monitor these decisions. If lower-level managerial decisions are not in line with the expectations of senior managers, corrective action can quickly be taken. In these situations, although there is an appearance of decentralization, the sport organization remains centralized.

What Effects Do Professionals Have on Centralization?

The presence of professionally trained staff results in a more decentralized organization (Hage, 1980). The work of a professional is generally too complex to be supervised directly by a manager or to be standardized through the use of rules and procedures (Mintzberg, 1979). Consequently, professionals usually make many of the decisions concerning their work. In fact, Lincoln and Zeitz (1980) note that professionals seek participation in decision making, and as the number of professionals in an organization increases, all employees experience increased influence.

Centralized or Decentralized: Which Way Is Best?

The decision to centralize or decentralize the operations of a sport organization is a difficult one that involves a number of trade-offs. There are advantages and disadvantages to both types of structure; the advantages claimed for one approach are often the limitations attributed to the other.

The most commonly presented argument for a centralized structure is that it is the best means of achieving coordination and control in a sport organization. It is also argued that top managers should control decision making because they typically have the most experience. They may also own the sport organization or have a large amount of their own capital invested in it. From their position at the top of an organization, senior managers get a broader perspective on its operations and thus can make decisions based on the best interest of the entire organization. They can also see the relative balance between organizational activities, putting them in the best position to make decisions to maintain this balance.

A centralized structure is also economically advantageous. It avoids the duplication of effort or resources that can occur in decentralized organizations. Economic benefits are also realized by centralizing certain activities, such as planning, personnel, and finance, which are common to a number of organizational subunits. If responsibility for these activities were dispersed to subunits, it would be difficult for them to justify such costs from their own budgets.

Given all these advantages, why do organizations decentralize? First, it is often physically impossible for one person to understand all the issues to make the decisions necessary in a sport organization. How can the CEO of a chain of retail sporting goods stores with its corporate headquarters in Chicago make day-to-day decisions about store operations in California? Even with sophisticated computer technology, one person simply does not have the time or capacity to absorb all the necessary information to make informed decisions. By decentralizing operations, individuals who best understand the specifics of the situation are given the power to make decisions. Senior managers are then given more freedom to devote their time to broader policy issues that may have longer-term consequences for the sport organization.

Decentralization also allows an organization to respond quickly to changes in local conditions (Mintzberg, 1979). Information does not have to pass through the various hierarchical levels of a

sport organization before a decision can be made. Those people closest to the changing situation, because they have more direct access to necessary information, can respond immediately.

A third argument for decentralization is that it can help motivate employees. Involving employees in decisions about their work can help them understand that what they are doing is important to overall organizational goals. This involvement is particularly important in sport organizations staffed by professionals but governed by volunteers. As we noted earlier, professionals expect to be involved in decision making. Only by allowing these people the power to make decisions about their own work can the sport organization expect to retain their services. A decentralized decision-making system can also motivate lower-level employees. By being involved in decisions about their work they come to understand the rationale behind decisions that affect them. Such involvement can also improve communication among the different hierarchical levels and engender a greater feeling of commitment to the organization. Filley, House, and Kerr (1976), in an examination of 38 studies on participative management, noted that such an approach to decision making is almost always related to improved employee satisfaction, productivity, or both. Miller and Monge (1986) report similar findings.

When a sport organization consists of relatively independent subunits, for example franchised retail sporting goods stores, decentralizing decision making to the managers of these units can result in a more effective system of control. The responsibilities of each subunit can be identified, input costs are readily determined, and the consequences of managerial action, as evidenced in performance outcomes, can be easily assessed. The use of profit centers and strategic business units are just two methods of decentralizing authority underpinned by this logic of control.

A final reason for decentralization is that it can act as an aid in management development. Involving lower-level managers in decision making can provide a good training ground for these people, if they wish to progress to the more senior levels of the sport organization.

Carlisle (1974, p. 15) identifies 13 factors of importance when "determining the need for a centralized or decentralized structure." These are listed below and followed by a brief explanation

1. **The basic purpose and goals of the organization.** Some organizations, for example a research-and-development company like Gore-Tex, because they seek to develop innovative new products, find it necessary to operate with a decentralized structure. In contrast, a football team requires the control that comes with centralized decision making.

2. **The knowledge and experience of top level managers.** If senior managers have more knowledge and experience than lower-level employees, the sport organization is likely to be centralized.

3. **The skill, knowledge, and attitudes of subordinates.** If lower-level employees have specialized skills and knowledge (i.e., they are professionally trained), and are seen as being committed to the goals of the sport organization, decision making is likely to be decentralized.

4. **The scale or size of the organizational structure.** As the size of a sport organization increases so does the number and complexity of decisions that have to be made. Consequently, there is a tendency to decentralize.

5. **The geographical dispersion of the structure.** The more geographically dispersed a sport organization, the harder it is to have a centralized structure.

6. **The scientific content or the technology of the tasks being performed.** As organizational tasks become more specialized and sophisticated, decision-making responsibility for these tasks is delegated to the specialists responsible for their execution. Therefore, the organization is decentralized.

7. **The time frame of the decisions to be made.** Decisions that need to be made quickly are usually decentralized.

8. **The significance of the decisions to be made.** Decisions that are of less strategic importance to a sport organization are more likely to be decentralized.

9. **The degree to which subordinates will accept, and are motivated by, the decisions to be made.** Involving subordinates in decision making has been shown to increase their acceptance of that decision. Consequently, when it is beneficial to get subordinates' acceptance of a decision because they will be responsible for its implementation, a decentralized system should be used.

10. **Status of the organization's planning and control systems.** If decision making is highly structured as a result of organizational planning and control systems, sport managers may decentralize because they are able to determine with relative accuracy what the outcome of a particular decision will be.

11. **The status of the organization's information systems.** Decisions are often decentralized if the sport organization has a good management information system, because errors can be quickly spotted and corrective action taken.

12. **The conformity and coordination required in the tasks of the organization.** Organizational tasks requiring precise integration are best accomplished using a centralized system.

13. **External factors.** If a sport organization deals with several external organizations it is best to centralize the point of contact for each organization.

As Carlisle (1974, p. 15) notes, not all factors are "present in all situations, and their significance will vary from situation to situation." He also stresses that it is the "composite interrelationships of the variables" that a manager must consider. All 13 factors will not necessarily always point to the same type of structure; they do, however, provide guidelines for managers in determining the need for a particular type of structure.

Centralization, Formalization, and Complexity

Several studies have examined the relationship of centralization to the other two structural variables. The findings of these studies are summarized here.

Centralization and Formalization

Research examining the relationship between centralization and formalization has produced conflicting results. Hage (1965, p. 297) in his "axiomatic theory" proposed that "the higher the centralization, the higher the formalization." The Aston group (Pugh et al., 1968), however, found no strong relationship between formalization and centralization; Hinings and Lee (1971) supported this conclusion. Child (1972a) replicated the Aston studies using a national sample rather than following the Aston approach of drawing a sample from just a single region of the country. He also focused on autonomous organizations, whereas the Aston studies included subsidiaries and branch units. Child found a strong negative correlation between formalization and centralization; that is, where

TIME OUT   *Decentralizing Club Corporation of America*

Club Corporation of America is described as the world's largest manager of private clubs. It owns or manages more than 200 facilities, including a number of golf and racquet clubs. In 1988 Club Corp. had 400,000 members, an annual revenue of over $600 million, and a staff of 18,000. Much of the growth that Club Corp. has experienced has been attributed to a 1985 decision to decentralize its club operations. Management at Club Corp. determined that it could not realize the aggressive growth goals it had set for itself, nor continue to provide the necessary attention to employees and members, if it maintained its centralized power structure. Control of operations was concentrated at the top of a pyramid-shaped organization. President Bob Johnson felt that with this type of structure they were unable to keep in touch with what was going on at the club level. He felt the company could better serve its members by delegating responsibility for decision making down the organization and having those managers who dealt with customers on a daily basis involved in the management process. Consequently, as part of an overall restructuring, the company was divided into several smaller companies. The club operations were then divided into six regions, each staffed with experts in the areas of management, finance, food and beverage services, human resources, and recreation. Because these regional officers and managers were closer to their customers, they were better able to meet the demands of each club.

Based on information in Tobin (1989) and Symonds (1989).

formalization is high the organization will be decentralized. Donaldson (1975) reran the Aston data removing the nonautonomous organizations and concluded it made no difference to the original Aston correlations. Child (1975a) responded that it may be beneficial to look at the difference between the governmental and nongovernmental organizations in the Aston study. Aldrich (1975) then removed the government organizations from the Aston sample and also found that it made little difference to the original correlations. Holdaway et al., (1975) complicated the issue even more with their study of educational organizations, finding a positive relationship between centralization and formalization. In response to these differing results, Greenwood and Hinings (1976) looked at the Aston measures of centralization once again, and suggested that rather than treating centralization as a single scale, it should have been viewed as three subscales. In the most recent attempt to solve this problem, Grinyer and Yasai-Ardekani (1980) used a different set of organizations from the Aston study and found support for the relationship between formalization and decentralized decision making.

Within the sport management literature there has been no attempt to examine the relationship between formalization and centralization. Intuitively it would seem logical to suggest that in sport organizations such as an equipment manufacturing plant, where work is relatively narrowly defined and mainly filled by unskilled workers, we would find high levels of formalization and also centralized decision making. In sport organizations where there are a large number of professionals, such as a faculty of kinesiology, there would be decentralized decision making and little formalization, at least in those areas directly related to the professionals' work. However, as the Time Out "The Impact of Hiring Professional Staff on the Levels of Formalization in Voluntary Sport Organizations" (detailing the work of Thibault et al. 1991) shows, there are exceptions to this general trend. Given the diversity of organizations in the sport industry and the lack of research on this relationship in these organizations, it is hard to draw conclusions beyond general trends. As with many other aspects of organizational structure, there is considerable scope for work of this nature on sport organizations.

Centralization and Complexity

As with centralization and formalization, there have been no studies within the sport management literature explicitly examining the relationship between complexity and centralization. The literature from the broader field of management indicates a strong relationship between high complexity and decentralization of decision making (cf. Hage & Aiken, 1967b; Pugh et al., 1968). We could assume a similar relationship in sport organizations; that is, as the complexity of a sport organization increases either through the addition of professionals or the dividing up of work into more narrowly defined tasks, decision making ought to become decentralized. Once again, however, research on this relationship in a variety of sport organizations could move us beyond these intuitive suggestions.

KEY ISSUES FOR MANAGERS

In order to run your organization efficiently and effectively, you must have a good understanding of two aspects of your organization's structure:

- **Characteristics.** Examine its goals (purpose, mission), size, life-cycle stage (starting, growing, mature, or declining), number and type of organizational members, for-profit versus nonprofit, local versus national versus international scope.
- **Environment.** Examine the type of marketplace it's in and the characteristics of competitors. Changes in the environment such as changes in technology, politics, economies, or social structures can have a large impact on sport organizations (Theodoraki & Henry, 1994).

Once you determine these elements, you can begin to set up appropriate levels of complexity, formalization, and centralization. What is even more important is the interrelationship between the structural dimensions themselves and the organization's and the environment's characteristics.

SUMMARY AND CONCLUSIONS

In this chapter we looked at the three most common dimensions of organizational structure: complexity, formalization, and centralization.

Complexity describes the way in which an organization is differentiated. Three types of differentiation are found in a sport organization: horizontal, vertical, and spatial (geographic). Sport organizations are horizontally differentiated when work is broken down into narrow tasks, when professionals or craft workers are employed, and when the organization is departmentalized. Vertical differentiation refers to the number of levels in the organizational hierarchy. A sport organization is spatially differentiated when tasks are separated geographically. Spatial differentiation occurs vertically when different levels of the organization are dispersed geographically, and horizontally when the functions of the organization take place in different locations. The greater the horizontal, vertical, and spatial differentiation, the more complex the sport organization.

One of the ways used to manage complexity is formalization, the second dimension of organizational structure that we examined. Formalization refers to the existence of mechanisms, such as rules and procedures, that govern the operation of a sport organization. Formalization, whose purpose is to regulate employee behavior, takes place in two ways: through the existence of written documentation such as job descriptions, and through professional training. The former approach is most common when work is narrowly defined, the latter when jobs are broader and require greater discretion.

Centralization, the last dimension of structure and the most problematic of the three, is concerned with who makes decisions in a sport organization. When decisions are made at the top of an organization it is considered centralized; when decisions are made at the lower levels it is decentralized. However, several factors can complicate this general trend: the decisions to be made, the existence of policies and procedures, the use of a management information system, and the presence of professionals.

The structural elements of a sport organization provide a means of describing and comparing these types of organizations. They show how the work of the sport organization is broken down and the means used to integrate the different tasks. To manage a sport organization effectively and efficiently, it is essential that sport managers understand the various elements of structure and their interrelationships.

KEY CONCEPTS

bureaupathic behavior (p. 73)

centralization (p. 74)

complexity (p. 60)

decentralization (p. 74)

departmentalization (p. 62)

division of labor (p. 60)

flat structure (p. 65)

formalization (p. 67)

functional specialization (p. 61)

goal displacement (p. 72)

hierarchy of authority (p. 64)

horizontal differentiation (p. 60)

minimal adherence to rules (p. 73)

social specialization (p. 61)

span of control (p. 65)

spatial differentiation (p. 65)

standardization (p. 71)

tall structure (p. 65)

task differentiation (p. 61)

vertical differentiation (p. 64)

REVIEW QUESTIONS

1. How do levels of complexity vary within and among sport organizations?

2. Why has functional specialization been criticized as dehumanizing, and what steps can be taken to counter its dehumanizing qualities?

3. How does the span of control affect an organization?

4. Do employees prefer working in an organization with a tall or a flat structure?

5. Why does increasing complexity create a paradox for managers?

6. Select a sport organization with which you are familiar. How has it formalized its operations?

7. How does your training in sport management relate to formalization? Discuss.

8. What are the advantages and disadvantages of formalization for employees?

9. If you were studying a group of sport organizations, how would you measure formalization?

10. As the manager of several professionals, what areas of their work do you think it would be feasible to formalize?

11. What is it about centralization that makes it a difficult concept to study?

12. Select a sport organization with which you are familiar. How are decisions made in this organization? What influences the way they are made?

13. As the manager of a small racquet club, which decisions would you centralize and which would you decentralize?

14. What are the trade-offs involved in the decision to centralize or decentralize the operations of an organization?

15. How would you expect the relationship between centralization and formalization to vary among different types of sport organizations?

SUGGESTIONS FOR FURTHER READING

Much of the key work on organizational structure was carried out in the 1960s and early 1970s. Of particular importance are the works of Hage and Aiken (see especially Hage, 1965; Hage & Aiken, 1967b, 1970), the Aston group (Hinings & Lee, 1971; Pugh et al., 1968) and Child (1972a). Other related and important early works that shaped much of the future work on organizational structure are Lawrence and Lorsch's (1967) *Organization and Environment* and Thompson's (1967) *Organizations in Action*.

Given the nexus between writings on bureaucracy and organizational structure, it is useful for students to read Weber's writing on bureaucracy (Gerth & Mills, 1946, chapter 8). Also important is Richard Hall's work in this area (Hall, 1963, 1968; Hall & Tittle, 1966).

More recent works that deal with organizational structure are Henry Mintzberg's (1979) *The Structuring of Organizations*, particularly part II, and Richard Hall's (1982) *Organizations: Structure and Process*, chapters 3, 4, 5, and 6. Both provide a comprehensive treatment of the issues along with extensive referencing. Mintzberg's approach is managerial; Hall's is more sociologically informed.

Both Slack and Hinings (1987b) and Frisby (1985) have developed frameworks specific to sport, based on the Aston approach to organizational structure. Frisby (1986b) uses her framework to examine the relationship of structure to organizational effectiveness in Canadian national sport organizations.

Other sport management studies focusing on structure include Amis and Slack's (1996) look at the size structure relationship within voluntary sport organizations and Stotlar's (2000) study of the sport and entertainment industry's successful implementation of vertical integration.
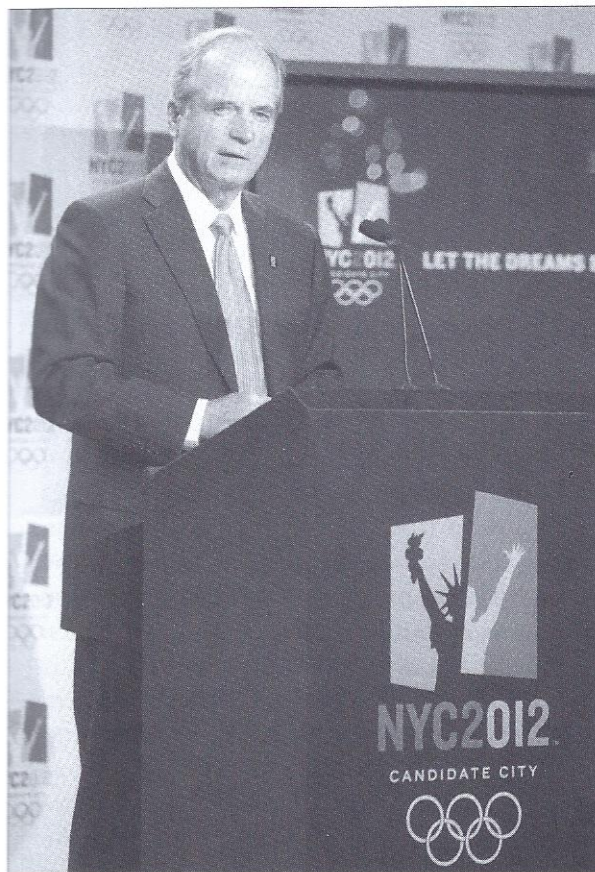
Restructuring the United States Olympic Committee

In 1978, the United States government passed a law that became the United States Olympic Committee's (USOC) charter. Essentially, the USOC had control over all Olympic sports in the United States and it would hold all the rights to Olympic Games aspect (e.g., logo, name) in the country. It was governed by a 123-member board and a 20-member executive committee. On average, between 1999 and 2003, the USOC was spending 24 percent of its $127 million budget on overhead; other nonprofit organizations, like the American Red Cross, were spending only 10 percent.

In 2000, CEO Sandy Baldwin quit after she admitted falsifying her resume. This started a series of organizational problems for the USOC.

The structure of the United States Olympic Committee was recently reorganized; serving as chairman of the USOC is Peter Ueberroth. Ueberroth was head of the 1984 Los Angeles Summer Olympics.

For example, a USOC scandal broke regarding bribes provided to IOC members by the Salt Lake City bid committee to help secure the city as the host of the 2002 Winter Olympic Games.

Baldwin's successor, Lloyd Ward, was soon plagued with a series of allegations concerning the awarding of contracts to his brother's company. The multiple calls for his resignation contending ethical and management transgressions finally resulted in an investigation. But the ethics committee was unable to discipline Ward, their boss. Multiple conflicts of interest had been found and the head of the panel investigating the matter was then accused of telling the ethics officer, Patrick Rodgers, to cover things up. This resulted in the resignation of the ethics officer, USOC president Marty Mankamyer, and three other ethics committee members, John Kuelbs, Edward Petry, and Stephen Potts. Ward finally quit on March 1, 2003.

Olympics sponsors, such as John Hancock—a financial services company with a $55 million IOC sponsorship deal, $10 million of which went to the USOC—called for audits and a USOC restructuring.

In the meantime, interim CEO Jim Scherr began serving as the fifth CEO since 2000, and the new president, Bill Martin, from the University of Michigan, was named the third president in a year.

The CEO of John Hancock and others outside of the USOC, including athletes, appeared in front of a U.S. Senate committee task force established to resolve the USOC's problems. The USOC also created a task force of its own. On October 18, 2003, the USOC approved a restructuring plan with the following changes. The 123-member board was reduced to 11 and the executive committee was eliminated. (Essentially, the members voted themselves out of power.) The restructuring program eventually passed a vote. It called for the new board to be composed of four independent members, three American International Olympic Committee members, and four members nominated by athletes and sport organizations. Most committees were eliminated, and more stringent ethics regulations were implemented.

Peter Ueberroth, former major league baseball commissioner and head of the 1984 Los Angeles Summer Olympics, became the new USOC board chairman on June 14, 2004. It is hoped his expertise and success with the 1984 Olympics will invigorate the USOC and move it forward to better things.

For its part, the Senate recently passed a bill similar to the USOC's reorganization but with two differences: The majority of the board must have no ties to the USOC, and the board is not to follow the International Olympic Committee's voting guidelines. The House has yet to approve this proposal. However, a house committee has approved a bill based on the USOC's internal task force recommendations.

Unfortunately, at this time, the USOC faces accusations of covering up and being lax with drug testing of U.S. track and field athletes.

Based on information in Borzilleri (2003), Carter (2003), CNN.com. (2003), Marshall (2003), Michaelis (2003), Rednova.com (2004), Singer (2004), Stupak (2004).

Questions

1. What made the USOC finally examine its structure?

2. What impact would cutting the board size and eliminating the executive committee have on the structure of the organization and its processes?

3. What problems do you think the half-USOC half-independent members' board will encounter? In what way should they be resolved?

4. What would you suggest to the USOC in its restructuring process if you were a consultant in this case?