<u>Chapter 1: Introduction to Organizations</u>

Coping with the rapid change is the most common problem facing managers and organizations. Some specific **<u>challenges</u>** are:

- *Globalization*; environment for companies is becoming extremely complex and extremely competitive. Learn to cross lines of time, culture and geography.
- *Ethics and Social Responsibility*; heet hangijzer (vooral in Amerika), betreft frauduleuze praktijken etc. Corporate executives face tremendous pressure to hold their organizations and employees to high ethical and professional standards.
- *Speed of Responsiveness*; respond quicky to environmental changes, organizational crises, or shifting customer expectations. Caused by globalization and advancing technology. Financial basis of today's economy is information, not machines.
- *The Digital Workplace*; disintermediation = eliminating the middleman. Executives should have a virtual network.
- *Supporting Diversity;* demographic diversity, people of all nationalities should be admitted to chair the company, as well as women. Try to balance between a strong corporate culture and supporting diversity, balancing work and family and cultures.

<u>Organizations</u> are *social entities* that are *goal-directed*, are *designed as deliberately structured and coordinated activity systems* and are *linked to the external environment.*
Organizations are made up of people and their relationships with one another. Managers deliberately structure and coordinate organizational resources to achieve the organization's purpose. The modern organization may be the most significant innovation of the past 100 years. What contribution do organizations make:

1) Organizations bring together resources (labour, materials) to achieve desired goals and outcomes;
2) Produce goods and services efficiently (competitive prices, benefits);
3) Facilitate innovation (e-business, computers, redesigning organizational structures etc);
4) Use modern manufacturing and information technologies (e-business, computers);
5) Adapt to and influence a changing environment (globalization);
6) Create value for owners, customers and employees;
7) Accommodate ongoing challenges of diversity, ethics and the motivation and coordination of employees (cope with growing concerns about ethics and social responsibility).

<u>Organizational behaviour</u> = micro approach to organizations because it focuses on the individuals within the organizations as the relevant units of analysis. Like motivation, leadership style etc.
Organization theory = macro examination of organizations because it analyzes the whole organization as a unit. Like differences in structure and behaviour at the level of analysis.
Meso theory = concerns the integration of both micro and macro levels of analysis.

<u>Profit organizations</u>: managers direct their activities toward earning money for the company.
<u>Non-profit Organizations:</u> Managers direct their effort toward generating some kind of social impact. Problems: securing a steady income, difficult to measure the effect, marketing as well for the clients but also for volunteers and donors.

<u>Perspectives on Organizations</u>, two important perspectives:

1) **<u>Open system</u>**: must interact with the environment to survive. It consumes resources and exports resources to the environment. It cannot seal itself off. Every system that must interact with the environment to survive is an open system.
2) **<u>Organizational configuration</u>**: Mintzberg said that every organization has five parts: the *technical core* (people who do the basic work*), top management* (provides direction, strategy, goals and policies for the entire organization), *middle management* (responsible for implementation and coordination on department level), *technical support* (R&D, Marketing research) and *administrative support* (responsible for the smooth operation and upkeep of the organization).

A **<u>system</u>** is a set of interacting elements that acquire inputs from the environment, transforms them, and discharges outputs to the external environment. A system is made up of several **<u>subsystems</u>**, they perform the specific functions required for organizations to survive. **<u>Boundary subsystems</u>** are responsible for exchanges with the external environment (purchasing supplies, marketing products). Further there are Production, Maintenance, Adaption and Management subsystems.

Closed system: would not depend on its environment. It's autonomous, enclosed and sealed of from the outside world.

Briefcase 1: Design the organization so that the five basic parts – technical core, technical support, administrative support, top management and middle management – adequately perform the subsystem functions of production, maintenance, adaptation, management and boundary spanning. Try to maintain a balance among the five parts so that they work together for organizational effectiveness.

Dimensions of organizational design: Organizational dimensions fall into two types:

1) Structural dimensions: provide labels to describe the internal characteristics of an organization. They create a basis for measuring and comparing organizations.
   a. *Formalization:* amount of written documentation/rules etc.
   b. *Specialization: the* degree in which organizational tasks are subdivided.
   c. *Hierarchy of authority:* who reports to whom and the span of control for managers.
   d. *Centralization:* refers to the hierarchical level that has authority to make a decision.
   e. *Professionalism:* level of formal education and training of employees.
   f. *Personnel ratios:* deployment of people to various functions and departments. Measured by dividing the number employees in a classification by the total.

Briefcase 2: Think of the organization as an entity distinct from the individuals who work in it. Describe the organization according to its size, formalization, decentralization, specialization, professionalism, personnel ratios and the like. Use these characteristics to analyze the organization and to compare it with other organizations.

2) Contextual dimensions: characterize the whole organization. They represent both the organization and the environment.
   a. *Size:* Organizations are social systems, thus size is measured by the number of people in the organization.
   b. *Organizational technology:* Tools, techniques and actions used to transform inputs to outputs.
   c. *Environment:* all elements outside the boundary of the organization.
   d. *Goals and strategy:* define the purpose and competitive techniques.
   e. *Culture:* the underlying set of values, beliefs, understandings and norms shared by employees.

These dimensions provide a basis for the measurement and analysis of characteristics that cannot be seen by the casual observer. Managers strive, in their company policy, to at least minimally satisfy the interests of all stakeholders (= belanghebbenden) **Stakeholders** are: owners and stockholders (financial return), employees (satisfaction, pay, supervision), customers (high-quality goods, service, value), suppliers (satisfactory transactions, revenue from purchases), community (good corporate citizen, contribution to community affairs), union (workers pay, benefits), government (obedience to laws and regulations, fair competition), creditors (creditworthiness, fiscal responsibility), management (efficiency, effectiveness)

Efficiency = refers to the amount of resources (materials, money, employees) used to achieve the organizations goals.
Effectiveness = meaning the degree to which an organization achieves its goals.

Briefcase 3: Consider the needs and interests of all stakeholders when setting goals and designing the organization to achieve effectiveness.

The evolution of organization theory and design.
Organization theory is a way of thinking about organizations. It's a way to see and analyze organizations more accurately and deeply than one otherwise could. There are general patterns and insights into organizational functioning.

Historical perspectives: the classical perspective is associated with the development of hierarchy and bureaucratic organizations and remains the basis of much of modern management theory and practice. (Mechanical System Design)

- *Efficiency is everything*: **Scientific management** should be based on precise, standard procedures for doing each job. The role of management is to maintain stability and efficiency, with top managers doing the thinking and workers doing what they're told. (1900)

- *How to get organized:* **Administrative principles** looked at the design and functioning of the organization as a whole. Unity of command and unity of direction. These principles contributed to the development of **bureaucratic organizations**, which worked extremely well in the Industrial Age. The perspective failed to consider the social context and human needs.
- *What about people*: The **Hawthorne Studies** concluded that positive treatment of employees improved their motivation and productivity. However, the hierarchal and bureaucratic approaches functioned well into the 1970s and 1980s.
- *Don't forget the environment*: **Contingency**, one thing depends on other things, there must be a constant 'goodness of fit' between organizations' structure and the external environment.

Briefcase 4: Be cautious when applying something that works in one situation to another situation. All organizational systems are not the same. Use organization theory to identify the correct structure, goals, strategy, and management systems for each organization.

Contemporary Organizations: managers and organizations are still imprinted with the hierarchical, bureaucratic approach that arose more than a century ago. The challenges of today's environment call for dramatically different responses from people and organizations. (Natural System Design) Eighteenth-century Newtonian science, which suggests that the world functions as a well-behaved machine, continued to guide managers' thinking about organizations through most of the 20th century. The **science of chaos** theory, however, suggests that relationships in organizations create unintended effects and are unpredictable. The ideas of chaos theory suggest that organizations should be viewed more as natural systems than as well-oiled, predictable machines. Bottom-up instead of top-down. **Learning organizations**: promotes communication and collaboration.

Efficient performance versus the learning organization; five elements of organization design:

- *From vertical to horizontal structure*: vertical can be quite effective/efficient. However, in a rapidly changing environment, the hierarchy becomes overloaded. Horizontal systems often operate with self-directed teams that work on specific projects.
- *From routine tasks to empowered roles*: A task is a narrowly defined piece of work assigned to a person. A role is a part in a dynamic social system.
- *From formal control systems to shared information*.
- *From competitive to collaborative strategy*: traditionally strategy is formulated by top managers who think about how the organization can respond to competition etc. In the learning organization the accumulated actions of an informed and empowered workforce contribute to strategy development.
- *From rigid to adaptive culture*: adaptation to the external environment. The culture encourages openness, equality, continuous improvement and change.

Briefcase 5: When designing an organization for learning and adaptation in a turbulent environment, include elements such as horizontal structure, shared information, empowered roles, collaborative strategy, and adaptive culture. In stable environments, organizations can achieve efficient performance with a vertical structure, formal information and control systems, routine tasks, competitive strategy and a stable culture.

Chapter 2: The External Environment

The environmental domain
Organizational environment = all elements that exist outside the boundary of the organization and have the potential to affect all or part of the organization.
Domain = the chosen environment field of action. It defines the organization's niche and those external sectors with which the organization will interact to accomplish it's goals.
Sector = subdivision of the external environment that contain similar elements. For each organization there are ten sectors (briefcase 1)

Briefcase 1: Organize elements in the external environment into ten sectors for analysis:

a) Industry: competitors, industry size and competitiveness, related industries;
b) Raw materials: Suppliers, manufacturers, real estate, services;
c) Human resources: Labor market, employment agencies, universities, training schools, employees in other companies, unionization;
d) Financial resources: stock markets, banks, savings and loans, private investors;
e) Market: Customers, clients, potential users of products and services;
f) Technology: Techniques of production, science, computers, information technology, e-commerce;
g) Economic conditions: recession, unemployment rate, inflation rate, rate of investment, economics, growth;
h) Government: city, state, federal laws and regulations, taxes, services, court system, political processes;
i) Sociocultural: age, values, beliefs, education, religion, work ethics, consumer and green movements;
j) International: competition from and acquisition by foreign firms, entry into overseas markets, foreign customs, regulations, exchange rate.

Focus on sectors that may experience significant change at any time.

Task Environment: includes sectors with which the organization interacts directly and that have a direct impact on the organization's ability to achieve it's goals. Task environment typically includes a, b, e and perhaps c and j.

General Environment: includes those sectors that might not have a direct impact on daily operations of a firm but will indirectly influence them. General environment often includes h, i, g, f and d.

International Context: growing importance from the international sector. The environment for all organizations is becoming extremely complex and competitive.

Environmental uncertainty: several dimensions like stable/unstable, homogeneous/heterogeneous, simple/complex, the munifence (= amount of resources available) etc. These dimensions come together in two essential ways the environment influences organizations: need for information about environment and need for resources from the environment.

Uncertainty = when decision makers don't have sufficient information about the environmental factors and have a difficult time predicting environmental factors.

Simple-complex dimension: concerns environmental complexity, which refers to heterogeneity, or the number and dissimilarity of external elements relevant to an organization's operations.
Complex environment: organization is influenced by numerous diverse external elements.
Simple environment: organization interacts with/ is influenced by only a few similar external components.

Stable-unstable dimension: refers to whether elements in the environment are dynamic.
Stable environment: if it remains the same over a period of months or a year.
Unstable environment: environmental elements shift abruptly. May occur when competitors react with aggressive moves.

Framework: for assessing environmental uncertainty which combines the simple-complex and stable-unstable dimensions.

Stable **Environmental**	**Simple + Stable = Low Uncertainty** 1. Small number of external elements and elements are similar 2. Elements remain the same or change slow. Examples: soft drink bottlers, beer distributors, container manufacturers, food processors.	**Complex + Stable = Low-moderate Uncertainty** 1. Large number of external elements and elements are dissimilar 2. Elements remain the same or change slowly Examples: Universities, appliance manufacturers, chemical companies, insurance companies.
Change *Unstable*	**Simple + Unstable = High-moderate Uncertainty** 1. Small number of external elements and elements are similar 2. Elements change frequently and unpredictably Examples: E-commerce, fashion clothing, music industry, toy manufacturers	**Complex + Unstable = High Uncertainty** 1. Large number of external elements an elements are dissimilar 2. Elements change frequently and unpredictably Examples: Computer firms, aerospace firms, telecommunications firms, airlines
	Simple **Environmental**	**Complexity** *Complex*

Adapting to environmental Uncertainty

Aspects of organizations that differ as the uncertainty increases:

1) *Positions and Departments:* As the complexity and uncertainty increases, so do the number of positions and departments in the organization. This increases internal complexity.
2) *Buffering and boundary spanning:* when environmental uncertainty increases, traditionally, buffer departments were established. More recently, organizations drop buffers because they believe being well connected to customers and suppliers is more important than internal efficiency. Opening up the organization makes it more fluid and adaptable. Boundary-spanning roles are introduced.
3) *Differentiation and integration:* when the external environment is complex and rapidly changing, organizational departments become highly specialized to handle the uncertainty in their external sector. One outcome of high differentiation is that coordination among departments becomes difficult. With uncertainty, frequent changes require more information processing to achieve horizontal coordination so integrators become a necessary addition to the organization structure.
4) *Organic versus Mechanistic Management Processes:* when the external environment is stable, the internal organization is characterized by rules, procedures and a clear hierarchy of authority = mechanistic organization. In rapidly changing environments, the internal organization is much looser, free-flowing and adaptive. The hierarchy of authority is not clear and rules and regulations are often not written down = organic organization.

(2) Buffering roles: purpose is to absorb uncertainty from the environment. They support the technical core and exchange materials, resources and money between the environment and the organization.

Boundary spanning roles: link and coordinate an organization with key elements in the external environment. Purpose of boundary spanning is the exchange of information to:

a. Detect and bring into the organization information about changes in the environment;
b. Send information into the environment that presents the organization in a favourable light.

Boundary spanners prevent the organization from stagnating by keeping top managers informed about environmental changes.

Business intelligence: is an approach to boundary spanning. It refers to the high-tech analysis of large amounts of internal and external data to spot patterns and relationships that might be significant. BI is related to another important area of boundary spanning, known as **competitive intelligence.** This gives top executives a systematic way to collect and analyze public information about rivals and use it to make better decisions. Use of internet, digging trash cans etc.

Briefcase 2: Scan the external environment for threats, changes and opportunities. Use boundary-spanning roles, such as market research and competitive-intelligence departments, to bring into the organization information about changes in the environment. Enhance boundary-spanning capabilities when the environment is uncertain.

(3) Differentiation = the differences in cognitive and emotional orientations among managers in different functional departments, and the difference in formal structure among these departments.

Integration: Quality of collaboration among departments.

(4) Mechanistic organization systems: formalized, centralized organizations. Most decisions are made at the top. Common system for a stable environment.
Organic organization systems: Organizations where the decision-making authority is decentralized. Common system for an unstable environment with a lot of uncertainty. The organization is more fluid and able to adapt continually. Organic are: learning organization, horizontal and virtual network structure.

Mechanistic	**Organic**
1. Tasks are broken down into specialized, separate parts; 2. Tasks are rigidly defined; 3. There is a strict hierarchy of authority and control, and there are many rules; 4. Knowledge and control of tasks are centralized at the top of the organization; 5. Communication is vertical.	1. Employees contribute to the common tasks of the department; 2. Tasks are adjusted and redefined through employee teamwork; 3. There is less hierarchy of authority and control, and there are few rules; 4. Knowledge of tasks are located anywhere in the organization; 5. Communication is horizontal

Briefcase 3: Match internal organization structure to the external environment. If the external environment is complex, make the organization structure complex. Associate a stable environment with a mechanistic structure and an unstable environment with an organic structure. If the external environment is both complex and changing, make the organization highly differentiated and organic, and use mechanisms to achieve coordination across departments.

<u>Planning, forecasting and responsiveness:</u> the point of increasing internal integration and shifting to more organic processes is to enhance the organization's ability to quickly respond to sudden changes. Planning and forecasting become more important. When the environment is stable, organizations can concentrate on current problems and day-to-day efficiency. Long-range planning and forecasting are not needed because environmental demands will stay the same.
Organizations that have unstable environments often establish a separate planning department. Planning can not substitute for other actions!! (boundary spanning, integration etc)

<u>Framework for organizational responses to uncertainty</u>

Stable **Environmental**	**Low Uncertainty** 1. Mechanic structure: formal centralized; 2. Few departments 3. No integrating roles; 4. Current operations orientation, low-speed response.	**Low-moderate uncertainty** 1. Mechanistic structure: formal centralized; 2. Many departments, some boundary spanning; 3. Few integrating roles; 4. Some planning, moderate-speed response.
Change *Unstable*	**High-moderate uncertainty** 1. Organic structure, teamwork: participative, decentralized; 2. Few departments, much boundary spanning; 3. Few integrating roles; 4. Planning orientation: fast response.	**High uncertainty** 1. Organic structure, teamwork: participative, decentralized; 2. Many departments differentiated, extensive boundary spanning; 3. Many integrating roles; 4. Extensive planning, forecasting: high-speed response.
	Simple **Environmental**	**Complexity** *Complex*

<u>Resource dependence:</u> means that organizations depend on the environment but strive to acquire control over resources to minimize their dependence. Third (what are one and two?) characteristic of the organization-environment relationship. Companies want to reduce vulnerability with respect to resources by developing links with other organizations, but they also like to maximize their own autonomy and independence. Dependence on shared resources gives power to other organizations.

<u>Controling environmental resources:</u> Organizations try to maintain a balance between linkages with other organizations and their own dependence. They try to maintain this balance through attempts to modify, manipulate or control other organizations. There are two strategies to manage resources:

a. Establish favourable linkages with key elements in the environment;

b. Shape the environment domain.

Establish Interorganizational Linkages	**Controlling the environment domain**
1. Ownership 2. Contracts, joint ventures 3. Cooptation, interlocking directorates 4. Executive recruitment 5. Advertising, public relations	1. Change of domain 2. Political activity, regulation 3. Trade associations 4. Illegitimate activities

Establish Interorganizational Linkages

Ownership: When a company buys a part of or a controlling interest in another company, this gives the company access to technology, products or other resources.

Acquisition: involves the purchase of one organization by another so that the buyer assumes control. *Merger:* is the unification of two or more organizations into a single unit.

Formal strategic alliances: When there is a high level of complementarity between the business lines, geographical positions, or skills of two companies, the firms often go the route of a strategic alliance rather than ownerships through merger or acquisition.

Contracts: license agreements (1) that involve the purchase of the right to use an asset for a specific time (bijv. nieuwe technologie) or *supplier arrangements (2)* that contract for the sale of one firm's output to another. *Joint ventures:* creation of a new organization that is formally independent of the parents, although the parents will have some control. Sharing of risks and costs with large projects or innovations.

Cooptation, interlocking directorates: *cooptation:* when leaders from important sectors in the environment are made part of an organization (board of directors). *Interlocking directorate:* formal linkage that occurs when a member of the board of directors of one company sits on the board of directors of another company (can influence policies and decisions). Direct interlock = this person is the direct link between two companies. Indirect interlock = When director of company A and B are both in the board of directors from company C.

Executive recruitment: transferring or exchanging executives.

Advertising and public relations

Controlling the environmental domain

Change of domain: An organization may try to find a domain where there is little competition, no government regulation, abundant suppliers, affluent customers, and barriers to keep competitors out. *Acquisition:* deals with company's in other domains. *Divestment:* afstoten bedrijfsgedeelten.

Political Activity, regulation: techniques to influence government legislation and regulation, like lobbyists and working with other organizations, also lobbying by CEO.

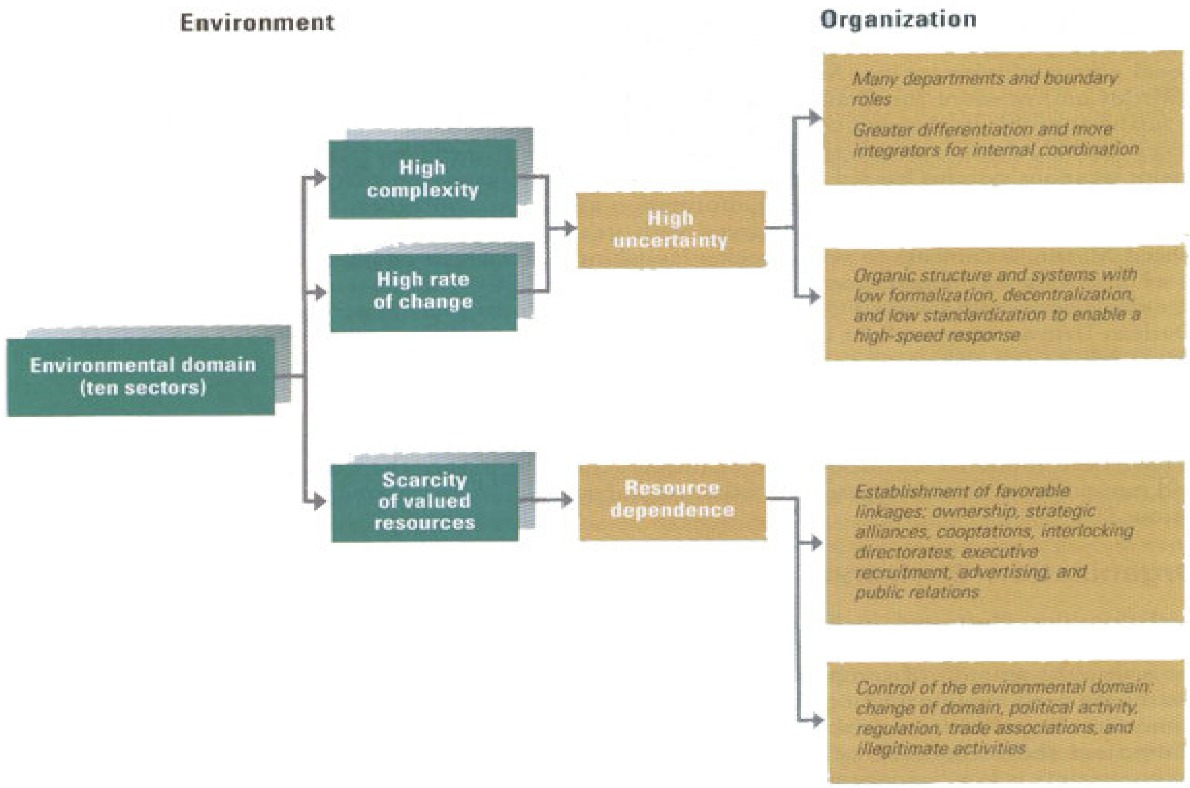
Trade associations: Accomplished jointly with other organizations that have similar interests.

Illegitimate activities: certain conditions (low profits, pressure from senior managers, scarce environmental resources etc) may lead managers to adopt illegitimate behaviour.

Briefcase 4: Reach out and control external sector that threaten needed resources. Influence the domain by engaging in political activity, joining trade associations, and establishing favourable linkages. Establish linkages through ownership, strategic alliances, cooptation, interlocking directorates and executive recruitment. Reduce the amount of change or threat from the external environment so the organization will not have to change internally.

Organization-Environment Integrative Framework: two themes about organiz-environm relationships:

1) The amount of complexity and change in an organization's domain influences the need for information and hance the uncertainty felt within an organization.
2) The more dependent an organizations is on other organizations for material and financial resources, the more important it is to either establish favourable linkages for those resources or control entry into the domain.


Environment
Organization
Environmental domain (ten sectors)
High complexity
High rate of change
Scarcity of valued resources
High uncertainty
Resource dependence
Many departments and boundary roles
Greater differentiation and more integrators for internal coordination
Organic structure and systems with low formalization, decentralization, and low standardization to enable a high-speed response
Establishment of favorable linkages: ownership, strategic alliances, cooptations, interlocking directorates, executive recruitment, advertising, and public relations
Control of the environmental domain: change of domain, political activity, regulation, trade associations, and illegitimate activities

Chapter 4: Designing organizations for the international environment

Entering the global arena: companies must think globally or get left behind. US accounts for the majority of the Global 500 (the world's largest 500 companies). China is growing, Japan is declining.

Motivations for Global Expansion:

1) **Economies of Scale**: for many companies domestic markets no longer provide the high level of sales needed to maintain enough volume to achieve scale economies.
2) **Economies of Scope**: scope refers to the number and variety of products and services as well as the number and variety of regions, countries and markets it serves. A company benefits from its presence in different countries when their customers are also situated around the world. It can increase a company's market power.
3) **Low-cost Production Factors**: opportunity to obtain raw materials and other resources, like capital, sources of energy, land, water and labor at the lowest possible cost.

Briefcase 1: Consider building an international presence to realize economies of scale, exploit economies of scope, or obtain scarce or low-cost production factors such as labour and raw materials.

Stages of International Development:

	1. Domestic	**2. International**	**3. Multinational**	**4. Global**
Strategic orientation	Domestically orientated	Export-orientated multidomestic	Multinational	Global
Stage of Development	Initial foreign involvement	Competitive positioning	Explosion	Global
Structure	Domestic Structure, plus export department	Domestic structure, plus international division	Worldwide geographical, Product	Matrix, Transnational
Market Potential	Moderate, mostly domestic	Large, multidomestic	Very large, multinational	Whole world

Domestic = eigen land + exportafdeling
Multidomestic strategy = Internationaal, elk land wordt apart benaderd. Design, assembly en marketing zijn op de specifieke markt afgestemd.
Multinational = in verschillende landen een eigen business unit (Coca Cola, Sony, Siemens)
Globalization strategy = bedrijven zijn 'stateless corporations' (Nestlé, Royal Dutch/Shell, Unilever). Product design, manufacturing and marketing strategy are standardized.

Global expansion through international strategic alliances: one of the most popular ways companies get involved in international operations. Typical alliances include licensing, joint ventures and consortia.

Joint venture = separate entity created with two or more active firms as sponsors. Popular approach to sharing development and production costs and penetrating new markets. Joint ventures may be with either customers or competitors. Goals: knowledge, lower production costs, sharing complementary technological strengths or distribution new products.

Consortia = groups of independent companies – including suppliers, customers and competitors – that join together to share skills, resources, costs and access to one another's markets. Consortiums are virtual organizations.

Briefcase 2: Develop international strategic alliances such as licensing, joint ventures, partnerships, and consortia, as fast and inexpensive ways to become involved in international sales and operations.

Designing structure to fit global strategy: an organization's structure must fit its situation. One dilemma is choosing whether to emphasize **global standardization** versus **national responsiveness**. In general, services are less suitable for globalization because different customs and habits often require a different approach to providing service.

Forces for Global Integration			
	High	*Globalization Strategy:* Global Product Structure	*Both Globalization and Multidomestic* Strategy: Global Matrix Structure
	Low	*Export Strategy:* International Division	*Multidomestic Strategy:* Global Geographic Structure
		Low	High
		Forces for national responsiveness	

International Division (low-low): export department grows into international division when companies begin to explore international opportunities. Geographical structure instead of functional structure because lines of functional hierarchy would extend too long.

Global Product Division Structure (high-low): the product divisions take responsibility for global operations in their specific product area. Each division's manager is responsible for planning, organizing and controlling all functions for the production and distribution of its products for any market around the world. This structure works best when products are standardized. A problem of this structure is that product divisions often do not work well together and some countries may be ignored by product managers.

Global Geographical Structure (low-high): divides the world into geographical regions, with each geographical division reporting to the CEO. Customization of products to meet specific needs. A problem occurring is the autonomy of each regional division. How to increase efficiency and coordination without losing the benefits of the global geographical structure? Possible solution: use staff departments which have an overall view.

Global Matrix Structure (high-high): A matrix structure provides a way to achieve vertical and horizontal coordination simultaneously along two dimensions. For multinational corporation the geographical distances for communication are great and the coordination is more complex.
Uitleg: bedrijf is onderverdeeld in verschillende 'business areas', elke business area is wereldwijd verantwoordelijk voor zijn onderdeel (bijv. transportation). Hiernaast zijn er 'country managers' verantwoordelijk voor een bepaald land. Business managers (global boss) en country managers moeten goed samenwerken en sturen op hun beurt regiomanagers aan.

Briefcase 3: Choose a global product structure when the organization can gain competitive advantages through a globalization strategy (global integration). Choose a global geographical structure when the company has advantages with a multidomestic strategy (national responsiveness). Use an international division when the company is primarily domestic and has only a few international operations.

The Global Organizational Challenge: drie primaire segmenten voor 'the global organizational challenge':

1) *Increased complexity and differentiation*: greater level of internal and external complexity due to differences between countries. Although countries may appear to offer a lot of advantages, there are often very complex issues like economic situation, infrastructure etc. Another problem is that global consumers are rejecting homogenized products. Organizations must grow more highly differentiated, for example by a variety of strategies, a broader array of activities and a larger number of products to meet the needs of a diverse market.
2) *Need for integration*: integration refers to the quality of collaboration across organizational units. Coordination is easier in smaller and less scattered companies. It is necessary that managers all over the world share ideas and set joint priorities.
3) *Transfer of knowledge and innovation*: companies must learn from their international experiences by sharing knowledge and innovations across the enterprise. The diversity of the international environment offers extraordinary opportunities for learning and the development of diverse capabilities. Vaak krijgen organisaties niet alle kennis omdat kennis verborgen blijft door taal- en cultuurverschillen, of wordt gezien als machtsmiddel door divisies etc.

Global Coordination Mechanisms:

1) *Global teams*: also called transnational teams, are cross-border work groups made up of multiskilled, multinational members whose activities span multiple countries. There are two types of teams, intercultural teams who meet face to face and virtual teams who conduct their work electronically. Global teams help companies in the differentiation challenge (more local responsiveness), provide integration benefits (by developing regional or worldwide cost advantages and standardizing designs and operations across countries) and contribute to continuous organizational learning, knowledge transfers and adaptation on a global level.
2) *Headquarters Planning*: active role in planning, scheduling and control to keep the widely distributed pieces of the global organization working together and moving in the same direction.
3) *Expanded Coordination Roles*: implementing structural solutions to achieve stronger coordination and collaboration. Managers should be aware of new developments wherever they occur and for using their knowledge to improve the organization. International companies today have a hard time staying competitive without strong interunit coordination and collaboration. Benefits are: cost savings, better decision making, greater revenues, increased innovation.

Briefcase 4: Use mechanisms such as global teams, headquarters planning and specific coordination roles to provide needed coordination and integration among far-flung international units. Emphasize information and knowledge sharing to help the organization learn and improve on a global scale.

Cultural differences in coordination and control: Appreciate cultural value differences and strive to use coordination mechanisms that are in tune with local values. When broader coordination mechanisms are needed, focus on education and corporate culture as ways to gain understanding and acceptance. Denk aan systeem Hofstede! Power distance, uncertainty avoidance are reflected within organizations in beliefs regarding the need for hierarchy, centralized decision making and control, formal rules and procedures and specialized jobs.

Volgens Gesteland zijn er vier culturele patronen, logic patterns, die landen karakteriseren:

- Deal-focussed versus relationship-focussed;
- Informal versus formal;
- Rigid-time versus fluid-time;
- Expressive versus reserved.

Briefcase 5: Appreciate cultural value differences and strive to use coordination mechanisms that are in tune with local values. When broader coordination mechanisms are needed, focus on education and corporate culture as ways to gain understanding and acceptance.

Three national approaches to coordination and control:

- **Centralized Coordination in Japanese companies**: R&D in the home country, relying on strong, centrally directed coordination and control. Pros: global efficiencies, coordination across units to obtain synergies and avoid turf battles. Cons: as the organization expands headquarters can be overloaded.
- **European firms' decentralized approach**: international units tend to have a high level of independence and decision-making autonomy. Companies rely on a strong mission, shared values and informal personal relationships. Pros: each international unit focuses on its local markets, enabling the company to excel in meeting diverse needs. Cons: cost of ensuring, through training and development programs, that managers share goals, values and priorities.
- **United States, coordination and control through formalization**: formal systems, policies, standards of performance and a regular flow of information from divisions to headquarters are the primary means of coordination and control. High costs of setting up such systems, high costs headquarters (overhead costs) and inflexibility through standard procedures.

Omdat, naarmate bedrijven groter worden, de nadelen van bovenstaande benaderingswijzen steeds duidelijker naar voren komen gaan steeds meer bedrijven over op het 'transnational model'.

The **transnational model of organization**: most advanced kind of international organization. Use it when the company has to respond to multiple global forces simultaneously and needs to promote worldwide integration, learning and knowledge sharing. Dealing with multiple, interrelated, complex issues requires a complex form of organization and structure. Four characteristics distinguish the transnational organization from other globalization forms (such as the matrix):

1) *Assets and resources are dispersed worldwide into highly specialized operations that are linked together through interdependent relationships.* Each group has to cooperate to achieve it's own

goals. Materials, people, products, ideas, resources and information are continually flowing among the dispersed parts of the integrated network.

2) *Structures are flexible and ever-changing*: the organization operates on flexible centralization. Some activities are centralized, others decentralized. Managers must be flexible in determining structural needs based on the benefits to be gained.
3) *Subsidiary managers initiate strategy and innovations that become strategy for the corporation as a whole*: various centers and subsidiaries can shape the company from the bottom up by developing creative responses and initiating programs in response to local needs and dispersing those innovations worldwide.
4) *Unification and coordination are achieved primarily through corporate culture, shared vision and values, and management style, rather than through formal structures and systems*. It's a horizontal structure, it's diverse and extended, and had no room for hierarchal structures. Flexibility and open-mindedness are required from managers.

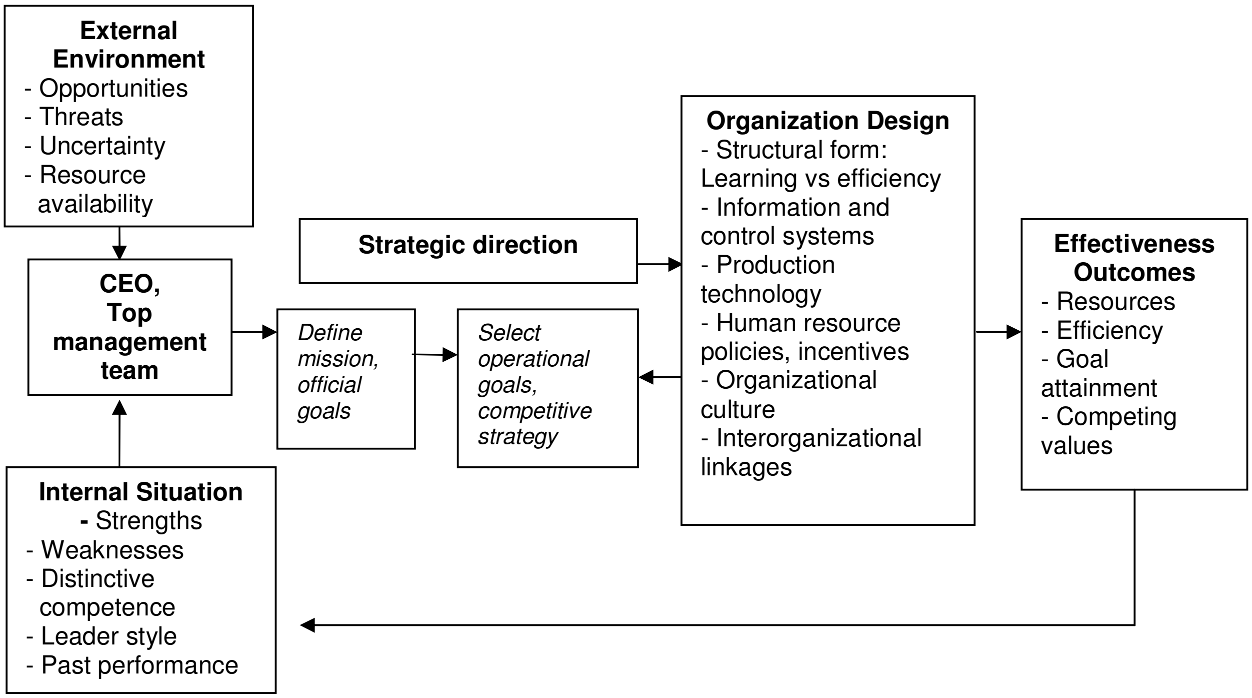
A transnational model facilitates strong coordination, organizational learning and knowledge sharing on a broad global scale. Each part of the organization is aware of and closely integrated with the organization as a whole so local actions complement and enhance other company parts.

Briefcase 6: Strive to a transnational model of organization when the company has to respond to multiple global forces simultaneously and needs to promote worldwide integration, learning and knowledge sharing.

Chapter 5: Strategy, Organization Design and Effectiveness

Organizational goal: a desired state of affairs that the organization attempts to reach.

The role of Strategic Direction in Organization Design: the primary responsibility of top management is to determine an organization's goals, strategy, and design, therein adapting the organization to a changing environment. Organizational design is used to implement goals and strategy and also determines organization success.



Organizational purpose: Major distinction between the officially stated goals, or mission, of the organization and the operative goals the organization actually pursues.

Mission = official goals = mission statement, the organization's reason for existence. It describes the organization's vision, it's shared values and beliefs and its reason for being. Refers to the formally stated definition of business scope and outcomes the organization is trying to achieve. One of the primary reasons is to serve as a communication tool.

Briefcase 1: Establish and communicate organizational mission and goals. Communicate official goals to provide a statement of the organization's mission to external constituents. Communicate operational goals to provide internal direction, guidelines and standards of performance for employees.

Operative goals = designate the ends sought through the actual operating procedures of the organization and explain what the organization is actually trying to do. These goals concern overall performance, boundary spanning, maintenance, adaptation and production activities. They provide direction for the day-to-day decisions and activities within departments. Operative goals:

a. *Overall performance*: reflected in profitability (net income, return on investment etc), growth in sales or profits over time and the volume of sales.
b. *Resources:* acquisition of needed material and financial resources.
c. *Market:* market share or market standing desired by the organization.
d. *Employee development:* training, promotion, safety and growth of employees.
e. *Innovation and change:* internal flexibility, readiness to adapt
f. *Productivity:* amount of output achieved from available resources.

Type of goals	**Purpose of goals**
Official goals, mission:	Legitimacy

Operative goals:	=> describe a value system Employee direction and motivation, decision guidelines, standard of performance => represent the primary tasks of the organization

A framework for selecting strategy and design: two models for formulating strategy are Porter's model of competitive strategies and Miles and Snow's strategy typology. The essence of formulating strategies is choosing whether the organization will perform different activities than it's competitors or similar activities more efficiently.
Strategy: plan for interacting with the competitive environment to achieve organizational goals.

Briefcase 2: After goals have been defined, select strategies for achieving those goals. Define specific strategies based on Porter's competitive strategies or Miles and Snow's strategy typology.

Porter's competitive strategies:

Competitive Scope	Low Cost	Uniqueness
Broad	**Low-cost leadership** Example: Ryanair	**Differentiation** Example: Starbucks Coffee
Narrow	**Focused low-cost leadership** Example: Edward Jones Investments	**Focused differentiation** Example: Puma

Low Cost **Competitive Advantage** *Uniqueness*

Miles and Snow's Strategy typology: Organizations strive for a fit among internal organization characteristics, strategy, and the external environment. Four strategies:

1) *Prospector:* to innovate, take risks, seek out new opportunities, and grow. Suited to a dynamic, growing environment, where creativity is more important than efficiency. Ex: Microsoft.
2) *Defender:* almost the opposite of the prospector. The strategy is concerned with stability and seeks to hold onto current customers, but it neither innovates nor seeks to grow. Internal efficiency and producing reliable, high-quality products are important. Ex:Paramount Pictures.
3) *Analyzer:* tries to maintain a stable business while innovating on the periphery. Midway between prospector and defender. Ex: Sony.
4) *Reactor:* not really a strategy at all. Response to environmental threats and opportunities in an ad hoc fashion. McDonald's heeft lang zo geopereerd.

Briefcase 3: Design the organization to support the firm's competitive strategy. With a low-cost leadership or defender strategy, select design characteristics associated with an efficiency orientation. For a differentiation or prospector strategy, choose characteristics that encourage learning, innovation, and adaptation. Use a balanced mixture of characteristics for an analyzer strategy.

Porter's competitive stragegies	**Miles and Snow's Strategy Typology**
Strategy: Differentiation **Organization design:** - Learning orientation; acts in a flexible, loosely knit way, with strong horizontal coordination; - Strong capability in research; - Values and builds in mechanisms for customer intimacy; - Rewards employee creativity, risk taking, and innovation. **Strategy:** Low-cost leadership **Organization design:** - Efficiency orientation; strong central authority; tight cost control, with frequent, detailed control reports; - Standard operating procedures;	**Strategy:** Prospector **Organization design:** - Learning orientation; flexible, decentralized structure; - Strong capability in research **Strategy:** Defender **Organization design:** - Efficiency orientation; centralized authority and tight cost control; - Emphasis on production efficiency; low overhead; - Close supervision; little employee empowerment. **Strategy:** Analyzer **Organization design:** - Balances efficiency and learning; tight cost control with flexibility and adaptability;

- Highly efficient procurement and distribution systems; - Close supervision; routine tasks; limited employee power.	- Efficient production for stable product lines; emphasis on creativity, research, risk-taking; **Strategy:** Reactor **Organization design:** - No clear organizational approach; design characteristics may shift abruptly, depending on current needs.

Other facts affecting organization design: Strategy is important for organization design, but there are other factors. The emphasis given to efficiency and control versus learning and flexibility is determined by contingencies of *strategy, environment, technology, size/life cycle and culture*.

Assessing Organizational Effectiveness: Understanding organizational goals and strategies, as well as the concept of fitting design to various contingencies (*strategy, environment, technology, size/life cycle and culture)* is the fist step toward understanding organizational effectiveness.
Effectiveness: broad concept, evaluates the extent to which multiple goals are attained.
Efficiency: limited concept, amount of resources used to produce a unit of output.

Contingency effectiveness approaches: approaches to measuring effectiveness on different parts of the organization, concerns which measurements managers choose to track.

1) **Goal approach**: identifying an organization's output goals and assessing how well the organization has attained those goals.
    a. *Indicators*: the important goals to consider are *operative goals* because they reflect activities the organization is actually performing.
    b. *Usefulness*: Effectiveness can often not be assessed by one single indicator. There can be conflictsin goals = *issue of multiple goals*. Oplossing: balanced approach. Or the problem how to measure goal attainment = *subjective indicators of goal attainment*.
2) **Resource-based approach**: observing the beginning of the process and evaluating whether the organization achieves its goals in terms of desired levels of output.
    a. *Indicators:* Bargaining position = getting all the resources an organization needs, abilities to perceive and correctly interpret the real properties of the external environment, ability to use tangible and intangible resources, ability to respond to a changing environment.
    b. *Usefulness:* Valuable when other indicators are difficult to obtain. Shortcoming: it vaguely considers the organization's link to the environment.
3) **Internal process approach**: looks at internal activities and assesses effectiveness by indicators of internal health and efficiency.
    a. *Indicators:* Seven indicators (1) Strong corporate culture and positive work climate (2) team spirit, group loyalty, teamwork (3) confidence, trust and communication between workers and management (4) decision making near sources of information (5) undistorted horizontal and vertical communication (6) rewards to managers for performance, growth and creating effective work group (7) Interaction between parts.
    b. *Usefullness:* efficient use of resources and harmonious internal functioning are ways to assess organizational effectiveness. Shortcoming: total output and the organization's relationship with the environment are not evaluated.

Briefcase 4: Use the goal approach, the resource based approach, and internal processes approach to obtain specific pictures of organizational effectiveness. Assess competing values to obtain a broader, more balanced picture of effectiveness.

An Integrated Effectiveness Model
Competing values model: tries to balance a concern with various parts of the organization rather than focussing on one part. It combines several indicators of effectiveness into a single outcome.

Internal **Focus**	**Human relations emphasis** *Primary goal:* human resource development *Subgoals:* cohesion, morale, training	**Internal process emphasis** *Primary goal:* stability, equilibrium *Subgoals:* information management, communication
External	**Open systems emphasis** *Primary goal:* growth and resource acquisition *Subgoals:* flexibility, readiness, external evaluation	**Rational goal emphasis** *Primary goal:* productivity, efficiency, profit *Subgoals:* planning, goal setting

Flexibility **Structure** *Control*

a. *Indicators:* whether the focus lies on internal or external environment and the structure emphasizes stability or flexibility.
b. *Usefulness:* The model integrates diverse concepts of effectiveness into a single perspective. The model calls attention to effectiveness criteria as management values and shows how opposing values exist at the same time.

Chapter 6: Fundamentals of Organization Structure

Organization structure, three key components:

1) Organization structure designates *formal reporting relationships*, including the number of levels in the hierarchy and the span of control of managers and supervisors = structural **framework**, vertical hierarchy;
2) Organization structure identifies *the grouping together of individuals into departments* and of departments into the total organization = structural **framework**, vertical hierarchy;
3) Organization structure includes the design of systems to ensure *effective communication* coordination and integration of efforts across departments = pattern of **interactions** among organizational employees.

Briefcase 1: Develop organization charts (organogrammen) that describe task responsibilities, reporting relationships, and the grouping of individuals into departments. Provide sufficient documentation so that all people within the organization know to whom they report and how they fit into the total organization picture.

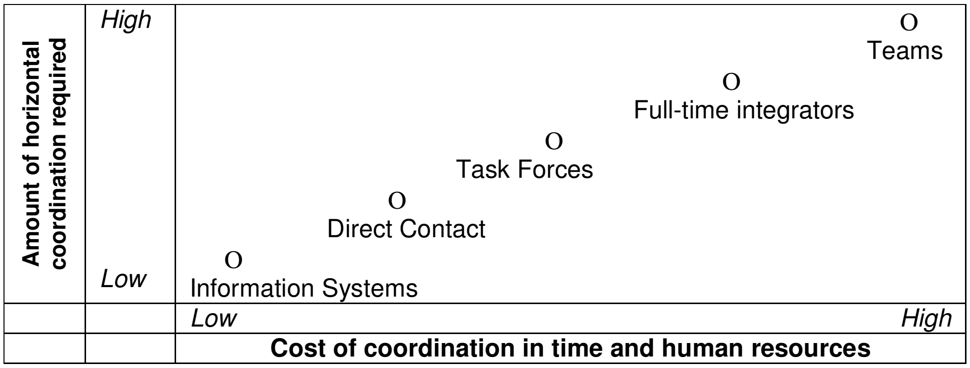
Eerst was de organisatie structuur zodanig (laat in de 19e eeuw/begin 20ste eeuw) dat de top van het bedrijf het denken deed. In een snel veranderende omgeving is dit niet effectief. Tegenwoordig zijn organisaties vaker horizontaal geformeerd = decentralisatie.

Information-Processing perspective on structure: the organization should be designed to provide both vertical and horizontal information flows as necessary to accomplish the organization's overall goals. Or else: too little information, irrelevant information.
Vertical linkages = designed primarily for efficiency and control on the organization. When a vertical structure is dominant there are: specialized tasks, strict *hierarchy* with *many rules*, *vertical information system* (database with reports etc), few teams/task forces/integrators, centralized decision making.
Horizontal linkages = designed for learning (reducing control, more coordination and collaboration) Refers to the amount of communication and coordination horizontally across organizational departments. When a horizontal structure is dominant, there are: shared tasks and empowerment, relaxed hierarchy with few rules, horizontal (face-to-face) communication, many teams and task forces, decentralized decision making. Horizontal linkage mechanisms are often not drawn on the organization chart.

According to Malone there will be more horizontal organizations, his key points on the future of work:

- Information technology is the key driver of the transformation;
- Managers will move from command-and-control to coordinate-and-cultivate;
- Every organization needs standards.

Briefcase 2: Provide vertical and horizontal information linkages to integrate diverse departments into a coherent whole. Achieve vertical linkage through hierarchy referral, rules and plans, and vertical information systems. Achieve horizontal linkage through cross functional information systems, direct contact (by liaison roles = persoon die tussen twee afdelingen staat), task forces (tijdelijk team van verschillende deskundigen), full-time integrators (located outside departments, responsibility for coordinating several departments) and teams (permanent task forces).



Briefcase 3: Recognize that the strongest horizontal linkage mechanisms are more costly in terms of time and human resources but are necessary when the organization needs a high degree of horizontal coordination to achieve its goals.

Organization design alternatives, the overall design of organization structure indicates three things:

1) *Required work activities*: have several departments for certain work activities. If new activities appear (like e-business), create new departments.
2) *Reporting relationships*: the chain of command, vertical lines in the organization chart.
3) *Departmental grouping options*: affects employees because they share a common supervisor and common resources, are jointly responsible for performance and tend to identify and collaborate with one another. Five structural design options for grouping employees into departments:
    a. *Functional grouping*: bringing employees together who perform similar functions;
    b. *Divisional grouping*: grouping per product;
    c. *Multifocused grouping*: two structural grouping structures simultaneously, matrix or hybrid structures. Example: each division is divided per product.
    d. *Horizontal grouping*: hrm and finance are in departments, but the other employees are organized around core work processes (dus van inkoop tot eindproduct naar de klant)
    e. *Virtual network grouping*: most recent approach to departmental grouping. Electronic connection for the sharing of information and completion of tasks.

Functional, divisional and geographical designs: functional and divisional are most common.

1) ***Functional structure***: this structure is most effective when in-depth expertise is critical to meeting organizational goals, when the organization needs to be controlled and coordinated through the vertical hierarchy, and when efficiency is important.

Strengths	**Weaknesses**
Allows economies of scale within functional departments	Slow response time to environmental changes
Enables in-depth knowledge and skill development	May cause decisions to pile on top, hierarchy overloaded
Enables organization to accomplish functional goals	Leads to poor horizontal coordination among departments
Is best with only one or a few products	Results in less innovation
	Involves restricted view of organizational goals

2) ***Functional structure with horizontal linkages***: organizations compensate for the vertical functional hierarchy by installing horizontal linkages.
3) ***Divisional Structure***: is the same as *product structure* or *strategic business units*. Unless effective horizontal mechanisms are in place, a divisional structure can cause real problems when divisions don't know what the other divisions are doing and products aren't compatible.

Strengths	**Weaknesses**
Suited to fast change in unstable environment	Eliminates economies of scale in functional departments
Leads to customer satisfaction because product responsibility and contact points are clear	Leads to poor coordination across product lines
Involves high coordination across functions	Eliminates in-depth competence and technical specialization
Allows units to adapt to differences in products, regions, customers	Makes integration and standardization across product lines difficult

Best in large organizations with several products	
Decentralizes decision making	

Briefcase 4: When designing overall organizational structure, choose a functional structure when efficiency is important, when in-depth knowledge and expertise are critical to meeting organizational goals and when the organization needs to be controlled and coordinated through the vertical hierarchy. Use a divisional structure in a large organization with multiple product lines and when you wish to give priority to product goals and coordination across functions.

4) ***Geographical structure***: each geographic unit includes all functions required to produce and market products or services in that region. The strengths and weaknesses of a geographic divisional structure are similar to the divisional organization characteristics. Horizontal coordination within a region is emphasized rather than linkages across regions or to the national office.

Matrix Structure: when an organization's structure needs to be multifocused in that both product and function or product and geography are emphasized at the same time. The matrix can be used when both technical expertise and product innovation and change are important for meeting organizational goals. Both product division and functional structures (horizontal and vertical) are implemented simultaneously.
Conditions for the matrix:
1) Pressure exists to share scarce resources across product lines. Organization is medium sized and has a moderate number of productlines.
2) Environmental pressure exists for two or more critical outputs, such as for in-depth technical knowledge (functional structure) and frequent new products (divisional structure).
3) The environmental domain of the organization is both complex and uncertain, requiring a large amount of coordination and information processing in both vertical and horizontal directions.

Two versions of the matrix structure have appeared:
1) functional matrix: the functional bosses have primary authority;
2) product matrix: the project or product managers have primary authority.

Strengths	**Weaknesses**
Achieve coordination necessary to meet dual demands from customers	Causes participants to experience dual authority, which can be frustrating and confusing
Flexible sharing of human resources across products	Means participants need good interpersonal skills and extensive training
Suited to complex decisions and frequent changes in unstable environment	Is time consuming; involves frequent meetings and conflict resolution sessions
Provides opportunity for both functional and product skill development	Will not work unless participants understand it and adopt collegial rather than vertical type relationships
Best in medium-sized organizations with multiple products	Requires great effort to maintain power balance

Briefcase 5: Consider a matrix structure when the organization needs to give equal priority to both products and functions because of dual pressures from customers in the environment. Use either a functional matrix or a product matrix if the balanced matrix with dual lines of authority is not appropriate for your organization.

Horizontal structure: organizes employees around core processes. Organizations typically shift toward a horizontal structure during reengineering (or *business process reengineering*)
Reengineering = redesign of a vertical organization along its horizontal workflows and processes. Reengineering changes the way managers think about how work is done.
Process = an organized group of related tasks and activities that work together to transform inputs into outputs that create value for customers. Bijv. New product development, customer service.
Characteristics horizontal structure:
1) Structure is created around cross-functional core processes rather than tasks, functions or geography. Boundaries between departments are obliterated (=uitgewisseld)
2) Self-directed teams, not individuals, are the basis of organizational design and performance;
3) Process owners have responsibility for each core process in its entirety;

4) People on the team are given the skills, tools, motivation and authority to make decisions central to the team's performance;
5) Teams have the freedom to think creatively and respond flexibly to new challenges;
6) Customers drive the horizontal corporation;
7) The culture is one of openness, trust and collaboration, focused on continuous improvement.

Briefcase 6: Consider a horizontal structure when customer needs and demands change rapidly and when learning and innovation are critical to organizational success. Carefully determine core processes and train managers and employees to work within the horizontal structure.

Strengths	**Weaknesses**
Promotes flexibility and rapid response to changes in customer needs	Determining core processes is difficult and time consuming
Directs the attention of everyone toward the production and delivery of value to the customer	Requires changes in culture, job design, management philosophy and information and reward systems
Each employee has a broader view of organizational goals	Traditional managers may balk when they have to give up power and authority
Promotes a focus on teamwork and collaboration	Requires significant training of employees to work effectively in a horizontal team environment
Improves quality of life for employees by offering them the opportunity to share responsibilities, make decisions and be accountable for outcomes	Can limit in-depth skill development

Virtual Network Structure: extends the concept of horizontal coordination and collaboration beyond the boundaries of the traditional organization. With a virtual network structure (*modular structure*) the firm subcontracts many or most of its major processes to separate companies and coordinates their activities from a small headquarters organization.
Outsourcing = to contract out certain corporate functions, such as manufacturing, information technology, or credit processing to other companies.

Strengths	**Weaknesses**
Enables even small organizations to obtain talent and resources worldwide	Managers do not have hands-on control over many activities and employees
Gives a company immediate scale and reach without huge investments in factories, equipment, or distribution facilities	Requires a great deal of time to manage relationships and potential conflicts with contract partners
Enables the organization to be highly flexible and responsive to changing needs	There is a risk of organizational failure if a partner fails to deliver or goes out of business
Reduces administrative overhead costs	Employee loyalty and corporate culture might be weak because employees feel they can be replaced by contract services

Briefcase 7: Use a virtual network structure for extreme flexibility and rapid response to changing market conditions. Focus on key activities that give the organization its competitive advantage and outsource other activities to carefully selected partners.

Hybrid structure: many structures in the real world do not exist in the pure forms that are outlined in this chapter. Organizations often use a hybrid structure that combines characteristics of various approaches tailored to specific strategic needs.

Briefcase 8: Implement hybrid structures, when needed, to combine characteristics of functional, divisional and horizontal structures. Use a hybrid structure in complex environments to take advantage of the strengths of various structural characteristics and avoid some of the weaknesses.

Applications of structural design
Briefcase 9: Find the correct balance between vertical control and horizontal coordination to meet the needs of the organization. Consider a structural reorganisation when symptoms of structural deficiency are observed.

Vertical control = goals of efficiency and stability.
Horizontal coordination = learning, innovation and flexibility.

Symptons of Structural deficiency:

1) *Decision making is delayed or lacking in quality:* delay caused by hierarchy, when information not reaches the correct people.
2) *The organization does not respond innovatively to a changing environment:* departments are not coordinated horizontally, department responsibilities must be specified.
3) *Employee performance declines and goals are not being met:* the structure should reflect the complexity of the market environment and be straightforward to effectively work within.
4) *Too much conflict is evident:* organization structure should allow conflicting departmental goals to combine into a single set of goals for the entire organization.

Chapter 7: Organizational Culture and Ethical Values

Social Capital *(goodwill)* **=** refers to the quality of interactions among people and whether they share a common perspective. In organizations with a high degree of social capital, relationships are based on trust, mutual understandings, and shared norms and values that enable people (inside and outside the organization) to cooperate and coordinate their activities to achieve organizational goals.

Organizational culture

Culture = the set of values, norms, guiding beliefs and understandings that is shared by members of an organization and is taught to new members. Organizational culture operates on two levels:

- Visible artefacts and observable behaviour: like ceremonies, stories, slogans, behaviour, dresscode, physical settings.
- Values in the minds of organization members: underlying values, assumptions, beliefs, attitudes, feelings. These form the **true culture**.

Emergence and purpose of culture: culture provides members with a sense of organizational identity and generates in them a commitment to beliefs and values that are greater than themselves.
Culture generally begins with a founder or early leader who articulates and implements ideas and values as a vision, philosophy or business strategy. When these ideas and values lead to success they become institutionalized.
Cultures serve two critical functions in organizations:

1) **Internal integration**: to integrate members so that they know how to relate to one another;
2) **External adaptation**: to help the organization adapt to the external environment.

Interpreting culture: to identify and interpret culture requires that people make inferences based on observable artefacts.

1) **Rites and ceremonies:** are important artefacts for culture. These are the elaborate, planned activities that make up a special event and are often conducted for the benefit of an audience.

Four types of rites that appear in organizations are:

Type of rite	Example	Social consequences
Rites of passage (doorgang/nieuwe functie))	Induction and basic training, US army	Facilitate transition of persons into social roles and statuses that are new for them.
Rites of enhancement (prestige)	Annual awards night	Enhance social identities and increase status of employees
Rites of renewal	Organization development parties	Refurbish social structures and improve organization functioning
Rites of integration	Office holiday party, cheering	Encourage and revive common feelings that bind members together and commit them to the organization

Briefcase 1: Pay attention to corporate culture. Understand the underlying values, assumptions, and beliefs on which culture is based as well as its observable manifestations. Evaluate corporate culture based on rites and ceremonies, stories and heroes, symbols and language.

Culture of discipline: according to Collins, this is one of the aspects that define truly great companies. Some of the key factors of a culture of discipline are:

- *Level 5 leadership*: Level 5 leaders have almost complete lack of ego, a strong will and ambition for the success of the organization. Values of selfishness, greed and arrogance have no place.
- *The right values*: Individual freedom and responsibility within a framework of organizational purpose, goals, and systems.
- *The right people in the right jobs*: self-disciplined people, determined, diligent, precise, systematic, consistent, focused, accountable and responsible.
- *Knowing where to go*: knowing what they do best, are passionate about and what makes economic sense for the organization.

2) **Symbols:** is something that represents another thing. In one sense, ceremonies, rites, stories and slogans are all symbols. The physical artefact is also a symbol, it focuses attention on a specific item.

3) **Language:** many companies use a specific saying, slogan, metaphor or other form of language to convey special meaning to employees.

<u>Organization Design and Culture:</u> Corporate culture should reinforce the strategy and structural design that the organization needs to be effective within its environment. Two dimensions of culture:

1) **The adaptability culture**: is characterized by strategic focus on the external environment through flexibility and change to meet customer needs. This type of company actively creates change. Innovation, creativity and risk taking are valued and rewarded. Most e-commerce companies, as well as companies in the marketing, electronics and cosmetics industries, use this type of culture because they must move quickly to satisfy customers.
2) **The mission culture**: is characterized by emphasis on a clear vision of the organization's purpose and on the achievement of goals, such as sales growth, profitability, or market share, to help achieve the purpose. Suitable for an organization concerned with serving specific customers in the external environment, but without the need for rapid change. In some cases, mission cultures reflect a high level of competitiveness and a profit-making orientation.
3) **The clan culture**: has a primary focus on the involvement and participation of the organization's members and on rapidly changing expectations from the external environment. This culture focuses on the needs of employees as the route to high performance. Fashion, retail.
4) **The bureaucratic culture**: has an internal focus and a consistency orientation for a stable environment. Personal involvement is lower, but that is outweighed by a high level of consistency, conformity and collaboration among members. Companies who follow this culture may have difficulties to keep pace with the demands of the external environment.

Briefcase 2: Make sure corporate culture is consistent with strategy and the environment. Culture can be shaped to fit the needs of both. Four types of culture are adaptability culture, mission culture, clan culture and bureaucratic culture.

Culture strength and organizational subcultures: culture strength refers to the degree of agreement among members of an organization about the importance of specific values. If widespread consensus exists, the culture is cohesive and strong. A *strong culture* is typically associated with the frequent use of ceremonies, symbols, stories, heroes and slogans. Employees are selected and socialized.
Subcultures: develop to reflect the common problems, goals and experiences that members of a team, department, or other unit share. An office, branch, or unit of a company that is physically separated from the company's main operations may also take on a distinctive subculture. Subcultures typically include the basic values of the dominant culture plus additional values unique to members of the subculture.

<u>Organizational culture, learning and performance:</u> A strong culture that encourages constant adaptation and change enhances organizational performance by energizing and motivating employees, unifying people around shared goals and a higher mission, and shaping and guiding employee behaviour so that everyone's actions are aligned with strategic priorities. Creating and influencing an adaptive culture is one of the most important jobs for organizational leaders.

Briefcase 3: Consciously manage culture to shift values toward high performance and goal accomplishment.

Non-adaptive cultures encourage rigidity and stability. Strong adaptive cultures often incorporate the following values:

1) *The whole is more important than the parts and boundaries between parts are minimized.* People are aware of the whole system. Although subcultures may form, everyone is primary attitudes and behaviours reflect the organization's dominant culture.

2) *Equality and trust are primary values*. The culture creates a sense of community and caring for one another. Honest and open communication as a way to build trust.
3) *The culture encourages risk taking, change, and improvement*. A basic value is to question the status quo. The culture rewards and celebrates the creators of new ideas, products and work processes.

Briefcase 4: To support a learning orientation, emphasize cultural values of openness and collaboration, equality and trust, continuous improvement, and risk taking. Build a strong internal culture that encourages adaptation to changing environmental conditions.

	Adaptive corporate cultures	**Non-adaptive corporate cultures**
Core values	Managers care deeply about customers, stockholders and employees. They also strongly value people and processes that can create useful change.	Managers care mainly about themselves, their immediate work group or some product or technology associated with that work group. They value the orderly and risk-reducing management process much more highly than leadership initiatives.
Common behaviour	Managers pay close attention to all their constituencies, especially customers, and initiate change when needed to serve their legitimate interest, even if it entails taking some risks.	Managers tend to be somewhat isolated, political and bureaucratic. As a result, they do not change their strategies quickly to adjust to or take advantage of changes in their business environment.

<u>Ethical values and social responsibility</u>
Ethics is the code of moral principles and values that governs the behaviours of a person or group with respect to what is right or wrong. Ethical values set standards as to what is good or bad in conduct and decision making.
Individual ethics and actions: first there are *historical* influences like national culture, religion, philosophy and geographical environment. History leads to the development of *societal morality* with it's norms and values, laws, codes and regulations. Society shapes *the local environment*, which concerns organizations, family etc. The local environment shapes individual behaviour.

Briefcase 5: Take control of ethical values in the organization. Ethics is not the same as following the law. Ethical decisions are influenced by management's personal background, by organizational culture and by organizational systems.

<u>Managerial ethics and social responsibility</u>
The **rule of law** arises from a set of codified principles and regulations that describe how people are required to act, that are generally accepted in society, and that are enforceable in the courts. Ethical standards for the most part apply to behaviour not covered by law, and the rule of law applies to behaviours not necessarily covered by ethical standards.

Managerial ethics = principles that guide the decisions and behaviours of managers with regard to whether they are right or wrong. The notion of **social responsibility** is an extension of this idea and refers to management's obligation to make choices and take action so that the organization contributes to the welfare and interest of all organization stakeholders.

Ethical dilemma: arises in a situation concerning right and wrong in which values are in conflict. Studies have provided varying results but generally have found that there is a small positive relationship between ethical and socially responsible behaviour and financial results.

<u>Sources of ethical values in organizations:</u> ethics in organizations is both an individual and an organizational matter. Forces that shape managerial ethics, dealing with the question if decisions and behaviour are ethical and socially responsible:
1) **Personal ethics**: beliefs and values, moral development, ethical framework;
2) **Organizational culture**: rituals, ceremonies, stories, heroes, language, slogans, symbols, founder, history;
3) **Organizational systems**: structure, policies, rules, code of ethics, reward system, selection, training;
4) **External stakeholders**: government regulations, customers, special interest groups, global market forces.

How leaders shape culture and ethics: managers signal and implement values through leadership as well as through the formal system of the organization.

Briefcase 6: Act as a leader for the internal culture and ethical values that are important to the organization. Influence the value system through value-based leadership, including the use of ceremonies, slogans, symbols and stories. Communicate important values to employees to enhance organizational effectiveness, and remember that actions speak louder than words.

Value bases leadership: the relation between the leader and followers that is based on shared, strongly internalized values that are advocated and acted upon by the leader. Value based leadership develops and strengthens organizational values. Leaders must formulate and communicate a clear vision. Managers should remember that every statement and action has an impact on culture and values. Value-based leaders engender a high level of trust and respect from employees.

Formal structure and systems: are a set of tools leaders can use to shape values.

1) ***Structure***: For instance, introducing an *ethics committee* which is a cross-functional group of executives who oversee company ethics. Provides ruling on ethics. Ethics departments are headed by a *chief ethics officer*, who is a high-level company executive who oversees all aspects of ethics. Ethics offices have confidential *ethics hotlines.*
2) ***Disclosure mechanisms***: organizations can establish policies and procedures to support and protect *whistle-blowers*. Create an environment in which employees feel free to point out problems and managers take swift action to address concerns about unethical or illegal activities.
3) ***Code of ethics***: formal statement of the company's values concerning ethics and social responsibility.
4) ***Training programs***: to ensure that ethical issues are considered in daily decision making.

Corporate culture and ethics in a global environment: the greater complexity of the environment and organizational domain create a greater potential for ethical problems or misunderstandings. Corporate culture and national culture are often intertwined.
There are specific components that characterize a global culture. These include an emphasis on multicultural rather than national values, basing status on merit rather than nationality, being open to new ideas from other cultures, showing excitement rather than trepidation when entering new cultural environments, and being sensitive to cultural differences without being limited to them.

Social audit: is one of the most useful mechanisms for building global ethics. It measures and reports the ethical, social an environmental impact of a company's organization.

Chapter 9: Decision-making process

Definitions

Organizational Decision Making = the process of identifying and solving problems. Two stages:

a. **Problem identification stage:** information about environmental and organizational conditions is monitored to determine if performance is satisfactory and to diagnose the cause of shortcomings;
b. **Problem solution stage:** when alternative courses of action are considered and one alternative is selected and implemented.

Programmed decisions = repetitive and well defined, procedures exist for resolving the problem.
Nonprogrammed decisions = novel and poorly defined, no procedure exists for solving the problem. Many involve strategic planning, because uncertainty is great and decisions are complex = wicked decisions, because simply defining the problem can turn into a major task.

Briefcase 1: Adapt decision processes to fit the organizational situation. Understand how processes differ for programmed and nonprogrammed decision.

Individual Decision Making

Rational approach: how managers should try to make decisions = ideal, that can't be achieved.
The model does help managers think about decisions more clearly and rational. Eight steps:

1. *Monitor the decision environment*: internal and external indication that will indicate deviations;
2. *Define the decision problem*: response to deviations by identifying 'where, when, who was involved, who was affected and how current activities are influenced'.
3. *Specify decision objectives*: what performance outcomes should be achieved;

4. *Diagnose the problem*: cause of the problem;
5. *Develop alternative solutions*;
6. *Evaluate alternatives*: assess the merits of each alternative;
7. *Choose the best alternative*;
8. *Implement the chosen alternative*.

1, 2, 3 and 4 = Problem identification stage
5, 6, 7 and 8 = problem solution stage

Bounded rationality approach: how decisions actually have to be made under severe time and resource constraints. When managers are unable to follow the ideal procedure. Caused by limited time, information, resources to deal with complex, multidimensional issues.
Organizational constraints: Level of: agreement, shared perspective, cooperation, or support by corporate culture and structure, ethical values.
Personal constraints: Personal desire for prestige, success; personal decision style; the desire to satisfy emotional needs, cope with pressure, maintain self-concept.

All these constraints lead to trade-offs in decision making.

Briefcase 2: Use rational decision processes when possible, but recognize that many constraints may impinge on decision makers and prevent a perfectly rational decision. Apply the bounded rationality perspective and use intuition when confronting ill-defined, nonprogrammed decisions.

Intuitive decision making: experience and judgement rather than sequential logic or explicit reasoning are uses to make decisions. It is not arbitrary or irrational because it is based on years of practice and hands-on experience. In a situation of great complexity or ambiguity, previous experience and judgement are needed to incorporate intangible elements at both the problem identification and problem solution stages.
Managers may walk a fine line between two extremes: making arbitrary decisions without careful study and relying obsessively on numbers and rational analysis.

<u>Organizational decision making:</u> Problem identification and problem solution involve many departments, multiple viewpoints, beyond the scope of an individual manager. Four primary types of organizational decision-making processes:

1) **Management Science Approach**: the analogue (=paralel) to the rational approach by individual managers. MS yielded astonishing success for many military problems, by using mathematical models for decision making. MS can accurately and quickly solve problems that have too many explicit variables for human processing. The system is at its best when applied to problems that are analyzable, measurable and can be structured in a logical way. One problem is that quantitative data are not rich and do not convey tacit knowledge. Informal cues that indicate the existence of problems have to be indicate on a more personal basis by managers. In these situations, MS can be used to supplement decision making.

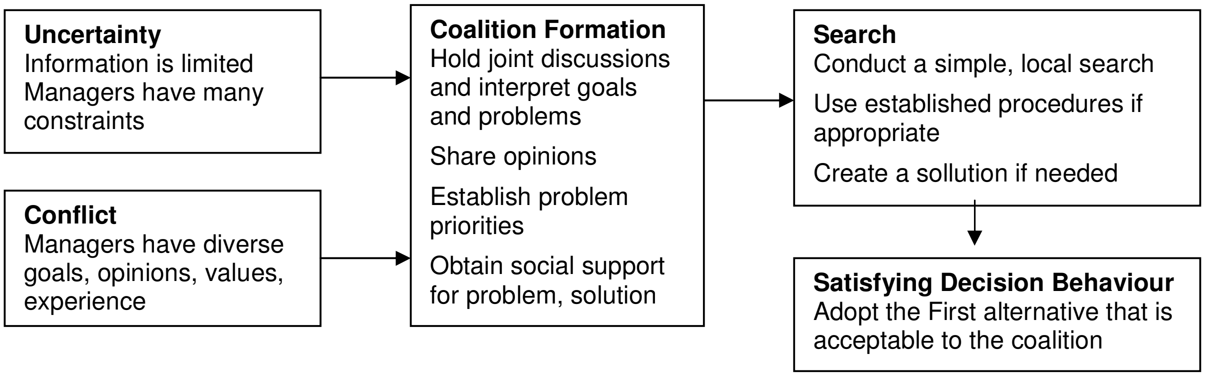
Briefcase 3: Use a rational decision approach – computation, management science – when a problem situation is well understood.

2) **Carnegie Model**: helps formulate the bounded rationality approach to individual decision making, as well as provide new insights about organizational decisions. Based on the idea that organization level decisions involve many managers and that the final choice is based on a coalition between them. Two reasons why management coalitions are needed:
    a) Organizational goals and departmental goals are often ambiguous and inconsistent, managers disagree about problem priorities. They must bargain about problems and build a new coalition around the question which to solve.
    b) Individual managers intend to be rational but function with human cognitive limitations and other constraints. They do not have time, resources, mental capacity to identify all dimensions and process all information relevant to a decision. Managers talk to each other and exchange points of view, this leads to coalition building behaviour.

   Decisions are made to satisfice, rather than optimize. Search behaviour is just sufficient to produce a satisfactory solution and managers typically adopt the first satisfactory solution that arises. The Carnagie model is particularly useful at the problem identification stage.

Coalition*:* an alliance among several managers who agree about organizational goals and problem priorities.
Satisficing: organizations accept a satisfactory rather than a maximum level of performance, enabling them to achieve several goals simultaneously.

Problemistic search: managers look around in the immediate environment for a solution to quickly resolve a problem, without it being a perfect solution.
Briefcase 4: Use a coalition-building approach when organizational goals and problem priorities are in conflict. When managers disagree about priorities or the true nature of the problem, they should discuss and seek agreement about priorities.



3) **Incremental Decision Process Model**: (increment = toename) places less emphasis on the political and social factors described in the Carnagie model, but tells more about the structure sequence of activities undertaken from the discovery of a problem to its solution. Three phases:
   a) *Identification Phase:* Begins with recognition, one or more managers become aware of a problem and the need to make a decision. Second step is diagnosis, more information is gathered if needed to define the problem situation.
   b) *Development phase:* First, search procedures are used and screened to seek out alternatives. Second, the design of a custom solution when a problem is novel.
   c) *Selection Phase:* Solution is chosen. Three ways of evaluation and choice: Judgement evaluation, when a final choice falls upon a single decision maker, and the choice involves judgement based upon experience. In analysis evaluation alternatives are evaluated on a more systematic base (management science). And bargaining (discussing) occurs when selection involves a group of decision makers.
   When a decision is formally accepted, authorization takes place. The decision is passed up the hierarchy.

   There are dynamic factors that influence decision making. Organizational decisions don't follow an orderly progression from recognition through authorization, but in the process, due to minor problems, decision making can loop back to an earlier stage. *Decision interrupts:* barriers in decision making.

Briefcase 5: Take risks and move the company ahead by increments when a problem is defined but solutions are uncertain. Try solutions step by step to learn whether they work.

4) **Garbage Can model**: one of the most recent and interesting descriptions of organizational decision processes. It's not comparable with other models because it can deal with the pattern or flow of multiple decisions, instead of single decision-making. **Organized anarchy =** highly uncertain conditions, such as growth and change required in a learning organization. It handles an extremely organic organization. Organized anarchies do not rely on the normal vertical hierarchy of authority and bureaucratic decision rules. They result from three characteristics:
   a) *Problematic preferences:* goals, problems, alternatives and solutions are ill-difined;
   b) *Unclear, poorly understood technology:* cause-and-effect is not clear, no explicit database
   c) *Turnover;* verzet van participants, limited participation in any given decision.

   The environment is rapidly changing, collegial and non-bureaucratic.
   Stream of events: decisions are the outcome of independent streams of events within the organization. Decision making process is not seen in steps that begin with a problem and end with a solution. There are four streams relevant to organizational decision making:
   a) *Problems:* point of dissatisfaction with current activities and performance;
   b) *Potential solutions:* solution is an idea somebody proposes for adoption;
   c) *Participants:* employees that come and go;
   d) *Choice opportunities:* occasions when an organization usually makes a decision.

   With the concept of four streams, problems, solutions, participants and choices all flow through the organization.
   Consequences: Four consequences of the garbage can model for organizational decisions:
   a) *Solutions may be proposed even when problems do not exist;*

b) *Choices are made without solving problems;*
c) *Problems may persist without being solved;*
d) *A few problems are solved.*

<u>The learning organization</u>
Two approaches to decision making have evolved to help managers cope with uncertainty and complexity. One approach is to combine Carnegie and incremental process models. The second approach is the garbage can model (zie boven!!!)

Combining the incremental process and Carnegie models: Carnegie is especially relevant for the problem identification stage. The incremental process model tends to emphasize the steps used to reach a solution. When problem solution is unclear, a trial-and-error solution may be designed.
The two mentioned models do not disagree with each other. They describe how organizations make decisions when either problem identification or solution is uncertain.

Problem identification		**Problem solution**
When problem identification is uncertain, Carnegie model applies Political and social process is needed Build coalition, seek agreement, and resolve conflict about goals and problem priorities	→	When problem solution is uncertain, incremental process model applies Incremental, trial-and-error process is needed Solve big problems in little steps Recycle and try again when blocked

Briefcase 6: Apply both Carnegie model and the incremental process model in a situation with high uncertainty about both problems and solutions. Decision making may also employ garbage can procedures. Move the organization toward better performance by proposing new ideas, spending time working in important areas and persisting with potential solutions.

<u>Contingency Decision-making framework</u>
There are different approaches in decision making process. The use of an approach is contingent on the organization setting. Two characteristics of organizations that determine the use of decision approaches:

1) **Problem consensus***:* the agreement among managers about the nature of a problem or opportunity and about which goals and outcomes to pursue. When managers agree => little uncertainty. When managers disagree => organization direction and performance expectations are in dispute, creating a situation of high uncertainty. Low problem consensus: in differentiated organizations. Problem consensus is important for the problem identification stage.
2) **Technical knowledge about solutions***:* refers to understanding and agreement about how to solve problems and reach organizational goals.

Contingency decision making framework: brings together the two dimensions of problem consensus and technical knowledge.

Solution Knowledge	*Certain* — **Problem**	**Concensus** — *Uncertain*
Certain	**Individual** Rational approach, computation **Organization** Management Science	**Individual** Bargaining, Coalition, Formation **Organization:** Carnegie model
Uncertain	**Individual** Judgement, Trial and error **Organization** Incremental decision process model	**Individual** Bargaining and judgement, Inspiration and imitation **Organization** Carnegie and incremental decision process models, Evolving to garbage can model

Inspiration: innovative, creative solution that is not reached by logical means.
Imitation: adopting a decision tried elsewhere in the hope that it will work in this situation.

Special Decision Circumstances: the way managers actually reach decisions is through a complex interaction with other managers, subordinates, environmental factors and organizational events. Three issues of particular concern for today's decision making:

1) **High-velocity environments:** rate of competitive and technological change is so extreme that market data are either unavailable or obsolete. Criteria for successful decision making:

- Successful: track information in real time to develop a deep and intuitive grasp of the business. Intense meetings between key payers. Unsuccessful: planning, forward-looking.
- Successful: immediately build multiple alternatives. Unsuccessful: slow decision making.
- Successful: seek advice from everyone, trust. Unsuccessful: unable to build trust.
- Successful: seek for consensus, if not, let top management decide. Unsuccessful: delayed decisions to achieve uniform consensus.
- Successful: integrate choices with other decisions and overall strategy. Unsuccessful: decision making in isolation from other decisions.

Briefcase 7: Track real time information, build multiple alternatives simultaneously, and try to involve everyone. But move ahead when making decisions in a high-velocity environment.

2) **Decision mistakes and learning:** Organizations must make decisions, and take risks, often in the spirit of trial and error. If an alternative fails, organizations can learn from it and try another alternative that fits better the situation. "Chaotic action is preferable to orderly inaction". *Decision learning:* by making mistakes.
3) **Escalating commitment:** a much more dangerous mistake, to persist in a course of action when it is failing. Caused by managers blocking of distorting negative information when they are personally responsible. Also caused by consistency and persistence which are valued in today's society from managers. Failure to admit a mistake and adopt a new course of action is far worse than an attitude that tolerates mistakes to encourage learning.

Briefcase 8: Do not persist in a course of action that is failing. Some actions will not work if uncertainty is high, so encourage organizational learning by readily trying new alternatives. Seek information and evidence that indicates when a course of action is failing, and allocate resources to new choices rather than to unsuccessful ventures.

Chapter 10: Conflict, Power and Politics

Conflict is a natural and inevitable outcome of close interaction. It can be a positive force because it challenges the status quo, encourages new ideas and approaches, and leads to changes.

Intergroup conflicts in organizations: three ingredients:

1) Group identification: employees have to see themselves as part of a group;
2) Observable group differences: different floors/buildings, ability to observe as a group;
3) Frustration: if one group reaches it's goal, the other will be blocked.

Intergroup conflict: the behaviour that occurs among organizational groups when participants identify with one group and perceive that other groups may block their group's goal or expectations.
Conflict: groups clash directly, similar to competition, but more severe.
Competition: rivalry among groups in pursuit of a common prize, whereas conflict presumes direct interference with goal achievement.

Sources of intergroup conflict:

1) **Goal incompatibility:** greatest cause of intergroup conflict in organizations. The achievement of one department's goals often interfere with another department's goals. Between marketing and manufacturing there is the greatest potential for conflict:

Goal conflict, Conflict area:	**Marketing** *Operative goal is customer satisfaction*	**Manufacturing** *Operative goal is production efficiency*
Breadth of product line	"Our customers demand variety"	"The product line is too broad. All we get are short, uneconomical runs."
New product introduction	"New products are our lifeblood."	"Unnecessary design changes are prohibitively expensive."
Product Scheduling	"We need faster response. Our customer lead times are too long."	"We need realistic commitments that don't change like wind direction."

Physical distribution	"We need the right to merchandise in inventory."	"We can't afford to keep huge inventories."
Quality	"We need higher quality at lower costs."	"We can only offer options that are too expensive and offer too little utility."

2) **Differentiation:** the differences in cognitive and emotional orientations among managers in different functional departments. Departments or divisions within an organization often differ in values, attitudes and standards of behaviour, and these sub cultural differences lead to conflicts.
3) **Task interdependence:** dependence of one unit on another for materials, resources, or information. As interdependence increases, the potential for conflict increases. Pooled interdependence = little interaction/conflict. Sequential and reciprocal interdependence = frequent communication/conflicts.
4) **Limited resources:** In their desire to achieve goals, groups want to increase their resources, which are limited, thus leads to conflict.

Briefcase 1: Recognize that some interdepartmental conflict is natural and can benefit the organization. Associate the organizational design characteristics of goal incompatibility, differentiation, task interdependence, and resource scarcity with greater conflict among groups. Expect to devote more time and energy to resolving conflict in these situations.

<u>Rational versus Political Model:</u> the degree of goal incompatibility, differentiation, interdependence, and conflict over limited resources determines whether a rational or political model of behaviour is used within organization to accomplish goals.
Rational model of organization: when goals are in alignment, there is little differentiation, departments are characterized by pooled interdependence and resources seem abundant. (ideal situation)
Political model: when differences are great, organization groups have separate interests, goals and values.

Sources of potential intergroup conflict
- Goal incompatibility
- Differentiation
- Task interdependence
- Limited resources

When conflict is low, rational model describes organization		**When conflict is high, political model describes organization**
Consistent across participants	*Goals*	Inconsistent, pluralistic within the organization
Centralized	*Power and control*	Decentralized, shifting coalitions and interest groups
Orderly, logical, rational	*Decision process*	Disorderly, result of bargaining and interplay among interests
Norm of efficiency	*Rules and norms*	Free play of market forces; conflict is legitimate and expected
Extensive, systematic, accurate	*Information*	Ambiguous; information used and withheld strategically

Briefcase 2: Use the rational model of organization when alternatives are clear, when goals are defined, and when managers can estimate the outcomes accurately. In these circumstances, coalition building, cooptation, or other political tactics are not needed and will not lead to effective decisions.

<u>Power and organizations</u>
Power = the ability of one person or department in an organization to influence other people to bring about desired outcomes. Intangible force in organizations, it cannot be seen, but it's effects can be felt.

Individual versus organizational power: Five forces of *personal* power:
1) *Legitimate power:* authority to the formal position;
2) *Reward power:* ability to bestow rewards to other people;
3) *Coercive power:* authority to punish or recommend punishment;
4) *Expert power:* skill of knowledge;
5) *Referent power:* derived from personal characteristics.

Power in *organizations* is often the result of structural characteristics, formal hierarchy.

Power versus authority
Auhority =a force for achieving desired outcomes, but only as prescribed by the formal hierarchy and reporting relationships. Three properties identify authority:
1) *Authority is vested in organizational positions:* authority isn't caused by personal characteristics;
2) *Authority is accepted by subordinates:* legitimate right to exercise authority;

3) *Authority flows down the vertical line.*

Vertical sources of power:

1) *Formal position*: legitimate power;
2) *Resources*: top managers control resources and can determine their distribution;
3) *Control of decision premises and information*: top managers place constraints on decision made at lower levels by specifying a decision frame of reference and guidelines. Top managers have more access to information.
4) *Network centrally*: being centrally located in the organization and having access to information and people that are critical to the company's success. Top executives are more successful at the centre of a communication network (alle informatiestromen komen dan langs hun heen)
5) *People*: group of loyal executives increases power.

Horizontal sources of power: relationships across departments or divisions.

1) *Strategic contingencies:* events and activities both inside and outside an organization that are essential for attaining organizational goals. Departments involved with strategic contingencies tend to have greater power. Departmental activities are important when they provide strategic value by solving problems or crises for the organization.
2) *Power sources:* powerful departments may possess one or more power sources:
   a. *Dependency:* Interdepartmental dependency;
   b. *Financial resources:* control over financial resources;
   c. *Centrality:* role in the primary activity of an organization;
   d. *Non-substitutability:* department's functions cannot be performed by other readily available resources;
   e. *Coping with uncertainty:* reduce uncertainty to increase power.

Briefcase 3: Be aware of the important horizontal power relationship that come from the ability of a department to deal with strategic contingencies that confront the organization. Increase the horizontal power of a department by increasing involvement in strategic contingencies.

<u>Political processes in Organizations</u>

Power = available force or potential for achieving desired outcomes.

Politics = the use of power to influence decision in order to achieve outcomes. Two views on politics:

1) Politics is self-serving and involves activities that are not sanctioned by the organization. In this view, politics involves deception and dishonesty for purposes of individual self-interest and leads to conflict and disharmony within the work environment = negative view.
2) Politics is a natural organizational process for resolving differences among organizational interest groups. Politics is the process of bargaining and negotiation that is used to overcome conflicts and differences of opinion = coalition building decision process (chapter 9)

Organizational politics = involves activities to acquire, develop, and use power and other resources to obtain the preferred outcome when there is uncertainty or disagreement about choices.

When is political activity used?

Domains of political activity:

1) *Structural change:* reorganizations cause bargaining and negotiation;
2) *Management succession:* use of hiring and promotion to strengthen network alliances and coalitions by putting their own people in prominent places;
3) *Resource allocation:* political activity helps to obtain agreement about allocation.

<u>Using power, politics and collaboration</u>

Tactics for increasing the power base	Political tactics for using power	Tactics for enhancing collaboration
1. Enter areas of high uncertainty 2. Create dependencies 3. Provide scarce resources 4. Satisfy strategic contingencies 5. Make a direct appeal	1. Build coalitions, expand networks 2. Assign loyal people to key positions 3. Control decision premises 4. Enhance legitimacy and expertise 5. Create subordinate goals	1. Create integration devices 2. Use confrontation and negotiation 3. Schedule intergroup consultation 4. Practice member rotation

Briefcase 4: If conflict becomes too strong, use tactics for enhancing collaboration, including integration devices, confrontation, intergroup consultation, member rotation, and subordinate goals. Select the technique that fits the organization and the conflict.

Tactics for enhancing collaboration: Use confrontation and negotiation

Win-Win strategy = effective	**Win-Lose strategy = ineffective**
1. Define the conflict as a mutual problem 2. Pursue joint outcomes 3. Find creative agreements that satisfy both groups 4. Be open, honest, and accurate in communicating the group's needs, goals and proposals. 5. Avoid threats (to reduce the other's defensiveness) 6. Communicate flexibility of position.	1. Define the problem as a win-lose situation 2. Pursue own group's outcomes 3. Force the other group into submission 4. Be deceitful, inaccurate, and misleading in communicating the group's needs, goals, and proposals 5. Use threats (to force submission) 6. Communicate strong commitment (rigidity) regarding one's position

Collective bargaining = the bargaining process is usually accomplished through a union and results in an agreement that specifies each party's responsibilities for the next 2 to 3 years.

Chapter 11: Manufacturing and Service Technologies

Technology = work processes, techniques, machines, and actions used to transform organizational inputs (materials, information, ideas) into outputs (products and services). Technology is an organization's production process and includes work procedures as well as machinery.

Core technology = the work process that is directly related to the organization's mission, such as teaching in a high school, medical services in a health clinic, or manufacturing at a car company.
It can be partly understood by examining the raw materials flowing into the organization, the variability of work activities, the degree to which the production process is mechanized, the extent to which one task depends on another in the workflow, or the number of new product or service outputs.

Non-core technology = department work process that is important to the organization, but is not directly related to its primary mission. Human resources, accounting, R&D and marketing transforms inventory into sales, each using a somewhat different workprocess.

Core organization manufacturing technology

Manufacturing technologies = traditional manufacturing processes and contemporary applications, such as flexible manufacturing and lean manufacturing.

Manufacturing firms: Woodward (1950) developed a scale and organized manufacturing firms according to technical complexity of the manufacturing process.
Technical complexity = the extent of mechanisation of the manufacturing process. High technical complexity = most of the work by machines. Low technical complexity = workers play larger role.
Ten categories of technical complexity, in three basic technology groups:

1) *Group 1: Small-batch and unit production.* Job shop operations that manufacture and assemble small orders to meet specific needs of customers. Electronic equipment airplanes.
    a. Production of single pieces to customer orders (1);
    b. Production of technically complex units one by one (2);
    c. Fabrication of large equipment in stages (3);
    d. Production of pieces in small batches (4);
    e. Production of components in large batches subsequently assembled diversely (5).
2) *Group 2: Large-batch and mass production.*
    a. Production of pieces in small batches (4);
    b. Production of components in large batches subsequently assembled diversely (5);
    c. Production of large batches, assembly line type (6);
    d. Mass production (7);
    e. Continuous process production combined with the preparation of a product for sale by large-batch or mass production methods (8).
3) *Group 3: Continuous-process production.*
    a. Mass production (7);
    b. Continuous process production combined with the preparation of a product for sale by large-batch or mass production methods (8);
    c. Continuous process production of chemicals in batches (9)
    d. Continuous flow production of liquids, gases, and solid shapes (10).

Small-batch production = relies heavily on the human operator, it is not highly mechanized.
Large-batch production = manufacturing process characterized by long production runs of standardized parts. Assembly lines.
Continuous-process production = entire process is mechanized. No starting or stopping.

Briefcase 1: Use the categories developed by Woodward to diagnose whether the production technology in a manufacturing firm is small batch, mass production, or continuous process. Use a more organic structure with small-batch or continuous-process technologies and with new flexible manufacturing systems. Use a mechanistic structure with mass-production technologies.

Briefcase 2: When adopting a new technology, realign strategy, structure and management processes to achieve top performance.

Relationship between technical complexity and structural characteristics:

Structural characteristics	**Unit production (small-batch)**	**Mass production (large-batch)**	**Continuous process production**
Number of management levels	3	4	6
Supervisor span of control	23	48	15
Direct/indirect labour ratio	9:1	4:1	1:1
Manager-to-total personnel ratio	Low	Medium	High
Workers' skill level	High	Low	High
Formalized procedures	Low	High	Low
Centralization	Low	High	Low
Amount of verbal communication	High	Low	High
Amount of written documentation	Low	High	Low
Overall structure	Organic	Mechanistic	Organic

Contemporary applications: Woodward's theories were established in another era.

Flexible manufacturing systems (FMS) = *computer integrated manufacturing = smart factories = advanced manufacturing technology = agile manufacturing = the factory of the future* **=** link together manufacturing processes that previously stood alone. Robots, machines, product, design and engineering analysis are coordinated by a single computer. Flexible manufacturing is the result of three subcomponents:

1) *Computer-aided design = CAD:* computers are used to assist in the drafting, design and engineering of new parts;
2) *Computer-aided manufacturing = CAM*: computer-controlled machines in materials handling, fabrication, productions and assembly increase production speed;
3) *Integrated information network*: computerized system that links all aspects of the firm.

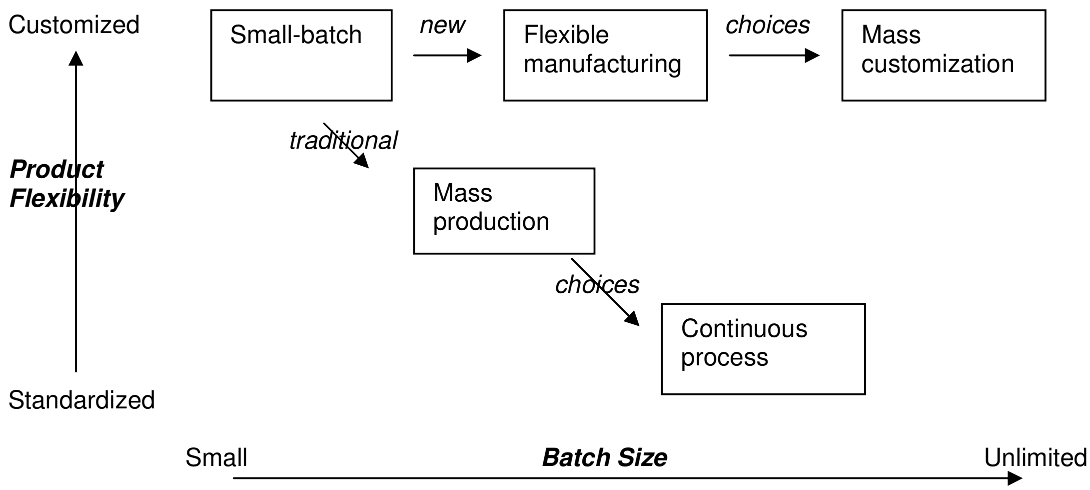
Some advanced factories have moved to *product life-cycle management (PLM)*: software which can manage a product from idea through development, manufacturing, testing and even maintenance in the field.

Lean manufacturing = reach the ultimate level in flexible manufacturing systems to improve quality, customer service, and cost cutting by using all parts interdependently and combining it with flexible management processes in a system referred to as lean manufacturing. Highly trained employees , technological elements (CAD/CAM and PLM) with people at the heart of lean manufacturing, not machines.

Mass customization = caused by flexible and lean manufacturing, using mass-production technology to quickly and cost-effectively assemble goods that are uniquely designed to fit the demands of individual customers.

Performance and structural implications
Advantage flexible manufacturing = products of different sizes, types and customer requirements intermingle freely on the assembly line. When taken to its ultimate level, FMS allows for mass customization. This highly specialized use of FMS = *computer-aided craftsmanship.*
Inter-organizational relationships in FMS firms are characterized by changing demand from customers and close relationships with a few suppliers that provide top-quality raw materials.

Relationship of flexible manufacturing technology to traditional technologies



Comparison of organizational characteristics associated with mass production and flexible manufacturing

Characteristic	Mass production	FMS
Structure		
Span of control	Wide	Narrow
Hierarchic levels	Many	Few
Tasks	Routine, repetitive	Adaptive, craftlike
Specialization	High	Low
Decision making	Centralized	Decentralized
Overall	Bureaucratic, mechanistic	Self-regulating, organic
Human resources		
Interactions	Standalone	Teamwork
Training	Narrow, one time	Broad, frequent
Expertise	Manual, technical	Cognitive, social, solve problems
Interorganizational		
Customer demand	Stable	Changing
Suppliers	Many, arm's length	Few, close relationships

Core Organization Service Technology: workforce in manufacturing declines, service sector increases.

Service firms = accomplish their primary purpose through the production and provision of services. Service firms have always tended to provide *customized output.*
Differences between service and manufacturing technologies:

Service technology
1. Intangible output;
2. Production and consumption take place simultaneously
3. Labour- and knowledge-intensive
4. Customer interaction generally high
5. Human element is very important
6. Quality is perceived and difficult to measure
7. Rapid response time is usually necessary
8. Site of facility is extremely important.

Manufacturing technology
1. Tangible product
2. Product scan be inventoried for later consumption
3. Capita asset-intensive
4. Little direct customer interaction
5. Human element may be less important
6. Quality is directly measured
7. Longer response time is acceptable
8. Site of facility is modereately important

Service	Products and service	Products
Airlines, hotels, consultants, health care, law firms.	Fast-food outlets, cosmetics, real estate, stockbroker, retail stores.	Soft drink companies, steel companies, automobile manufacturers etc.

Briefcase 3: Use the concept of service technology to evaluate the production process in nonmanufacturing firms. Service technologies are intangible and must be located close to the customer.

Hence, service organizations may have an organization structure with fewer boundary roles, greater geographical dispersion, decentralization, highly skilled employees in technical core, and generally less control than in manufacturing organizations.

Configuration and structural characteristics of service organizations versus product organizations:

Structural characteristic	**Service**	**Product**
1. Separate boundary roles	Few	Many
2. Geographical dispersion	Much	Little
3. Decision making	Decentralized	Centralized
4. Formalization	Lower	Higher
Human Resources		
1. Employee skill level	Higher	Lower
2. Skill emphasis	Interpersonal	Technical

Non-core departmental technology: departmental level of analysis for departments not necessarily within the technical core. Perrow has made a model for understanding departmental technologies.

1) *Variety:* first dimension of departmental activity that is relevant to organization structure and process. Variety is the frequency of unexpected and novel events that occur in the conversion process. Whether work processes are performed the same way every time or differ from time to time as employees transform the organization's inputs into outputs. High uncertainty = high variety. Few problems = little variety.
2) *Analyzability:* when the conversion process of work activities is analyzable, the work can be reduced to mechanical steps and participants can follow an objective, computational procedure to solve problems.

Framework: the level of variety and analyzability form the basis of four categories of technology:

1) *Routine technologies:* little task variety, high analyzability. The use of computational procedures. Formalized and standard tasks. Automobile assembly line, bank teller department. Sales, drafting, auditing.
2) *Craft technologies:* Low variety, low analyzability. fairly stable stream of activities, but the conversion process is not analyzable or well understood. Extensive training and experience. Performing arts, trades, fine goods manufacturing.
3) *Engineering technologies;* High variety, high analyzability. Established formulas, procedures and techniques. Well-developed employees. Engineering and accounting.
4) *Nonroutine technologies:* high task variety, little analyzability. Conversion process is not analyzable or well understood. Experience and technical knowledge are used to solve problems. Social science research, strategic planning, applied research.

Department design: relationship of departmental technology to structural and management characteristics

Mostly organic structure 1. Moderate formalization 2. Moderate centralization 3. Work experience 4. Moderate to wide span 5. Horizontal, verbal communications **CRAFT**	**Key** 1. Formalization 2. Centralization 3. Staff qualifications 4. Span of control 5. Communication and coordination	**Organic structure** 1. Low formalization 2. Low centralization 3. Training plus experience 4. Moderate to narrow span 5. Horizontal Communications, meetings **NONROUTINE**
Mechanistic structure 1. High formalization 2. High centralization 3. Little training or expertise 4. Wide span 5. Vertical, written communications **ROUTINE**		**Mostly mechanistic structure** 1. Moderate formalization 2. Moderate centralization 3. Formal training 4. Moderate span 5. Written and verbal Communications **ENGINEERING**

Briefcase 4: Use the two dimensions of variety and analyzability to discover whether the work in a department is routine or nonroutine. If the work is routine, use a mechanistic structure and process. If the work is nonroutine, use an organic management process.

Workflow interdependence among departments

Interdependence = the extent to which departments depend on each other for resources or materials to accomplish their tasks.

Types: three types of interdependence defined by James Thompson:

Form of interdependence	Demands on horizontal communication, decision making	Type of coordination required	Priority for locating units close together
Pooled (bank)	Low communication	Standardization, rules, procedures. *Divisional structure.*	Low
Sequential (assembly line)	Medium communication	Plans, schedules, feedback. *Task forces.*	Medium
Reciprocal (hospital)	High communication	Mutual adjustment, cross-departmental meetings, teamwork. *Horizontal structure.*	

Pooled interdependence = work does not flow between units. Each department works independently.

> **Mediating technology =** providing products or services that mediate or link clients from the external environment and allow each department to work independently.

Sequential interdependence = parts produced in one department become inputs to another department.

> **Long-linked technology =** refers to the combination is one organization of successive stages of production; each stage of production uses as its inputs the production of the preceding stage and produces inputs for the following stage.

Reciprocal interdependence = output of operation A is input operation B, and output of operation B is the input back again in operation A.

> **Intensive technologies =** provide a variety of products or services in combination to a client. Hospitals: patients move back and forth between different departments.

Briefcase 5: Evaluate the interdependencies among organizational departments. Use the general rule that, as interdependencies increase, mechanisms for coordination must also increase. Consider a divisional structure for pooled interdependence. For sequential interdependence use task forces and integrators for greater horizontal coordination. At the highest level of interdependence (reciprocal), a horizontal structure may be appropriate.

Structural priority:

First Reciprocal interdependence: first priority because decision making, communication, and coordination problems are greatest. If reciprocal dependent units are not located close together, the organization should design mechanisms for coordination, such as daily meetings. Than sequential and after that, pooled interdependence.

Impact of technology on job design

Job design = the assignment of goals and tasks to be accomplished by employees.
Job rotation = moving employees from job to job to give them a greater variety of tasks.
Job simplification = the variety and difficulty of tasks performed by a single person are reduced. Caused by mass-production technologies.
Job enrichment = job provides greater responsibility, recognition, and opportunities for growth and development. Caused by advanced technology.
Job enlargement = expansion of the number of different tasks performed by an employee. Caused by flexible manufacturing technology.

Briefcase 6: Be aware that the introduction of a new technology has significant impact on job design. Consider using the sociotechnical systems approach to balance the needs of workers with the requirements of the new technological system.

Sociotechnical systems approach: recognizes the interaction of technical and human needs in effective job design, combining the needs of people with the organization's need for technical efficiency.

Socio: refers to the people and groups that work in organizations and how work is organized and coordinated.
Technical: refers to the materials, tool, machines and processes used to transform organizational inputs into outputs.
Joint optimization: an organization functions best only when the social and technical systems are designed to fit the needs of one another.

Three components of the sociotechnical systems model:

The social system
- Individual and team behaviours
- Organizational/team culture
- Management practices
- Leadership style
- Degree of communication openness
- Individual needs and desires

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Design for joint optimization
Work roles, tasks, workflow
Goals and values
Skills and abilities

←

The technical system
- Type of production technology (small batch, large batch, FMS etc)
- Level of interdependence (pooled, sequential, reciprocal)
- Physical work setting
- Complexity of production process (variety and analyzability)
- Nature of raw materials
- Time pressure

Chapter 13: Organization Size, Life cycle and decline

Organization size: Is bigger better?

Pressures for Growth:

- Companies in all industries strive for growth to acquire the size and resources needed to compete on a global scale, to invest in new technology and to control distribution channels and guarantee access to markets.
- Firms must grow to stay economically healthy. To stop growing is to stagnate. To be stable means that customers may not have their demands fully met or that competitors will increase market share at the expense of the company.

In addition, growing organizations are vibrant, exciting places to work, which enables these companies to attract and keep quality employees.

Differences between large and small organizations:

Large	Small
Economies of scale Global reach Vertical hierarchy, mechanistic Complex Stable market “Organization men” (the organization provides longevity, raises and promotions)	Responsive, flexible Regional reach Flat structure, organic Simple Niche finding Entrepreneurs (employees personally identify with the company’s mission)

Briefcase 1: Decide whether your organization should act like a large or small company. To the extent that economies of scale, global reach and complexity are important, introduce greater bureaucratization as the organization increases in size. As it becomes necessary, add rules and regulations, written documentation, job specialization, technical competence in hiring and promotion, and decentralization.

Big-company/Small-company hybrid: The advantages of small companies sometimes enable them to succeed and grow large. They can however become victims of their own success. Giant companies are built for optimization, not innovation. The big-company/small-company hybrid means combining a large corporation’s resources and reach with a small company’s simplicity and flexibility.

Briefcase 2: If responsiveness, flexibility, simplicity, and niche finding are important, subdivide the organization into simple, autonomous divisions that have freedom and a small-company approach.

Organizational life cycle: suggests that organizations are born, grow older and eventually die.
Stages of life cycle development are:

1) ***Entrepreneurial stage***: organization is informal and non-bureaucratic. Control is based on the owner's personal supervision. Creativity causes growth.
   a. ***Crisis***: ***Need for leadership***. As the organization starts to grow, the larger number of employees causes problems. Entrepreneurs must either adjust the structure of the organization to accommodate continued growth or else bring in strong managers.
2) ***Collectivity stage:*** the provision of clear direction causes growth.
   a. ***Crisis: Need for delegation with control***. Lower-level employees find themselves restricted by the strong top-down control. The organization needs to find mechanisms to control and coordinate departments without direct supervision from the top.
3) ***Formalization stage:*** the addition of internal systems (rules, procedures and control systems) causes growth.
   a. ***Crisis: Too much red tape.*** The organization seems bureaucratized. Middle managers and innovation may be restricted.
4) ***Elaboration stage:*** The solution to the red tape crisis is a new sense of collaboration and teamwork. Formal systems may be simplified and replaced by manager teams and task forces.
   a. ***Crisis: Need for revitalisation.*** A need for renewal may occur every 10 to 20 years.

Summary: 85% van de bedrijven dat de eerste vijf jaar overleeft, gaat de vijf jaar erna alsnog ten onder. Dit komt doordat ze de entrepreneurial fase niet doorkomen.
For technology companies, life cycles are getting shorter; to stay competitive, companies have to successfully progress through stages of the cycle faster.

Briefcase 3: Grow when possible. With growth, you can provide opportunities for employee advancement and greater profitability and effectiveness. Apply new management systems and structural configurations at each stage of an organization's development. Interpret the needs of the growing organization and respond with the management and internal systems that will carry the organization through to the next stage of development.

Organizational characteristics during the life cycle:

Characteristic	**Entrepreneurial Non-bureaucratic**	**Collectivity Pre-bureaucratic**	**Formalization Bureaucratic**	**Elaboration Very bureaucratic**
Structure	Informal, one-person show	Mostly informal, some procedures	Formal procedures, division of labour, new specialties added	Teamwork within bureaucracy, small-company thinking
Products or services	Single product or service	Major product or service, with variations	Line of products or services	Multiple product or service lines
Reward and control systems	Personal, paternalistic	Personal, contribution to success	Impersonal, formalized systems	Extensive, tailored to product and department
Innovation	By owner-manager	By employees and managers	By separate innovation group	By institutionalized R&D department
Goal	Survival	Growth	Internal stability, market expansion	Reputation, complete organization
Top management style	Individualistic, entrepreneurial	Charismatic, direction-giving	Delegation with control	Team approach, attack bureacracy

Organizational bureaucracy and control
Bureaucracy = a threat to personal liberties, but the most efficient possible system of organizing.
Dimensions of bureaucracy:

- Rules and procedures;
- Specialization and division of labour;
- Hierarchy of authority;
- Technically qualified personnel;
- Separate position from position holder (mensen hebben niet zonder meer recht op de baan);

- Written communications and records (provides memory and continuity over time).

Size and structural control: large companies are different from small organizations. There is more formalization and centralization and the ratio of top administration t total employees is smaller in large organizations as the clerical and profession support staff tends to increase.

Briefcase 4: As the organization grows, provide greater formalization to achieve standardization and control. Guard against excessive overhead by keeping administrative, clerical and support staff costs low.

Bureaucracy in a changing world: Bureaucratic characteristics have many advantages and have worked extremely well for many of the needs of the industrial age. At this time, it doesn't work that well anymore. Many organizations need to reduce formalization and bureaucracy. Narrowly define job descriptions, for example, tend to limit the creativity, flexibility and rapid response needed in today's knowledge-based organizations.

Organizing temporary systems for flexibility and innovation: overcoming problems of bureaucracy. **Incident command system =** used by organizations that have to respond rapidly to emergency or crisis situations. The basic idea behind the ICS is that the organization can glide smoothly between a highly formalized, hierarchical structure and a more flexible, loosely structure. During times of high uncertainty, the loose structure helps solve unanticipated problems within the context of a clearly understood mission and guidelines. **Incident commander** = the person who is ultimately responsible for all activities that occur. This helps maintain order in a chaotic environment.

Briefcase 5: Consider using the incident command system to maintain the efficiency and control benefits of bureaucracy but prevent the problem of slow response to rapid environmental change. Enable the organization to glide smoothly from a formalized system during times of stability to a more flexible, loosely structured one when facing threats, crises or unexpected environmental change.

Other approaches to reducing bureaucracy: organizations are taking a number of other, less dramatic steps to reduce bureaucracy.

- Many are cutting layers of the hierarchy, keeping headquarters staff small, and giving lower-level workers greater freedom to make decisions rather than burdening them with excessive rules and regulations.
- Another attack on bureaucracy is increasing the *professionalism*: the length of formal training and experience of employees. *Professional partnership* = wanneer organisaties alleen maar uit professionals bestaan.

Organizational control strategies:

1) ***Bureaucratic control:*** three types of authority that could explain the creation and control of a large organization. The first is rational-legal authority (employees belief in the legality of rules), traditional authority (belief in traditions and in the legitimacy of the status of people), charismatic authority (devotion to the exemplary character of a person).
2) ***Market control:*** occurs when price competition is used to evaluate the output and productivity of an organisation. It is increasingly used in product divisions.
3) ***Clan control:*** us of social characteristics, such as corporate culture, shared values etc.

Type of control system	Requirements
Bureaucracy	Rules, standards, hierarchy, legitimate authority
Market	Prices, competition, exchange relationship
Clan	Tradition, shared values and believes, trust

Briefcase 6: Implement one of the three basic choices – bureaucratic, clan, market – as the primary means of organizational control. Use bureaucratic control when organizations are large, have a stable environment and use routine technology. Use clan control in small, uncertain departments. Use market control when outputs can be priced and when competitive bidding is available.

Organizational decline and downsizing: causes and stages of organizational decline:
Organizational decline = used to define a condition in which a substantial, absolute decrease in a organization's resource base occurs over a period. Three factors are considered to cause this:

1) ***Organizational atrophy***: atrophy (wegkwijnen) occurs when organizations grow older and become inefficient and overly bureaucratized. Often follows after a long period of success.

Warning signes are excess administrative and support staff, cumbersome administrative procedures, lack of effective communication and coordination and outdated organizational structure.

2) ***Vulnerability***: reflects an organization's strategic inability to proper in it's environment. Often happens to small organizations who are not yet fully established. They typically need to redefine their environmental domain to enter new industries or markets.
3) ***Environmental decline or competition***: refers to reduced energy and resources available to support an organization. When the environment has less capacity to support organizations, the organization has to either scale down operations or shift to another domain.

Briefcase 7: Understand the causes and stages of decline. Be vigilant to detect signs of decline in the organization and take action as quickly as possible to reverse course. Quick action in the early stages prevents the organization from deteriorating to a stage-4 crisis, when a turnaround becomes much more difficult.

<u>A model of decline stages:</u> there are five stages in which decline can move.

1) ***Blinded stage***: lack of *good information (= solution)*.
2) ***Inaction stage***: denial occurs despite signs of deteriorating performance. Prompt action = solution.
3) ***Faulty action stage***: organization is facing serious problems, which can't be ignored. Failure to adjust to the declining spiral can lead to organizational failure. Correct action = solution.
4) ***Crisis stage***: organization has still not been able to deal with decline effectively and is facing a panic. Effective reorganization = solution.
5) ***Dissolution stage***: there are no more options. The organization will dissolute.

<u>Downsizing implementation:</u> a number of techniques can help smooth the downsizing process and ease tensions for employees who leave and for those who remain.

1) ***Communicate more, not less***: organizational managers should provide advance notice with as much information as possible. It is impossible to overcommunicate in turbulent times. Remaining employees need to know what is expected of them, whether future layoffs are a possibility and what the organization is doing to help co-workers who lost their jobs.
2) ***Provide assistance to displaced workers:*** training etc. Counselling services for employees and families. Let them leave with dignity, saying co-workers goodbye and expressing hurt and anger towards leaders.
3) ***Help the survivors thrive:*** Many people experience guilt, anger, confusion and sadness. Help them develop coping skills such as flexibility, curiosity and optimism.

Briefcase 8: When layoffs are necessary, handle them with care. Treat departing employees humanely, communicate with employees and provide as much information as possible, provide assistance to displaced workers and remember the emotional needs of survivors.