Chapter 6

Business Organizational Structure in the Context of Economic Transformation: The Case of the Czech Republic

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ABSTRACT

After the communist regime collapse in 1989, economy of previous socialistic countries of Central and Eastern Europe was to be transformed. Economic system of Czechoslovakia was changing within 1990s as well, from centrally managed to market oriented system. The change of ownerships and needed restructuring is closely connected with the change of organizational structure of companies, which was changing very slowly within 1990s. The aim of this chapter is to explain the changes of business organizational structure, which follow the economic companies restructuring provided within 1990s. Czech companies went through big change as for ownership structure within 1990s, which was connected with total restructuring. Original managerial structures were not suitable and were too tied with previous style of ineffective management. Now the role of manager moves to the role of businessman and performance monitoring moves to an architect being responsible for design and organizing.
INTRODUCTION

After communist regime collapsed in 1989, economy of previous socialist countries of Central and Eastern Europe transformed. Economic system of Czechoslovakia (later the Czech Republic) was changing within 1990s as well, from centrally managed to market oriented system. Radical change of economy meant mainly the change of companies’ ownership. Together with the transfer of properties from the state towards private owners, more or less successful restructuring was also provided representing though for companies not only the change of ownership but also the search for new selling markets home and abroad, the change of production structure and implementation of new management and organization methods as well.

Newly privatized companies entered the restructuring process, were used to function in the environment of monopolized economy where huge dominant state companies were common. The change of ownerships and needs of restructuring are closely connected with the transformations of companies’ organizational structure which was slow within 1990s. In many companies, together with original management, an old fossilized managing style and old organizational structures persisted. Different situation was observed in companies that belonged to foreign owners, who were not burden by the habits of ineffective economy and centrally planned management.

The aim of this chapter is to analyze the changes of business organizational structure, that economic restructuring within 1990s in the Czech Republic.

BACKGROUND

According to popular theoretical approaches, the organization is one of the basic managerial functions. In the frame of organizational development, it is necessary to determine the status of organizational structure, which is not developing alone but it is impacted by the same factors as organizational development. Organizational structure created in accordance with company’s internal and external conditions as well as other elements of organizational design and can be a significant advantage, can significantly influence the company performance. The question whether it is possible to influence the company performance by the organizational structure selection has been dealt with by many authors.

Hierarchic structures are being understood as classic organizational structures. Linear, functional, division, matrix organizational structures (last two can be considered as structures with flexible elements and higher decentralization) are meant. Those structures are based on the principle of one responsible manager and a vertical line of superiority and subordination. Even these classic structures are forming under impact of environmental and organizational changes; they are still used and prevail in the practice. Even in current fast changing conditions and strong competitive pressure the classic organizational structures are not enabling for fast reaction to the conditions change, they belong to the most often used in the Czech companies.

Organic structures mainly based on horizontal communication, low level of formalization, information share and decentralized decision-making (flexible organizational structures). Procedural organizational structures, fractal, virtual and general net forms are meant.

Original organizational theories are based on the classic text of Weber, who perceived the bureaucratic organization as the best one due to its clear division of activities, roles determination and hierar-