

Chapter 1: Organization and Organizational Behaviour

Current Challenges

- The world is changing more rapidly than ever before, surveys indicate that coping with rapid change is the most common problem facing managers and organization
- Some of the most Major challenges are discussed below:

Globalization:

- The cliché that the world is getting smaller is dramatically true for today's organizations, with rapid advances in technology and communications the time it takes to exert influence around the world from even the most remote locations has been reduced from years to only seconds.
- Markets, technologies and organizations are increasingly interconnected, with the ability to feel at home, anywhere in the world.
- Globalization allows companies to locate different parts of the organization wherever it makes the most business sense.
- Another trend is to contract out some functions to organizations in other countries or to partner with foreign organizations to gain a global advantage
- This growing interdependence means that the environment for companies is becoming extremely complex and competitive, and organizations have to learn to cross lines of time, culture and geography in order to survive.
- Companies large and small are searching for the right structure and processes that can help them reap the advantages of global interdependence.

Ethics and Social Responsibility:

- As the list of scandal's in corporations involved in financial and ethical scandals grow, so does the topic of social and ethical responsibility
- These look bad on the company and the corporations involved are viewed as crooks by the public
- While some feel it will not hurt their company, it is important for business leaders to pursue business as a calling to address some of the public's concerns by teaching and role modelling ethical behaviour.

Speed of Responsiveness

- The third significant challenge for organizations is to respond quickly and decisively to the environmental changes, organizational crises, or shifting customer expectations
- For much of the 20th century, organizations operated in a relatively stable environment, so managers could focus on designing structures and systems that kept the organization running smoothly and efficiently.
- There was little need to search for new ways to cope with increased competition, volatile environmental shifts, or changing customer demands
- Customers want products to be tailored to their exact needs
- Companies that relied on mass production and distribution techniques must be prepared with new computer aided systems that can produce one of a kind variations and streamlined distribution systems that deliver products directly from the manufacturer to the consumer.
- Another shift is that the financial basis of today's economy is increasingly information, not machine's.
 - These means that knowledge is a primary factor to productions, and it is the people that make the company successful not the machinery.
- Crisis management has moved to the forefront in organizations to help cope, and be ready for rapid change.

The Digital Workplace

- Organizations have been engulfed by information technology that affects how organizations are designed and manufactured.
- Organizations are becoming enmeshed in electronic networks. The world of e-business is booming as more and more business takes place by digital processes over a computer network rather than in physical space.
- Disintermediation-eliminating the middle person, is affecting every industry
 - These advances mean that organizational leaders not only need to be technologically savvy but also are responsible for managing a web or relationships that reaches far beyond the boundaries of the physical organization, building flexible e-links between a company and its employees, suppliers, contract partners and customers.

Diversity

- Diversity is a fact of life that no organization can afford to ignore
- As many organizations increasingly operate on a global playing field the workforce- as well as the customer base- is changing dramatically
- Managing diversity may be one of the most rewarding challenged for organizations competing on a global basis.

Onto the Chapter Stuff

WHAT IS AN ORGANIZATION?

- Organizations are ubiquitous- but are hard to see.
- We see parts of the organization but never the whole thing at one time

DEFINITION

- Organizations are: social entities that are goal directed, designed as deliberately structured and coordinated activity systems and linked to the external environment
- The key element of an organization is not of course a building or etc. It is the people and their relationships with one another.
- An organization exists when people interact with one another to perform essential functions that help attain goals
- Managers deliberately structure and coordinate organizational resources to achieve the organizations purpose
- Most organizations today are striving for greater horizontal coordination of work activities, often using teams of employees from different functional areas to work on projects
- Boundaries between departments as well as those between organizations are becoming flexible and diffuse as companies face the need to respond to changes in the external environment.

TYPES OF ORGANIZATIONS

- One important distinction to make between organizations is for profit businesses versus non-profit organizations.
 - While all topics incorporate those, there are some main differences to keep in mind
 - The primary difference is that managers in businesses direct their activities toward earning money for the company, whereas managers for non-profits, direct their efforts toward generating some kind of social impact
 - The unique characteristics and needs of non-profit organizations created by this distinction present difficult challenged for the organizational leaders.
 - Financial resources for non-profits come from the government and donations rather than from the sale of products of services
 - In businesses managers focus on improving the organizations products and services to increase sales revenue, whereas non-profit usually are concerned with keeping a steady stream of money to be able to fund their non-profit. Non- profits have to operate with limited funds, keeping costs as low as possible, and don't have that distinct bottom line making the manager's job difficult.
 - Managers in non-profit organizations also deal with many diverse stakeholders and must market their services to not only attract clients but to attract donors.

IMPORTANCE OF ORGANIZATIONS

- Organizations are relatively new to humankind- about the past 120 years they have become significant
- A modern organization is one of the most effective means to allocate resources. It transforms great ideas into customer benefits on an unimaginably large scale (Bill Gates)
- Companies look for innovative ways to produce and distribute desirable goods and services more efficiently.
- Two ways are through e-business and through the use of computer based manufacturing technologies.
- Organizations create a drive for innovation rather than a reliance on standard products and outmoded ways of doing things
- Organizations adapt to and influence the rapidly changing environment
- Through all of these activities organizations create value for their owners, customers and employees.
- Managers analyze which parts of the operation create value and which parts do not; a company can only be profitable when the value it creates is greater than the cost of resources.

- Organizations have to cope with and accommodate today's challenges of workforce diversity, growing concerns over social and ethical responsibilities as well as find effective ways to motivate employees to work together to accomplish organizational goals.

Review: Organizations exist to do the following:

1. Bring together resources to achieve desired goals and outcomes
2. Produce goods and services efficiently
3. Facilitate innovation
4. Use modern manufacturing and information technologies
5. Adapt to and influence a changing environment
6. Create value for owners, customers and employees
7. Accommodate ongoing challenges of diversity, ethics, and the motivation and coordination of employees.

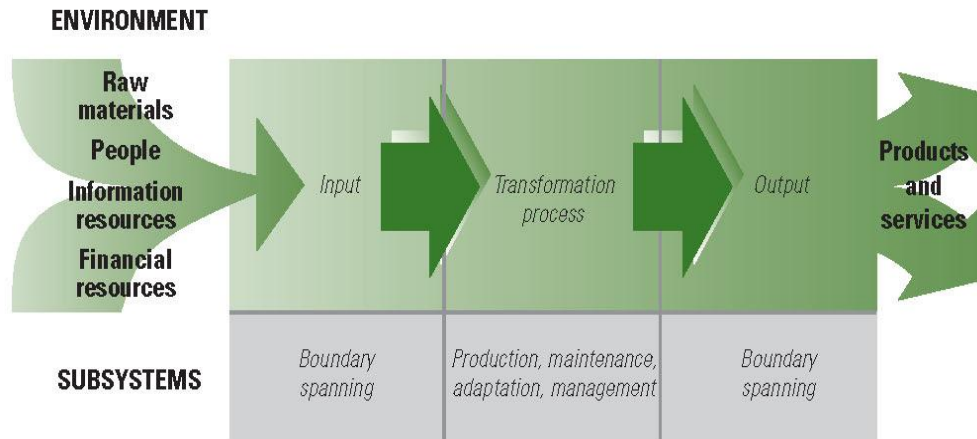
PERSPECTIVES ON ORGANIZATIONS

- 2 perspectives to consider

OPEN SYSTEMS

- An **closed system** does not depend on the environment, it is autonomous, enclosed and sealed off from the outside world
- Although a true closed system cannot exist early organizational studies focused on internal systems.
- An **open system** must interact with the environment to survive; it consumes resources and exports resources to the environment- so it cannot seal itself off.
- It must continuously adapt itself to the environment, open systems can be enormously complex
 - internal efficiency is just one issue.
 - The organization has to find and obtain needed resources, interpret and act on environmental changes, dispose of outputs, and control and coordinate internal activities in the face of environmental disturbances and uncertainty.
 - Every system that must interact with the environment to survive is an open system.
- The rapid changes over the past few decades including globalization and increased competition, the explosion of the internet and e-business, and the growing diversity of the population and workforce have forced many managers to reorient toward an open systems mindset and recognize their business as part of a complex interconnected whole.
- To understand the whole organization we must view it as a system.
- A **system** is a set of interacting elements that acquires inputs from the environment, transforms them and discharges outputs to the external environment
- The need for inputs and outputs reflect dependency on the environment. Interacting elements mean that people and departments depend on one another and must work together.
- A system comprises of several **subsystems**
 - These subsystems perform the specific functions required for organization survival, such as boundary spanning, production, maintenance, adaptation and management.
 - The production subsystem produces the products and service outputs of the organization. Boundary subsystems are responsible for exchanges with the external environment.
 - The maintenance subsystem maintains the smooth operations and upkeep of organizations physical and human elements.
 - The adaptive subsystems are responsible for organizational change and adaptation.

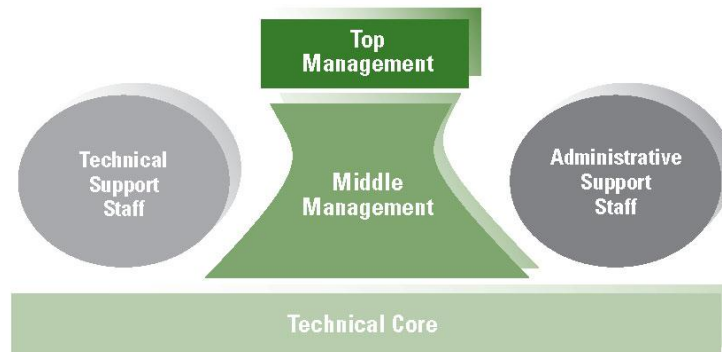
Open system Subsystem:



ORGANIZATIONAL CONFIGURATION

- Various parts of the organization are designed to perform the key subsystems functions.
- One framework proposed is HENRY MINTXBERG's which suggests that every organization has five parts.
- The five parts may vary in size and importance depending on the organizations environment, technology and other factors
- 5 PARTS
 - **TECHNICAL CORE:** includes people who do the basic work of the organization
 - Performs the production subsystem function and actually produces the product and service output
 - This is where the primary formations from inputs to outputs occurs
 - **MANAGEMENT:** management is a distinct subsystem, responsible for directing and coordinating other parts of the organization
 - **Top management** provides directions, strategy, goals and policies for the entire organization or major division
 - **Middle Management:** is responsible for implementation, and coordination at the departmental level.
 - In a traditional organization middle managers are responsible for mediating between top management and the technical core.
 - **TECHNICAL CORE**
 - The technical support function helps the organization adapt to the environment
 - Technical support employees such as engineers and researchers scan the environment for problems, opportunities and technological developments
 - **ADMINISTRATIVE SUPPORT**
 - is responsible for the smooth operation and upkeep of the organization, including its physical and human elements.
- In practice all 5 parts are interrelated and often serve more than one subsystem

5 Basic Parts of an Organization:



DIMENSIONS OF ORGANIZATIONAL DESIGN

- The systems view pertains to dynamic, ongoing activities within organization

- Organization dimensions fall into two types: structural and contextual
- **Structural dimensions** provide labels to describe the internal characteristics on an organization,. They create a basis for measuring and comparing organizations
- **Contextual dimensions** characterize the whole organization, including its size, technology, environment , and goals. They describe the organizational setting that influences and shapes the structural dimensions
- Contextual dimensions can be confusing because they represent both the organization and the environment
- Contextual dimensions can be envisioned as a set of overlapping elements that underlie an organizations structure and work processes.

Interacting Contextual and Structural Dimensions of Organizational Design



STRUCTURAL DIMENSIONS

- *Formalization:*
 - Formalization pertains to the amount of written documentation in the organization.
 - Includes procedures, job descriptions, regulations and policy manual
 - These written documents describe the behaviour and activities
 - Often measured by counting the number of pages within the organization
- *Specialization*
 - Is the degree to which organizational tasks are subdivided into separate jobs
 - If specialization is extensive each employee performs only a narrow range of tasks
- *Hierarchy*
 - Describes who reports to whom and the span of control for each manager
 - The hierarchy is depicted by the vertical lines on an organizational chart.
- *Centralization*
 - Refers to the hierarchal level that has authority to make decisions
 - When decision making is kept at the top- centralized, when they are delegating=decentralized
- *Professionalism:*
 - Is the level of formal education and training of employees.
 - High professionalism= lots of training, experience and education required
- *Personnel Ratios:*
 - Refer to the deployment of people to various functions and departments.
 - Is measured by dividing the number of employees in a classification by the total number of organizational employees

Contextual Dimensions

1. The organizations *goals and strategy*, define the purpose and competitive techniques that set it apart from other organizations.

- Goals are often written down as an enduring statement of company intent
 - A strategy is the plan of action the described resource allocation and activities for dealing with the environment and reaching goals.
 - They define the scope of the operations and relationship.
2. *The environment* includes all elements outside the boundary of the organization
 - the environmental elements that affect an organization the most often are other organizations.
 3. *Size* is the organizations magnitude as reflected in the number of people in the organization. It can be measured for the organization as a whole or for specific components
 4. An organizations *culture* is the underlying set of key values, beliefs, understandings and norms shared by employees. These underlying values may pertain to many things but they provide the glue to hold organization members together. While the culture is unwritten it can be perceived in many different written documents.
 5. *Technology* refers to the tools, techniques and actions used to transform inputs into outputs. It concerns how the organization actually produces the products and services it provides.

PERFORMANCE AND EFFECTIVENESS OUTCOMES

- the whole point of understanding varying perspectives and the structural and contextual dimensions of organizations is to design the organization in such a way as to achieve high performance and effectiveness.
- **Efficiency** refers to the amount of resources used to achieve the organizations goals.
 - It is based on the quantity of raw materials money and employees necessary to produce a given level of output
 - Simply put “efficiency is doing things right”
- **Effectiveness** is a broader term meaning the degree to which an organization achieves its goals.
 - Simply put “effectiveness is doing the right thing”
 - To be effective organizations need clear, focused goals and appropriate strategies for achieving them.
 - Achieving effectiveness is not always a simple matter because different people want different things from the organization
 - The manager must carefully balance the needs and interests of various stakeholders in setting goals and striving for effectiveness
 - This is referred to as the STAKEHOLDER APPROACH which integrates diverse organizational activities by looking at various organizational stakeholders and what they want from the organization
 - A **STAKEHOLDER** is any group within or outside the organization that has a stake in the organizations performance.
- See diagram 1.6 on pg. 23 for the major stake holders and what they want
- Stakeholders interests sometime conflict such as when unions demand pay increases that might hurt shareholders financial returns or require a switch to lower cost suppliers.
- Research has shown that assessment of multiple stakeholder groups is an accurate reflection of organizational effectiveness, especially with respect to organizational adaptability.

Major Stakeholder Groups and What they Expect



THE EVOLUTION OF ORGANIZATIONAL THEORY AND DESIGN

- Organizational theory is not a collection of facts; it's a way of thinking about organizations
- Organizational theory is a way to see and analyze organizations more accurately and deeply than we otherwise could.

HISTORICAL PERSPECTIVES

- Organizational design and management practices have varied over time in response to changes in the large society.
- The modern era of management theory began with the classical management perspective in the late 19th and 20th centuries.
- The emergence of factory systems during the industrial revolution posed problems that earlier organization had not encountered
- The classical perspective which sought to make organizations run like efficient, well-oiled machines, is associated with the development of hierarchy and bureaucratic organizations and remains the basis of much of modern management theory and practice.

Efficiency is Everything

- Pioneered by Fredrick Taylor- scientific management postulates that decisions about organizations and job design should be based on precise, scientific study of individual situations.
- To use this approach managers develop precise, standard procedures for doing each job; select workers with appropriate abilities, train workers in the standard procedures, carefully plan work and provide wage incentives.

How to Get Organized

- Another subfield of the classical perspective takes a look at the broader scope of the organization whereas scientific management only focused on the technical core
- **Administrative principles** look at the design and functioning of the organization as a whole.
- Proposed by Henri Fayol (14 principles of management)
- Administrative principles in particular contributed to the development of **bureaucratic organizations** which emphasized designing and managing organizations on an impersonal, rational basis through elements such as clearly defined authority and responsibility, formal record keeping, and uniform application of rules.
- The term usually has negative connotations, but these characteristics did work well for the needs of the industrial age but did have problems as it failed to consider the social context and human needs

What about people?**- Hawthorne Studies**

- Positive treatment of employees improved their motivation and productivity
- Lead to a revolution in worker treatment and laid the groundwork for subsequent work examining the treatment of workers, motivation, and HRM.

Don't Forget the Environment

- Many problems occur when all organizations are treated as similar, which was the case under the classical perspective.
- **Contingency** means that one thing depends on other things and for organizations to be effective there must be a "goodness of fit" between their structure and the conditions in their external environment
- Contingency means- it depends: what works for one organization may not work in another.

Contingencies

**CONTEMPORARY ORGANIZATIONAL DESIGN**

- To a great extent managers and organizations are still imprinted with the hierarchical bureaucratic approach that arose more than a century ago, but the challenges presented by today's environment call for dramatically different responses from people and organizations
- Today's organizations and managers may be seen as shifting from a mind-set based on mechanical systems to one based on natural and biological systems.
- For most of the 20th century, 18th century Newtonian science which suggests that the world functions as a well behaved machine, continued to guide managers thinking about organizations.
- The environment was perceived as orderly and predictable and the goal of management was to keep it stable- this worked in the industrial age.
- Over the 20th century when organizations became large and vertical leadership was based on solid management principles and tended to be autocratic: communication was primarily through formal memos, letters and reports.
- Managers did all the planning and thought work while employees did the manual labour in exchange for wages and etc.
- The science of **CHAOS THEORY** suggests that relationships in complex, adaptive systems-including organizations- are nonlinear and made up of numerous interconnections and divergent choices that create unintended effects and render the universe unpredictable.
- The ideas of chaos theory suggest that organizations should be viewed as natural systems rather than as well-oiled predictable machine.
- Organizations are now becoming **LEARNING ORGANIZATIONS**: which promote communication and collaboration so that everyone is engaged in identifying and solving problems, enabling the organization to continuously experiment, improve and increase its capability.
- The learning organization is based on equality, open information, little hierarchy and a culture that encourages adaptability and participation, enabling ideas to bubble up from anywhere to help the organization seize opportunities and handle crises.
- In a learning organization the essential value is problem solving as opposed to efficient performance.

EFFICIENT PERFORMANCE VERSUS THE LEARNING ORGANIZATION**From Vertical to Horizontal Structure**

- Traditionally the most common organizational structure has been one in which activities are grouped together by common work from the bottom to the top of the organization
- generally little collaboration occurs across functional departments, and the whole organization is coordinated and controlled through the vertical hierarchy, which decision making authority residing with upper level managers.
- This structure can quite effective as it promoted efficient production and in-depth skill development and provides a sensible mechanism for supervision and control.
- However in today's changing environment the hierarchy becomes overloaded, and top executives cannot respond to changes rapidly enough to be effective.
- In a learning organization the vertical structure that creates distance between managers at the top of the organization and workers in the technical core is gone. Structure is created around horizontal work flows or processes rather than departmental functions.
- While there are still senior executives, self-directed teams are the fundamental work unit in the organizational
- Boundaries are eliminated.

From Routine Tasks to Empowered Roles

- A task is a narrowly defined piece of work assigned to a person
- In traditional organizations tasks are broken down into specialized, separate parts as in a machine
- Knowledge and control of tasks are centralized and the employees are expected to do as they are told
- A role is a part in a dynamic social system. A role has discretion and responsibility, allowing the person to use their ability to achieve an outcome or reach a goal
- In learning organizations employees play a role in a team or department and roles may be continually redefined or adjusted. There are few rules or procedures and knowledge and control of tasks are located with workers rather than with upper level executives

From Formal Control Systems to Shared information

- In young small organizations communication is generally informal and face to face
- There are few formal control and information systems because the top leaders of the company usually work directly with the employees on a day to day basis.
- When organizations are large and complex the distance increases and formal systems are often implemented to manage the growing amount of complex information.
- In an learning organization, the spread of information keeps the organization functioning at optimal level.
- It helps it return to a communication level that a small company would have while operating on a larger scale
- It is the manager's job to ensure that communication lines are in place.

From Competitive to Collaborative Strategy:

- In traditional organizations, designed for efficient performance, strategy is formulated by top managers and is imposed.
- In a learning organization, the accumulated actions of the informed and empowered workforce, contribute to strategy development.

From Rigid to Adaptive Culture

- For an organization to remain healthy its culture should encourage adaption to the external environment
- A danger for many companies is that the culture becomes too concrete.
- In a learning organization the culture encourages openness, equality, continuous improvement and change. Employees are aware of the whole organization and how things fit together.
- **No single organization is a perfect example of a learning organization= many are trying though.**

FRAMEWORK OF THE BOOK- LEVELS OF ANALYSIS

- Four levels of analysis normally characterize organizations
- The individual human being is the basic building block of organizations
- The next level is the group or department: the collection of individuals who work together to perform a task

- Followed by the organization itself: a collection of groups or departments that combine into the total organization
- Organizations themselves can be grouped together into the next higher **level of analysis** which is the interorganizational set and community.
- Organizational theory focuses on the organization level of analysis but with concern for groups and the environment
- **Organizational behaviour**: is the micro approach to organizations because it focuses on the individuals within organizations as the relevant units of analysis.
- **Organizational theory** is the macro examination of organizations because it analyzes the whole organization as a unit. It is concerned with people aggregated into departments and organizations, and with the differences in structure and behaviours at the organizational level of analysis
- A new approach being used us called **MESO theory** which concerns the integration of both micro and macro levels of analysis

**task, Change theory, role

Chapter 2: Strategy, Organizational Design, and Effectiveness

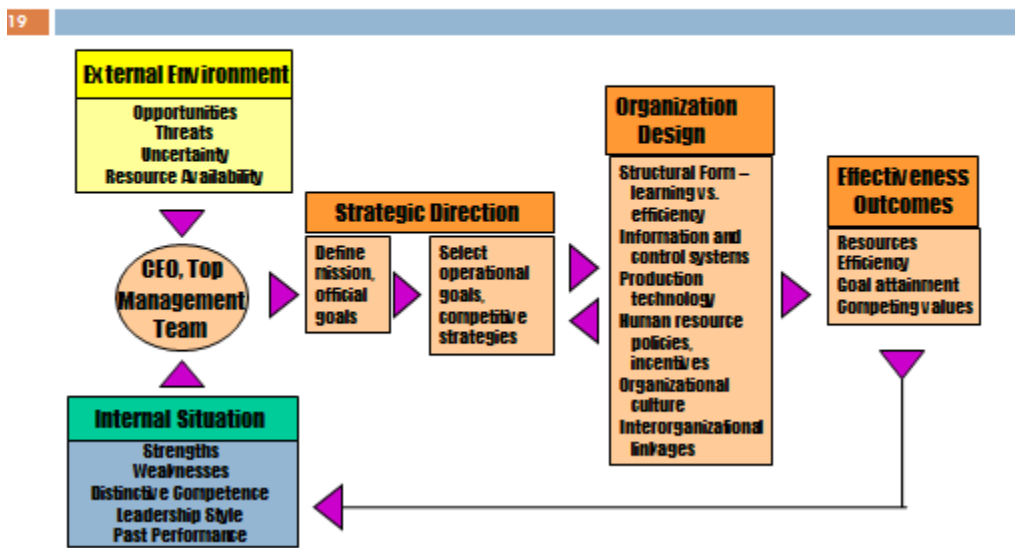
Organizational Goal: a desired state of affairs that the organization attempts to reach. Specifies where energy and resources are to be used.

- Top management gives direction to organizations, they set goals and develop plans for the organization to attain those goals

Strategic Direction in Organizational Design

- Organization is created to achieve some purpose
- Top management decides on the end purpose of the organization and determines how it will get there
- Primary Responsibility of Top Management:
 - Determine the organization’s goals, strategy, and design, therein adapting the organization to a changing environment
- Middle Managers:
 - Same as top management, but for the departments, following the guidelines set by the top management

Top Management Role: Direction, Design, and Effectiveness



1. Top management assesses the opportunities and threats in the external environment

2. Then assess the internal strengths and weaknesses to define the company's competencies compared to the industry
3. Define overall mission and goals based on the external opportunities and internal strengths
 - a. Specific operational goals/strategies used to define how to accomplish overall mission
 - b. Setting good goals help to determine organization's success
4. Organizational design is based on the way goals and strategies are implemented.
 - a. Organizational Design: administration and execution of the strategic plan
 - b. Organization Direction: implemented through decisions about structural form (learning or efficiency orientation etc)
 - c. Current design limits goals, when new goals are selected (based on environment), top management must redesign organization
 - d. Organizational design used to implement the goals and strategies determine organization's success
5. Managers evaluate the effectiveness of the organization's efforts, did the organization meet its goals
 - a. Past performance create the internal environment, thus past performance is assessed by management when setting goals and strategy for the future

Organizational Purpose

- All organizations exist for a purpose, in order to accomplish something
- Need to have a **goal or mission** to be successful
 - Mission of the organization
 - Operative goals that the organization actually pursues

Mission (official goals)

- Overall goal for an organization
- Describes:
 - Organization's vision
 - Shared values and beliefs
 - Reason for existence

Official Goals/Mission Statement: formally stated definition of business scope and outcomes the organization is trying to achieve. Define business operations and focus on values, markets, customers

Purpose of the Mission Statement:

- Serve as a communication tool
 - Statement communicates to all employees, customers, investors, suppliers etc what the organization stands for and what it is trying to achieve
 - Provides legitimacy to the stakeholders
 - People will want to join and commit to the organization because they agree with the purpose. Employees will be more passionate
 - Make sure everyone is aligned with the goals of the company

Operative Goals

- are the actual goals of the operating procedures, what organization is actually trying to do
- describe specific measurable outcomes, usually short run
- about primary tasks of an organization
- goals about performance, boundary spanning, maintenance, adaptation, and production
- provide direction for the day to day activities and decisions in departments
- Operative Goals include:
 - Overall Performance
 - Profitability (net income, ROI, EPS), growth and output volume
 - To deliver services at expected quality (not for profit)

- Resources
 - Acquisition of material and financial resources from the environment at reasonable costs (raw materials, employees, money for capital projects)
 - Market
 - Market share and market standing desired
 - Employee Development
 - Training, promotion, safety, growth of employees, gain employee commitment
 - Innovation and Change
 - Internal flexibility and readiness to adapt to unexpected changes in environment
 - Development of new services, new products, new processes
 - Productivity
 - Amount of output achieved from available resources
 - Amount of resource inputs required to reach desired outputs
- Successful organizations have goals concerning all of these topics

Importance of Goals

- Give Employees a sense of direction
- Motivate employees to accomplish goals, setting targets
- Act as guideline for employee behaviour and decision making
 - Define appropriate actions and decisions
- Provide standard for assessment

Selecting Strategy and Design

- **Strategy:** a plan for interacting with the competitive environment to achieve organizational goals. How the organization will achieve its mission and goals.
- **Goals-** where the organization wants to go and **Strategy** is how the organization will get there.
- 2 models for formulating strategies are:
 - Porter Model of Competitive Strategies
 - Miles and Snow’s Strategy Typology

Porter’s Competitive Strategies:

- Managers evaluate 2 factors: competitive advantage and competitive scope

COMPETITIVE ADVANTAGE

	Low Cost	Uniqueness
Broad	Low- Cost Leadership Ex. Wal-Mart	Differentiation Ex. BullFrog Power
Narrow	Focused Low Cost Leadership Ex. West Jet	Focused Differentiation Ex. Four Seasons Hotel

- Managers decide:
 - whether to compete through lower cost or the ability to provide a unique of distinctive product that can demand a premium price
 - Whether the organization will compete on broad scope (in many customer segments) or narrow (a selected customer group or group of segments)

1. Differentiation

- Organizations try to distinguish their products or services from others in the industry
- Differentiate through advertising, distinctive product features, exceptional service, new technology etc
- Prove product is unique
- Customers usually not concerned with price, willing to pay for quality
- Ex. Lexus
- Reduce rivalry because customers become loyal to the company brand
- Differentiation requires costly activities: product research, design, lots of advertising, innovation

2. Low Cost Leadership

- Emphasizes the low cost compared to competitors
- Organization seeks efficient facilities, cost reductions, tight controls to produce products or services more efficiently than competitors
- Concerned with stability
- Not concerned with innovation or growth or taking risks, does what makes them efficient
- offers low price with reasonable quality
- customers cannot find lower prices anywhere else

3. Focus/Niche

- The organization concentrates on a specific regional market or buyer group
- Company tries to achieve either low cost or differentiation advantage within a narrowly defined market
- Holt Renfrew

- The organization needs a competitive strategy or else it has no strategic advantage, performance suffers

Miles and Snow's Strategy Typology

- Formulate strategies relating to the external environment, strive to balance the internal and external environment

1. Prospector

- Innovate, take risks, seek new opportunities, and grow
- Strategy used for dynamic growing environment
- Creativity is more important than efficiency
- Ex. RIM, Microsoft

2. Defender

- Concerned with stability, keeping everything the same, be efficient
- Wants to hold onto current customers
- Doesn't innovate or seek to grow
- Wants internal efficiency and control to produce reliable, high quality products for steady customers
- Good strategy when industry is declining or in a stable environment

3. Analyzer

- Tries to maintain stable business while innovating when it has the option
- Between prospector and defender
- Some products are targeted toward the stable environments, using an efficiency strategy and designed to keep current customers
- Other products are targeted toward new and more dynamic environments, where growth is possible
- Balance efficient production for current products while being creative and developing new lines
- Ex. Rogers, has many different lines Cable TV is stable but keeps expanding other lines

4. **Reactor**

- Not a strategy
- Deals with environmental threats and opportunities as they come up
- Top management does not have a plan, no clear goals
- Organization just tries to meet immediate needs

Strategies Affect on Organizational Design

- Strategy affects the internal organization characteristics, design must support the firm’s approach and strategy
- the strategies and corresponding organizational design:

Porter’s	Miles and Snow’s
<p>Differentiation</p> <ul style="list-style-type: none"> -learning orientation, flexible, strong horizontal structure -strong research capability - values customer intimacy and relationship building -rewards employee creativity, risk taking and innovation - employee empowerment 	<p>Prospector</p> <ul style="list-style-type: none"> -learning organization - flexible, fluid, decentralized structure -strong capability in research <p>Defender</p> <ul style="list-style-type: none"> -efficiency orientation, centralized authority, tight cost control -production efficiency, low overhead - close supervision, little employee empowerment
<p>Low Cost Leadership</p> <ul style="list-style-type: none"> -efficiency orientation -centralized authority, tight cost control, detailed control reports -standard operating procedures -highly efficient distribution systems -close supervision, routine tasks, limited employee empowerment 	<p>Analyzer</p> <ul style="list-style-type: none"> -balances efficiency and learning -tight cost control with flexibility and adaptability -efficient production for stable product lines -emphasis on creativity, research, risk, innovation <p>Reactor</p> <ul style="list-style-type: none"> -no clear organizational approach, design characteristics changing based on current needs

Other Factors Affecting Organizational Design and Structure

- Organization Design (efficiency and control vs learning and flexibility) is affected by:
 - Strategy
 - Environment
 - Stable environment: traditional structure, vertical control, efficiency, stabilization, standard processes, centralized decision making
 - Changing environment: flexible structure, horizontal structure, collaboration
 - Size and lifecycle

- Young and Small Organizations: informal, little division, few rules, etc
- Large Organizations: extensive division of labour, lots of rules, standard procedures, budgeting, control, rewards, innovation
- Technology
- Organizational culture
- Organization is designed to fit all of these factors in order to have success

Contingency Factors Affecting Organizational Design pg. 65

Organizational Effectiveness

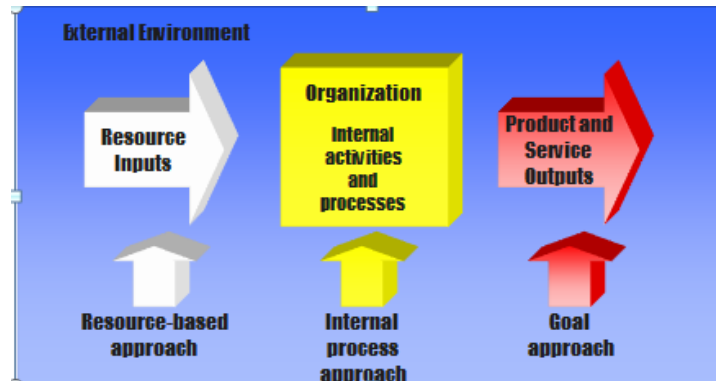
Effectiveness: degree to which organization reaches its goals

Efficiency: amount of resources used to produce a unit of output, inputs to outputs

- Efficiency does not always lead to effectiveness, depends on the goals of the organization
- Managers evaluate effectiveness based on hard and soft results

Contingency Effectiveness Approaches: focus on different parts of the organization to measure effectiveness, based on what managers think is important to measure

- Ways to measure effectiveness



1. Resource Based Approach

- Assesses effectiveness by observing the beginning of the process and evaluating whether the organization effectively obtains resources necessary for high performance
- Input side of the transformation process
- To Be Effective: organizations must be successful in obtaining and managing resources
- Judge Effectiveness based on the ability of the organization to obtain scarce and valued resources and successfully integrate and manage them
 - Indicators of Effectiveness:
 - Bargaining position (ability to gain scarce and valued resources- financial, raw materials, knowledge etc)
 - Ability of decision makers to perceive what is in the external environment
 - Ability of management to use tangible (supplies, people) and intangible resources (knowledge, culture) in the organizational activities to achieve superior performance
 - Ability of organization to respond to changes in the environment
- PROS:
 - Useful to use this approach when other indicators of performance are difficult to obtain, can't get measure of goal attainment
 - Ex. non profit organizations (hard to measure results)
- CONS:
 - Doesn't really consider if the needs of the customers are being met in the external environment

- Approach assumes stability in the market and doesn't acknowledge that the value of resources change and customers needs change

2. Internal Process Approach

- Looks at internal activities and assess effectiveness by indicators of internal health and efficiency
- Judge effectiveness based on the internal processes
- To be Effective: organization must have smooth internal process, happy and satisfied employees, and department activities that mesh well together to ensure high productivity
- However, approach does not consider the external environment
- What the organization does with its resources
- Human resources and employee oriented processes help to increase internal health
 - 7 Indicators of and Effective Organization:
 - Strong organizational culture and positive work climate
 - Team spirit, group loyalty, and teamwork
 - Confidence, trust, and communication between workers and management
 - Decision making at all sources with information, doesn't matter level on the organizational chart
 - Undistorted horizontal and vertical communication, sharing facts and feelings, open communication
 - Rewards to managers for performance, growth, and development of subordinates and for creating an effective work group
 - Interaction between organization and its parts, how conflicts are resolved in the organization's interest
 - Economic efficiency
- PROS:
 - Happy, committed, involved employees are good measure of effectiveness
 - Good internal processes seem to be key to strong organizational success
- CONS:
 - Total output and organization's relationship with external environment are not evaluated
 - Evaluations of internal health are usually subjective

3. Goal Approach

- Effectiveness is concerned with the output side and whether the organization achieves its goals in terms of desired levels of output
- Effectiveness is judged based on how well the organization has attained its goals
- Progress of output levels, profit, client satisfaction
- To be Effective: organization must meet its goals, based on how much progress made towards the goals
 - Indicators of Effectiveness:
 - Have operative goals been met, reflect the activities the organization is actually performing
- PROS:
 - Output goals can be easily measured
 - Easy to evaluate profitability, growth, market share, ROI
- CONS:
 - Issues with this method:
 - having multiple and diverse goals
 - effectiveness cannot be assessed with a single indicator
 - high achievement on one goal may mean low achievement on other
 - must look at multiple goals to evaluate and balance the results
 - subjective indicators of goal attainment

- some goals can only be measure by subjective assessment (employee welfare). Perceptions when quantitative indicators are not available

Integrated Effectiveness Model

Competing-Values Model: a perspective on organizational effectiveness that combines diverse indicators of performance that represent competing management values. Bases effectiveness on various parts of the organization, not just one part.

- Combines several indicators of effectiveness
- based on the fact that managers disagree on what are the most important goals and stakeholders have competing claims of the organization
- underlying dimensions of effectiveness criteria that represent competing management values

Indicators:

The Value Dimensions are:

- **FOCUS**
 - Whether the dominant values concern internal or external issues to the firm
 - Internal (management concern for employees and efficiency) vs external (emphasis on well being of organization in the environment)
- **ORGANIZATIONAL STRUCTURE**
 - Stability (efficiency and top down control) vs flexibility (value for learning and change)
- 4 approaches to managements emphasis for organizational effectiveness based on dimensions
- Don't have to pick just one of the approaches, exist together
- Open systems, human relations, internal process, rational goal

Structure	
Flexibility	
Human Relations Emphasis: Primary Goal: human resource development Subgoals: cohesion, morale, training Internal	Open Systems Emphasis: Primary Goal: growth and resource acquisition Subgoals: flexibility, readiness, external evaluation External
Internal Process Emphasis: Primary Goal: stability, equilibrium Subgoals: information management, communication, decision making Control	Rational Goal Emphasis: Primary Goal: productivity, efficiency, profit Subgoals: internal planning, goal setting Control

Open Systems Emphasis:

- External focus and flexibility
- Establishing a good relationship with the environment to acquire resources and grow
- Similar to resource based approach

Rational Goal Emphasis:

- Wants to achieve output goals in a controlled way (productivity, efficiency, profit)
- Similar to goal based approach

Internal Process Emphasis:

- Stable organizational setting that behaves in an orderly way
- Well established organizations that want to maintain their current position

- Similar to internal process approach, however more concerned with internal processes for efficiency than human relations

Human Relations Emphasis

- Management concern for the development of human resources
- Employees have autonomy and development
- More concerned with employees than for the environment

- Managers decide which goal values will take priority in the organization
- Managers must decide which values they want to pursue and which to give less emphasis

Chapter 3: Fundamentals of Organizational Structure

- Structural changes occur because of:
 - Reflect new strategies, meet new challenges
 - Respond to changes in contingency factors
 - Environment, technology, size, life cycle, culture

Organizational Structure

- 3 components in structure:
 - Structure designates formal reporting relationships: number of levels in hierarchy and span of control of managers (structural framework)
 - Identifies the grouping together of individuals into departments and departments into the total organization (structural framework)
 - Design of systems to ensure effective communication, coordination, and integration across departments (interactions)

- Relates to both vertical and horizontal aspects of the organization
- **organizational chart:** reflects the organizational structure.
 - Visual representation of a whole set of activities and processes in an organization at a point in time
 - Shows parts of an organization, how they are interrelated, and how each position and department fits together
 - Positions, how they are grouped, who reports to whom

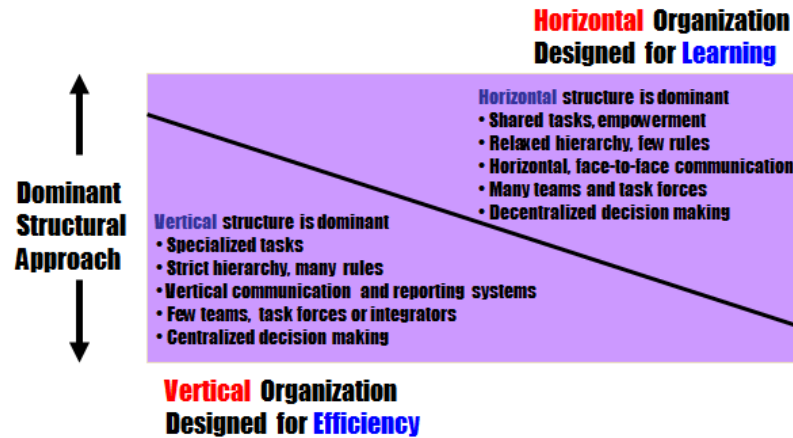
Information Processing on Structure

- Should have both vertical and horizontal information flow and communication to reduce problems due to lack of communication or inefficiency due to too much info
- **Vertical Linkages:** designed for control primarily
- **Horizontal Linkages:** designed for coordination, collaboration, usually reducing control

Organizations can Orient themselves towards being Efficient or Learning

Vertical Organization Designed For Efficiency	Horizontal Organization Designed for Learning
<ul style="list-style-type: none"> - Vertical structure is dominant, control - Specialized tasks - Strict hierarchy, many rules - Vertical communication and reporting systems - Few teams, task forces, or integrators - Centralized decision making 	<ul style="list-style-type: none"> - Horizontal structure is dominant, collaboration - Share tasks, empowerment - Relaxed hierarchy, few rules - Horizontal communication, face to face - Many teams and task forces - Decentralized decision making





- Organizations must use best combination of vertical (control and centralization) and horizontal (collaboration and coordination) for each company/situation

Linkages: communication and coordination in the organization, needed in order to accomplish tasks

Vertical Information Linkages

- Used to coordinate activities between the top and bottom of an organization
- Designed for control
- Lower level employees carry out tasks consistent with top level goals, top level is aware of the lower level activities
- The following are structural devices to achieve vertical linkages:
 - **Hierarchical Referral**
 - Chain of command, the hierarchy, pass problems up etc
 - **Rules and Plans**
 - Rule or procedure can be established so employees know how to respond without asking for help
 - Standard information that allows for coordination
 - Ex. budget
 - **Vertical Information Systems**
 - Periodic reports, written information, and computer based communication distributed to managers
 - Make information movement very efficient

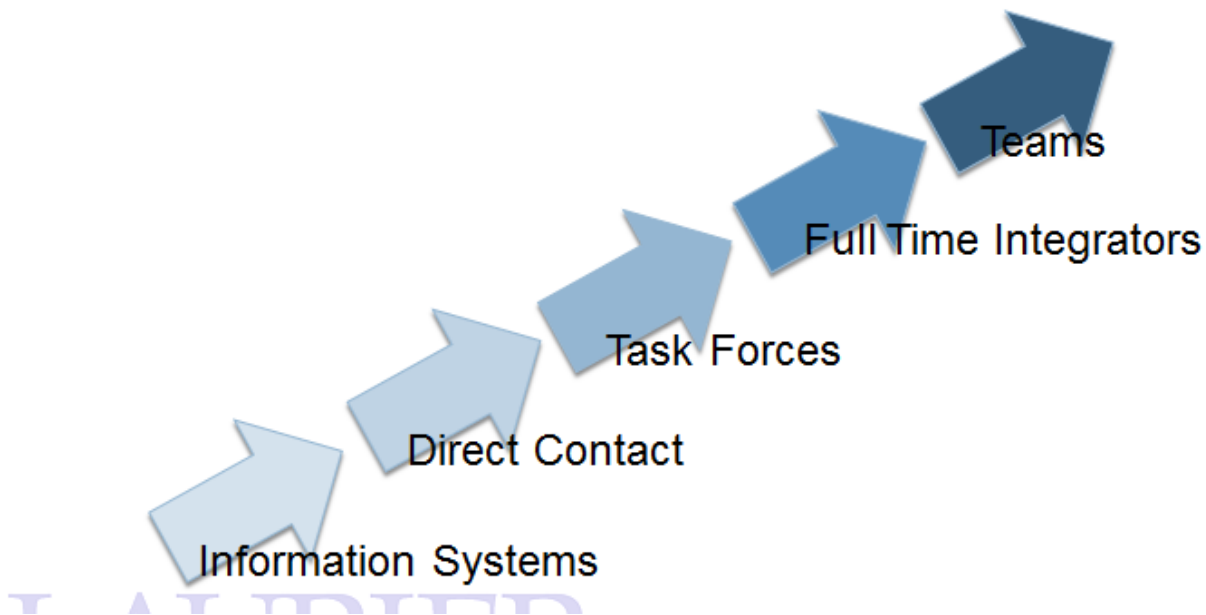
Horizontal Information Linkages

- Amount of communication and coordination horizontally across organizational departments/functions
- Structural devices to improve horizontal coordination and information flow:
 - **Information Systems**
 - Cross-functional information systems
 - Computerized information systems to exchange information (problems, opportunities, activities, or decisions)
 - Allow employees to build relationships across organization, coordination
 - **Direct Contact**
 - Direct contact between managers and employees, cross functional meetings

- Use a liaison: person located in one department but has the responsibility for communicating and achieving coordination with another department
 - Meetings and Locate people closer together so direct contact regularly
- **Task Forces**
 - A temporary committee composed of representatives from each organizational unit affected by a problem
 - each member represents the interest of a department
 - used for temporary issues, disbanded once the task is done
- **Full Time Integrator**
 - A full time position or department used solely for coordination
 - Ex. product manager, project manager, etc
 - Located outside the departments and responsible for coordinating several departments. Separate from the other departments
 - Responsible for innovation or change project, lead members from other functional areas
 - Do not have formal authority (raises, hiring, firing), formal authority still with managers of functional departments
- **Teams**
 - Permanent task forces, strong coordination
 - Usually with full time integrator
 - Activities among departments, cross functional
 -

Virtual Team: made up of organizationally or geographically dispersed members who are linked through advanced information and communication technologies.

Summary of Mechanisms for Horizontal Linkage and Coordination:



- if an organization lacks horizontal communication, the departments will be out of synch and will not be able to reach the goals of the organization

- the design of the organizational structure indicates 3 things in an organization:
 - required work activities, reporting relationships, departmental groupings
- 1. Required Work Activities**
 - Departments exist to perform tasks that are considered strategically important to the company
 - Functions that help organizations to accomplish their goals
 - Departments/divisions represent tasks that are valued by the organization
- 2. Reporting Relationships**
 - chain of command, how the departments fit in the organizational hierarchy
 - authority in the organization, links all the people, shows who reports to whom
- 3. Departmental Grouping Options**
 - Departmental Grouping: affects employees because they share a common supervisor and common resources, are jointly responsible for performance, and identify and collaborate with one another
 - Different departmental groupings include:
 - **Functional Grouping**
 - Employees together who perform similar functions/work processes
 - Have similar knowledge and skills
 - Ex. marketing, hr, manufacturing
 - **Divisional Grouping**
 - People are organized according to what the organization produces
 - Includes people from different functions, division based on product
 - **Multifocused Grouping**
 - Organization uses two structural groupings simultaneously
 - Matrix/hybrid.
 - Ex. use both function and product division
 -
 - **Horizontal Grouping**
 - Employees organized around core work processes
 - All people who work on a core process are in one group
 - End to end work, provide value directly to customer
 - **Virtual Network Grouping**
 - Organization is loosely connected, department members can be anywhere
 - Separate and electronically connected for the sharing of info and completion of tasks
 - The organizational structures in more depth:

Functional Structure

- Activities are grouped together by common function from the bottom to the top of the organization
- All human knowledge and skills with activities are consolidated, lots of indepth knowledge available
- Most effective when:
 - indepth expertise is critical to meet goals

- Organization needs vertical hierarchy to control and coordinate
- Efficiency is important

Strengths	Weaknesses
-Allows economies of scales within functional departments. With this, you can have one person do a job (ex. buyer) for all the products, instead of one person in each division for each product. More efficient. Employees can share facilities.	Slow response time to environmental changes. They do not have coordination across departments, don't have the different perspectives.
Enables in-depth knowledge and skill development. Employees are exposed to a range of functional activities in the department, can learn more	May cause decisions to pile up, hierarchy overload
Enables Organization to accomplish functional goals. People in the function know what is going on, can help eachother. Have similar goals	Leads to poor horizontal coordination among departments
Is best with only one or a few products	Results in less innovation, because coordination is not there
	Involves restricted view of organizational goals, don't know what other functions want to do

- In order to coordinate the different functions and overcome the disadvantages, **horizontal linkages** are required across functions (information systems, direct contact...etc)

Divisional Structure

- Product structure or strategic business units
- Divisions organized according to individual products, services, product groups, major programs, divisions, businesses, or profit centres
- Grouping is based on organizational output
- Each division then includes people from each function, coordination across functional departments within each product is maximized

STRENGTHS	WEAKNESSES
Suited to fast change in unstable environment. Promotes flexibility and change as groups are smaller. Have people from different perspectives making decisions and working together.	Eliminates economies of scale in functional departments. Physical facilities and jobs have to be duplicated for product lines
Leads to customer satisfaction because product responsibility and contact points are clear. Each product line is its own division, thus customers can contact the correct place	Leads to poor coordination across product lines.
Involves high coordination across functions. Members from each function are in each division.	Product lines are separate. Product lines have to remember that they work for the same company. Watch that products are aligned with each other .
Allows units to adapt to differences in products, regions, customers	Unless horizontal linkages are in place, one division may produce products that are incompatible/compete with products sold in another division.
Best in large organizations with several products. Also enough employees to staff the separate functional needs in each division	Customers may become frustrated with entire company if people in one division don't know about the developments of the other division
Decentralizes decision making. The lines of authority are lower in the hierarchy. Each division can make own decisions. Whereas functional needs to go all the way up.	Eliminates in depth competence and technical specialization. Employees know a lot about the product, but the knowledge of the function and the entire organization suffers. Knowledge only benefits the product, not the whole firm
	Makes integration and standardization across product lines difficult

- In order to increase coordination across divisions, must use horizontal linkages again

Geographic Structure

- Grouping based on the organization’s users or customers, ex geography
- Geography: each region may have distinct tastes and needs
- Each geographical unit then includes all the functions required to produce and market products/services in that region
- Strengths and weaknesses are similar to division, above
- MORE STRENGTHS:
 - Organization can adapt to specific needs of own region
 - Employees identify with regional goals
- More emphasis on horizontal coordination within the region, instead of linkages across regions

Matrix Structure

- both technical expertise (function) and product innovation and change (division) are important for organizational goals
- Matrix is strong form of horizontal linkage
- Both product division (horizontal) and functional (vertical) structures are implemented simultaneously
- Product managers (horizontal) and functional managers (vertical) have equal authority, employees report to both, balance
- Balance between both vertical hierarchy and horizontal teams
- Conditions for the Matrix:
 - **1: Pressure exists to share scarce resources across product lines**
 - Feels pressure for the shared and flexible use of people and equipment
 - Organization is not big enough to have resources in each product, so must share them
 - **2: Environmental Pressure Exists for 2 or more Critical Outputs**
 - Want both indepth technical knowledge (functional structure) and frequent new products (division). Dual authority and power is needed between both sides
 - **3: The environmental Domain of the Organization is both Complex and Unstable**
 - Frequent external changes and high interdependence between departments require lots of coordination and information processing in both vertical and horizontal directions
- A completely balanced matrix is hard to implement because one side of authority usually dominates. 2 variations of the matrix:
 - Functional Matrix: the functional bosses have primary authority and the project managers simply coordinate product activities
 - Product Matrix: the project managers have primary authority and functional managers focus on technical personnel to projects and provide advise when needed
 - Balanced Matrix: dual lines of authority

Strengths	Weaknesses
Achieves coordination necessary to meet dual demands from customers. Product and functional	Causes employees to experience dual authority, which can be frustrating and confusing, maybe conflicting demands
Flexible Sharing of human resources and equipment across different products	Means participants need good inter personal skills and extensive training
Suited to complex decisions and frequent changes in unstable environment. Helps to adapt to unexpected problems	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

Horizontal Structure

- Organizes employees around core processes
- Process: organized group of related tasks and activities that work together to transform inputs into outputs that create value for customers
- Re-engineering: redesign of a vertical organization along its horizontal workflows and processes
- Core processes that cut horizontally across organization, teams of employees working together
- Ex. order fulfillment, new product development, customer service
- All people who work on a particular process throughout the organization have easy access to one another for easy communication and coordination

Characteristics:

- Structure is created around cross functional core processes, instead of tasks, functions, geography
- Self directed teams, not individuals, are the basis of organizational design and performance
- Process owners are responsible for each core process in its entirety.
- People on the team are given the skills, tools, motivation, and authority to make key decisions. Members are cross trained to perform one another's jobs and have combined skills
- Teams are free to be creative and flexible
- Effectiveness is measured based on end of process performance, customer satisfaction, employee satisfaction, financial contribution
- Culture: openness, trust, collaboration, continuous improvement. Empowerment, responsibility, and well being

Strengths	Weaknesses
Promotes flexibility and rapid response to changes in customer needs because of enhanced coordination	Determining core processes is difficult and time consuming. If you choose the wrong process to emphasize, it can harm the organization.
Directs the attention of everyone toward the production and delivery of value to the customer, more satisfaction, improvement in process	Requires changes in culture, job design, management philosophy, and information and reward systems
Each employee has a broader view of organizational goals, because no boundaries between departments	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 responsibility, make decisions, and be accountable for outcomes	Can limit in depth skill development and knowledge, because cross functional, don't have opportunity to maintain technical expertise

Virtual Network Structure

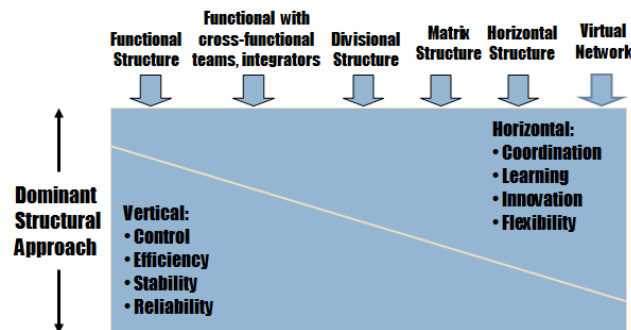
- Outsourcing: contract out certain corporate functions to other companies
- Virtual network (modular) structure: subcontracts many or most of its major processes to separate companies and coordinates their activities from a small headquarters organization
- Central hub with a network of outside specialists, can be located anywhere
- Services outsourced to separate companies, with decision making power, and connected electronically to a central office

Strengths	Weaknesses
Enables even small organizations to obtain talent and resources worldwide	Managers do not have hands on control over many activities and employees. Lack of control!
Gives a company immediate scale and reach without huge investments in	Requires a great deal of time to manage relationships and potential

<p>factories, equipment, distribution facilities</p> <p>Enables the organization to be highly flexible and responsive to changing customer needs</p> <p>New technologies and resources with worldwide experts</p> <p>Reduces administrative overhead costs</p> <p>Truly global, can get resources for best quality and price, able to sell products worldwide</p>	<p>conflicts with contract partners</p> <p>There is a risk of organizational failure if a partner fails to deliver or goes out of business</p> <p>Employee loyalty and organizational culture might be weak because employees feel they can be replaced by contract services. Hard to develop a cohesive culture</p>
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Hybrid Structure

- A structure that combines characteristics of various structural approaches (functional, divisional, geographical, horizontal) tailored to specific strategic needs
- Balance strengths and weaknesses
- Rapidly changing environments because offer a lot of flexibility
- Ex. hybrid of functional and divisional structure:
 - has divisions, then each division has functions, then there are the main , centralized functional areas that need in depth specialization that cater to the whole organization (ex. KPMG)
- each type of structure is applied in different situations based on needs
- design is based on purpose
- most important decision about structural design:
 - right balance between vertical control and horizontal coordination, depending on organizational needs
 - vertical control- efficiency and stability
 - horizontal coordination- learning, innovation, flexibility
- **How Structures Relate to Vertical Control and Horizontal Coordination:**



Symptoms of Structural Deficiency

- Occur when organizational structure is out of alignment with organization needs (based on internal relationships and external environment)
 - **Decision Making is Delayed or Lacking in Quality**
 - Decision makers may be overloaded (hierarchy gives too many decisions forced up top)
 - Information may not reach correct people, linkages may be inadequate
 - **The Organization does not respond innovatively to a changing environment**

- Departments may not be coordinated horizontally
- **Employee Performance Declines and Goals are not being Met**
 - Structure doesn't have clear goals, responsibilities, mechanisms for coordination
- **Too much conflict is evident**
 - Departments act in conflicting way, departments more concerned with their goals than the goals of the organization as a whole. Horizontal linkages aren't strong

Chapter 4: The External Environment

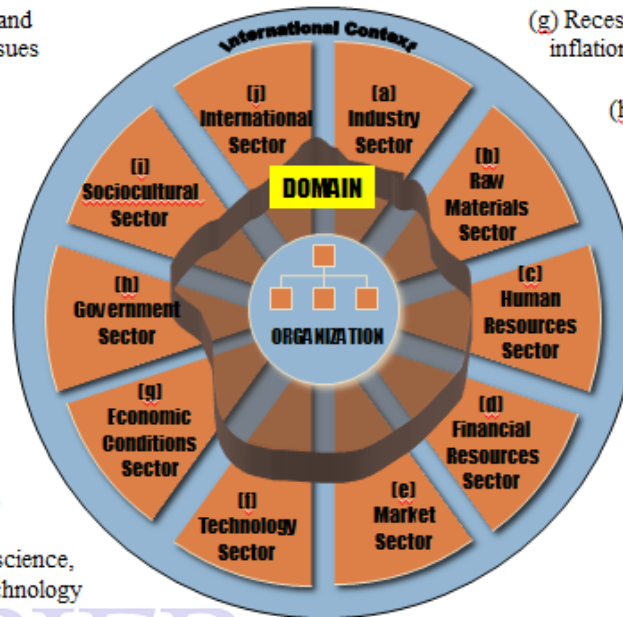
The Environmental Domain

- Environment is infinite and includes everything outside the organization, but stress is on aspects to which the organization is sensitive and must respond to survive
- **Organizational environment:** all elements that exist outside the boundary of the organization that have the potential to affect all or part of the organization
- **Green environment:** our natural environment
- Environment of an organization can be understood/determined by analyzing its domain within external sectors
 - **Organization's Domain:** the chosen field of action. The territory an organization stakes out for itself for its products, services, and markets served.
 - the organization's niche and defines those external sectors with which the organization will interact to accomplish its goals
 - **Sectors:** The environment is made of several sectors. Subdivisions of the external environment that contain similar elements
 - Ten sectors can be analyzed for each organization:
 - **Industry**
 - Competitors, industry size, and competitiveness, related industries
 - **Raw materials**
 - Suppliers, manufacturers, real estate services
 - **Human resources**
 - Labour market, employment agency, universities, training schools
 - **Financial resources**
 - Stock markets, banks, credit unions, private investors
 - **Market**
 - Customers, clients, potential users of products/services
 - **Technology**
 - Techniques of production, science, computers, information technology, e-commerce
 - **Economic conditions**
 - Recession, unemployment rate, inflation, rate of investment, economics, growth
 - **Government**
 - City, provincial, federal laws and regulations, taxes, services, court
 - **Socio-cultural**
 - Age, values, belief, education, religion, work ethic, consumer trends, green
 - **International**
 - Competition from and acquisition of foreign firms, entry into overseas markets, foreign customs, regulations, exchange rate, outsourcing

An Organization's Environment

3

- (a) Competitors, industry size and competitiveness, related issues
- (b) Suppliers, manufacturers, real estate, services
- (c) Labor market, employment agencies, universities, training schools, employees in other companies, unionization
- (d) Stock markets, banks, savings and loans, private investors
- (e) Customers, clients, potential users of products and services
- (f) Techniques of production, science, computers, information technology



- (g) Recession, unemployment rate, inflation rate, rate of investment, economics, growth
- (h) City, state, federal laws and regulations, taxes, services, court system, political processes
- (i) Age, values, beliefs, education, religion, work ethic, consumer and green movements
- (j) Competition from and acquisition by foreign firms, entry into overseas markets, foreign customs, regulations, exchange rates

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LAURIER Business & Economics

- Sectors are divided into 2 groups: task environment, general environment

Task Environment

- The sectors with which the organization interacts directly and that have a direct impact on the organization's ability to achieve its goals
- Usually includes the industry, raw materials, market sectors, human resources, international

General Environment

- Includes all the sectors that might not have a direct impact on the daily operations of a firm but will indirectly influence it
- Includes government, socio-cultural, economic conditions, technology, financial resources
- Affect all organizations eventually

International Sector

- All domestic sectors influenced by international events, global interconnections
- Firms buy other firms internationally, outsourcing, partnerships/alliances with firms around the world
- Through globalization, environment is more complex and competitive

Environmental Uncertainty

- Environment can be described as:
 - Stable/unstable
 - Homogeneous/heterogeneous

- Simple/complex
 - Munificence (amount of resources available to support the organization's growth)
 - Whether resources are concentrated or dispersed
 - Degree of consensus in the environment regarding organization's domain
- These dimensions show 2 essential ways that the environment influences organizations:
 1. The need for Information about the environment
 - a. Conditions of complexity and change create a greater need to gather info and respond based on that information
 - b. Combat uncertainty
 2. The need for resources from the environment
 - a. Concerned with scarce material and financial resources, need to ensure availability

Uncertainty: unknown future, decision makers do not have sufficient information about environmental factors, and have difficult time predicting external changes

- Uncertainty increases risk of failure and makes it harder to compute costs/probabilities
- Determining an organization's environmental Uncertainty applies mostly to the task environment,
 - sectors that organization deals with on a regular, day to day basis...
 - how many elements does the organization deal with regularly, how rapidly do these elements change
 - To assess uncertainty:
 - Each sector of the organization's task environment is analyzed for stability and complexity
 - Total amount of uncertainty is the accumulated uncertainty across environmental sectors
 - Organizations must cope with and manage uncertainty to be effective
 - When assessing uncertainty, must gather info on and look at 2 dimensions:
 - Environment is Simple/complex
 - Events are stable/unstable

Simple- Complex Dimension: how many things are influencing

- Environmental complexity, heterogeneity
- The number and dissimilarity of external elements relevant to an organization's operations
- GREATER COMPLEXITY COMES FROM:
 - more external factors regularly influencing the organization
 - greater number of other organizations in an organization's domain

COMPLEX environment: one which the organization interacts with and is influenced by numerous diverse and different external elements. Ex. Universities

SIMPLE environment: organization interacts with and is influenced by only a few similar external elements. Ex. Small, Family Run Business

Stable-Unstable Dimension: how often the influencing factors change

- whether elements in the environment are dynamic
- Stable Environment:** the environmental domain remains the same over a period of time or experiences predictable change. Ex. public utility company
- Unstable Environment:** environmental elements shift abruptly and unexpectedly, volatile environment. Ex. toy company

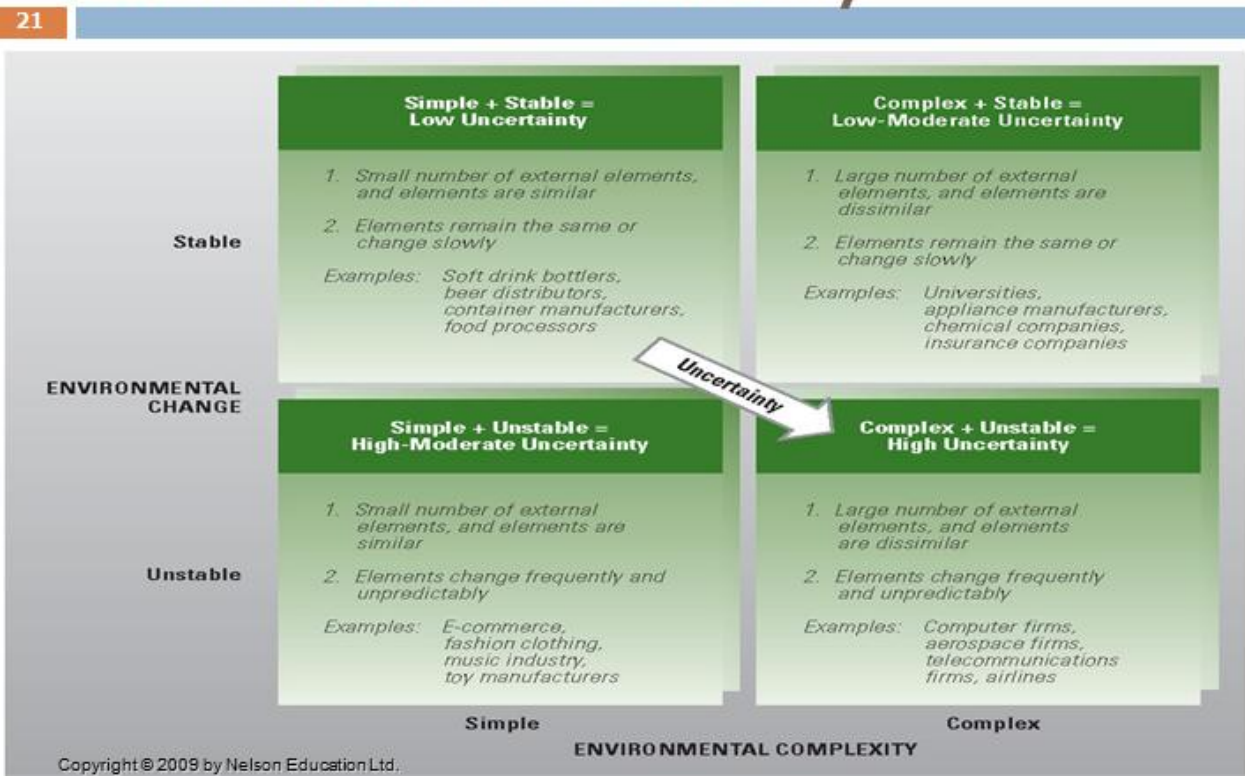
Tips for adapting to a complex, fast shifting environment:

- understand the environment as it is now, and in the future...not the environment from the past
- seek out proactive, diverse, and unorthodox ideas
- avoid common causes of manager failure: filtered info, selective hearing, wishful thinking, unrealistic expectations, fear, emotional overinvestment...DEAL WITH REALITY
- ruthlessly assess the organization

Framework for Assessing Environmental Uncertainty:

Environmental Complexity

Contingency Framework for Environmental Uncertainty



Adapting to

Environmental Uncertainty

- environmental uncertainty is an important factor for organizational structure and internal behaviours
- more uncertainty usually leads to a more horizontal structure, cross-functional communication and collaboration to help organization adapt to changes in environment
- organizations need to have the right fit between internal structure and external environment
 - factors that change based on environment include:
 - positions/departments, organizational differentiation, integration, control processes, future planning and forecasting

1. Positions and Departments

increased complexity/uncertainty in external environment number of positions and departments increase

- thus, more complex/uncertain environment leads to more internal complexity
- each sector in the external environment requires an employee/department to deal with it

Buffering and Boundary Spanning

Traditional Approach of Dealing with Environmental Uncertainty:

- establish buffer departments to interact with the environment
- Buffering Roles: activities that absorb uncertainty from the environment
- Buffer departments surround technical core and exchange materials between the environment and the organization
- Ex. Purchasing department buffers technical core by stockpiling supplies and raw materials

Newer Approach of Dealing with Environmental Uncertainty:

- Remove the buffers and expose the technical core to the uncertain environment
- Having all employees well connected to customers/suppliers
- Opening up the entire organization to the environment, makes it more fluid/adaptable, everyone is involved in boundary spanning
- **Boundary Spanning Roles:** link and coordinate an organization with key elements in the external environment. Very important in uncertain environments
 - Concerned with the exchange of information to:
 - Detect information about changes in the environment and bring into organization
 - In order to respond to market changes, act on vital information
 - Boundary personnel scan the environment, keep top management informed of environmental changes, business intelligence, competitive intelligence
 - Send information into the environment that presents the organization in a favourable light
 - Used to influence others' perceptions of the organization
 - Boundary Spanning wants to have business intelligence:
 - High tech analysis of large amounts of internal and external data to spot patterns and relationships that might be significant
 - Knowledge management, environmental scanning, competitive intelligence
 - Competitive intelligence: systematic way to collect and analyze public information about rivals and use it to make better decisions (products, costs, training methods)

2. Differentiation and Integration

- Another response to environmental uncertainty
- **Organizational Differentiation:** the differences in cognitive and emotional orientations among managers in different functional departments, and the difference in formal structure among these departments
- When external environment becomes more complex and changing, departments become highly specialized to handle the uncertainty in their external sector
- Increased complexity in external environment increased differentiation
- Each department has its own attitudes, values, goals, and education, that differ from other departments
- Each department evolves towards a different orientation and structure to deal with specialized parts of the environment
- Departments interact with different external groups

Organizational Departments Differentiate to Meet Needs of Subenvironments

Differences in Goals and Orientations Among Organizational Departments in order to work effectively

Characteristic	R&D Department	Manufacturing	Sales Department
Goals	New Developments, want quality work	Efficient Production	Customer Satisfaction
Time Horizon	Long	Short	Short term
Interpersonal Orientation	Mostly Task Oriented Employees	Task Oriented	Socially oriented
Formality of Structure	Low- Informal Structure	High- Formal Structure	High- Formal Structure

- When uncertainty leads to high differentiation (many different specialized departments), coordination among departments becomes more difficult (the attitudes, goals, work orientation differs a lot more)
- Thus, need integration

Integration: the quality of collaboration among departments, coordination between roles

- When environment is more uncertain, frequent changes in the environment, require more communication and information processing to achieve horizontal coordination, more integration between the departments
- Integrators are necessary in the structure (liaison, project managers etc)
- The higher the differentiation in departments, the more integration is necessary so that the departments can work together

Very uncertain, changing environment Increased Department Differentiation Increased Integration ➔
 Organizations perform better when their levels of differentiation and integration match the level of uncertainty in the environment

3. Organic vs. Mechanistic management Processes

- the amount of formal structure and control imposed on employees

Mechanistic Organizational System	Organic Organizational System
<ul style="list-style-type: none"> - External environment is stable - Tasks are broken down into specialized separate parts - Tasks are rigidly defined - There is a strict hierarchy of authority and control - there are many rules - Knowledge and control of tasks are centralized at the top of the organization, decisions at top - Communication is vertical - Internal organization has rules, procedures - formalized 	<ul style="list-style-type: none"> - Rapidly changing environment - Employees contribute to the common tasks of the department - Tasks are adjusted and redefined through employee teamwork - There is less hierarchy of authority and control, and there are few rules - Knowledge and control of tasks are located anywhere in the organization - Decentralized decision making - Internal organization is looser, free flowing, adaptive - Rules and regulations not really written down

	<ul style="list-style-type: none"> - Communication is horizontal - Decentralized authority, responsibility to lower levels, employees empowered to solve problems, work together, informal approach in assigning tasks - ex. learning organization, horizontal, virtual network structures
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- Organizations become more organic as environmental uncertainty increases, more flexible and able to adapt to changes in the external environment

4. Planning, Forecasting, and Responsiveness

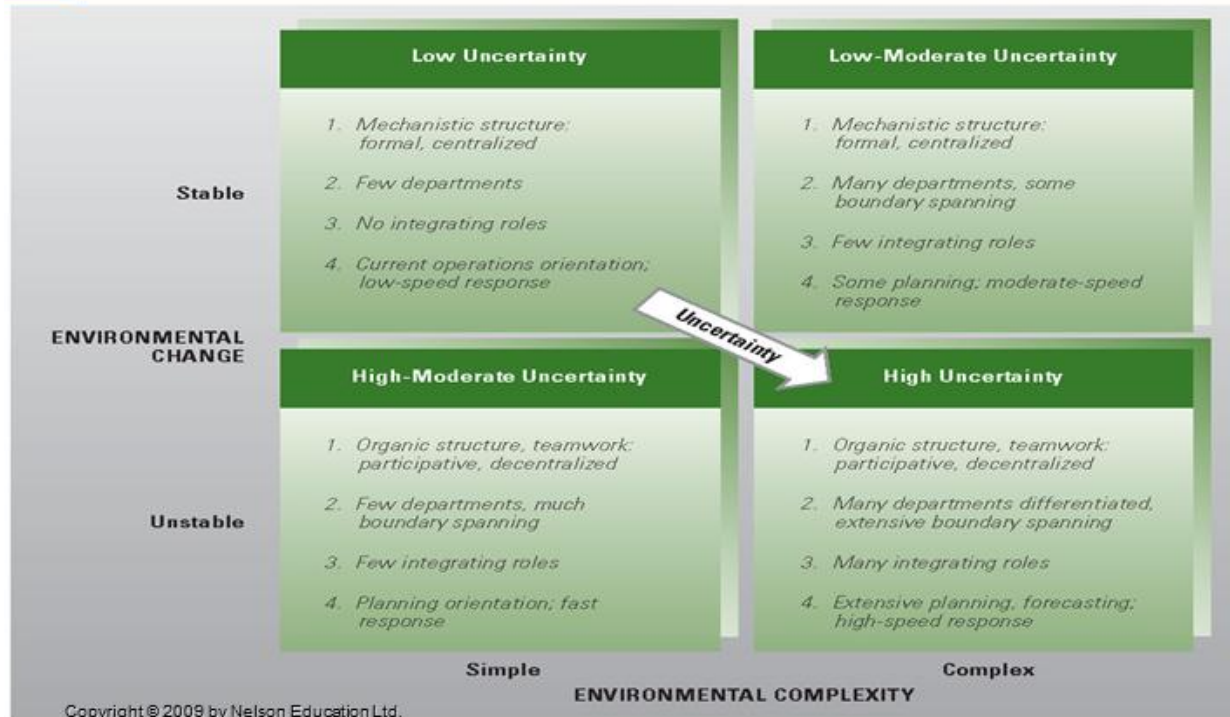
- Internal integration and organic processes help the organization to respond quickly to sudden changes in an uncertain environment

Stable Organizations	Increasing Environmental Uncertainty
<p>Organization can concentrate on current operational problems and day to day efficiency</p> <p>Long range planning and forecasts aren't necessary because environmental demands will not change that much from today</p>	<p>Planning and forecasting is more important in keeping the organization prepared for a coordinated and speedy response</p> <ul style="list-style-type: none"> - Planning can soften the negative effects of external shifts - Planning looks at environment and tries to analyze potential moves - Forecast various scenarios (potential outcomes) for environmental contingencies

- However, planning must be combined with effective boundary spanning, internal integration and coordination
- Most effective organizations in uncertain environment are those who keep everyone in touch and aware of the environment, so they can spot threats and opportunities, allowing for quick response
- The ways environmental uncertainty influences organizational characteristics are as follows:

Contingency Framework for Organizational Responses

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Resource Dependence

- Resource Dependence: Organizations depend on the environment but strive to acquire control over resources to minimize their dependence
- Organizations need the scarce and valued resources, ex material and financial, from the environment
- 2 approaches:
 - Organizations try to be as independent as possible, because don't want to rely too much on another organization for resources, this reliance may become a negative relationship
 - When costs and risks are too high, organizations can team up to share scarce resources
 - Interorganizational relationships: represent trade off between resources and autonomy
 - Relationships require coordinated linkages and reduce organization's freedom to make decisions on their own. However, they provide scarce resources
 - Ex. suppliers relationship with Wal-Mart, benefit from sales, but have to do basically whatever Wal-Mart asks
- If don't need resources, can be autonomous, if need resources must develop linkages/control domain

Controlling/Managing Environmental Resources

- Organizations try to maintain this balance between relationships and linkages with other organizations and their own independence through attempts to modify, manipulate, or control other organizations
- Focal organizations try to change or control elements in the environment to get valued resources by using 2 strategies: (decrease uncertainty and decrease dependence)
 - Establish favourable linkages with key elements in the environment
 - Shape the environmental domain

1. Establishing Interorganizational Linkages- to obtain resources

A. Ownership:

- Establish linkages when companies buy a part of or a controlling interest in another company
- Gives company access to resources it does not currently have
- Acquisition : the purchase of one organization by another so that the buyer assumes control
- Merger: the unification of two or more organizations into a single unit

○ B. Formal Strategic Alliances:

- High level of complementarity between the business lines, geographical positions, or skills of 2 companies
- Contracts or joint ventures
- Reduce uncertainty through a legal and binding relationship with other firm
- License agreement: involve the purchase of the right to use an asset for a specific time
- Supplier Arrangements: contract for the sale of one firm's output to another
- Joint Ventures: result in the creation of a new organization that is formally independent of the parents, although the parents will have some control. Share risks and costs

○ C. Cooptation, Interlocking Directorates

- **Cooptation:** occurs when leaders from important sectors in the environment are made part of an organization
 - Ex. influential customers/suppliers etc are appointed to the B.O.D
 - Influential people are introduced to the needs of the company, and will include company's interests in their decision making
- **Interlocking Directorate:** a formal linkage that occurs when a member of the board of directors of one company sits on the board of directors of another company
 - Individual is the communications link between companies and can influence policies and decisions
 - **Direct Interlock:** one individual is the link between 2 companies
 - **Indirect Interlock:** director of company A and director of company B are both directors of Company C. (access to one another, but not direct influence over respective companies)

○ D. Executive Recruitment

- Transferring or exchanging executives establishes favourable linkages with external organizations, the transferred execs have contacts in other organizations
- Recruiting executives from another sector to come and work for you
- Create channels of influence and communication between organizations
- Ex. aerospace industry hires retired generals and execs from department of defence

○ E. Advertising and Public Relations

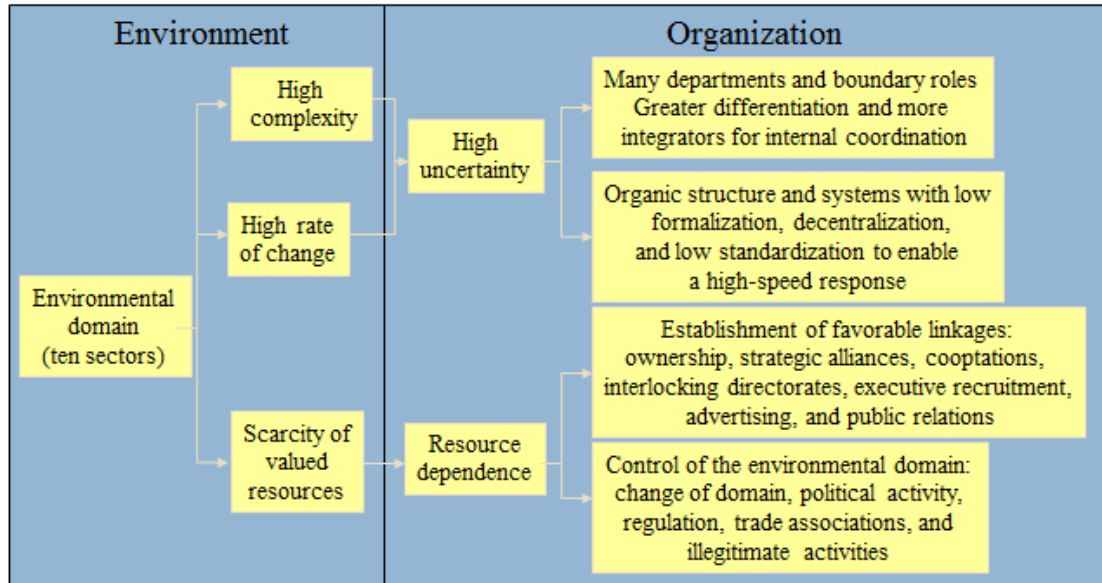
- Establish favourable relationships through advertising
- Influence the tastes of consumers
- Public relations: stories are free and aimed at public opinion
- Public relations show organization in favourable light, shape positive company image

2. Controlling the Environmental Domain

- 4 techniques for influencing or changing a firm's environmental domain
 - **A. Change of Domain**
 - Can change which of the ten sectors the organization decides to operate in
 - Organization can seek new environmental relationships and drop old ones
 - Organization can change its domain (which market, suppliers, bank, employees, locations etc)
 - Acquisitions and divestment (cutting a line)
 - **B. Political Activity, Regulation**
 - Techniques to influence government legislation and regulation
 - Political strategy used to elect regulatory barriers against new competitors or to stop unfavourable legislation
 - Want to influence the appointment to agencies
 - Lobbying the government
 - **C. Trade Associations**
 - Trying to influence the external environment is done jointly with other organizations that have similar interests, by joining associations
 - Organizations join associations and are able to work together.
 - Ex. Pharmaceutical research and manufacturers of America
 - by pooling resources, organizations can pay people to carry out activities (lobbying legislators, influencing new regulations, developing PR campaigns, campaign contributions)
 - **D. Illegitimate Activities**
 - Organizations may adopt behaviours that are not considered legitimate because of pressures
 - Unlawful or unethical activities
 - Ex payoffs to foreign governments, illegal political contributions
 - Companies in industries with low demand, shortages, and strikes are more likely to be convicted for illegal activities
 - Illegal activities may be committed because of resource scarcity
- 2 major themes:
 - Amount of complexity and change in organization's domain influences the need for information and the uncertainty in an organization
 - Greater information uncertainty is solved through: structural flexibility, additional departments, boundary roles
 - Uncertainty is low: mechanistic, departments can be fewer
 - Scarcity of Resources:
 - The more dependent the organization is on other organizations for resources, external linkages and control of the external domain are more important
 - If dependence on external resources is low, organization can maintain autonomous

Relationship Between Environmental Characteristics and Organizational Actions

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Chapter 5: Interorganizational Relationships

- To adapt to changing environment, want to increase collaboration between companies and competitors
- Trend lately is for organizations to work together jointly, creating relationships with each other
- Companies are always dependent on other organizations (supplies, materials, info etc)
- A combination of horizontal relationships and need to understand environmental uncertainty has lead to horizontal relationships across organizations
 - Relationships include: preferred suppliers, establishing agreements, business partnering, joint ventures, or even mergers/acquisitions

Organizational Ecosystems

Interorganizational relationships: the relatively enduring resource transactions, flows, and linkages that occur among two or more organizations.

- Old views: relationships were forced, seen as burden just to get what organization needs, everyone should just compete
- Current view: organizations evolving into ecosystems

Organizational Ecosystem: system formed by the interaction of a community of organizations and their environment. Ecosystems cut across industry lines, join with different companies. Companies create their own ecosystem. Ex. Apple and Magna International

Competition Today

- Competitors are now beginning to join alliances, changing the way competition works:
 - Traditional Competition: distinct company fighting for supremacy against others

- Now: organizations support and depend on each other for success. However, still very competitive in the changing market (share and fighting obsolescence). Thus, must remain competitive with each other, while creating a relationship and working together in other aspects
- In ecosystems:
 - Organizations must coevolve, depending on each other and making everyone stronger
 - Coevolve using shared discussions, shared visions, alliances, and complex relationships.
 - They are constantly changing and evolving (relationships become stronger/weaken)
 - Conflict and cooperation exist simultaneously
 - Mutual dependencies and partnerships, have conflicts and must negotiate using cooperation
 - Although companies compete against each other, when they have to rely on each other and work together, they should to benefit both parties

Managers Have A Changing Role

- Not concerned with just traditional responsibilities: corporate strategy, designing hierarchical structures, and control systems (internal affairs)
- Managers must evolve external relationships, think of horizontal processes
- New roles include: managing external relationships, must look for the opportunities in cooperative relationships, look to improve the entire ecosystem
- Must horizontally manage across organizations

Framework for Defining Interorganizational Relationships

- Decide if organizations are similar/dissimilar and if relationships are competitive/cooperative
- Understanding the parameters, management can assess the environment and adopt suitable strategies

	Organization Type	
	<i>Dissimilar</i>	<i>Similar</i>
Organizational Relationship	<p>COMPETITIVE</p> <p>Resource Dependence (Organizations deal with each other to reduce reliance/dependence on the environment)</p>	<p>Population Ecology (new organizations fill niches left open by established organizations, rich variety of organizations benefit society)</p>
	<p>COOPERATIVE</p> <p>Collaborative Network (Organizations become dependent on others to increase both of their value/productivity)</p>	<p>Institutionalism (organizations legitimate themselves in the large environment and design structures by borrowing ideas from each other)</p>

1. Resource Dependence

- Resource Dependence Theory:
 - Organizations try to minimize their dependence on other organizations for the supply of resources and try to influence the environment to make resources available
 - Want independence and autonomy, do not want to be vulnerable to other organizations
- Amount of dependence on a resource is based on 2 factors:
 - Importance of the resource to the organization

- How much power do those who control a resource have over its allocation/use
- Organizations can reduce their dependence on the environment by:
 - Developing strategies (strategies to maintain autonomy, ch4)
 - Use power differences

Resource Strategies

(avoid dependence on the environment to maintain control of resources, reduce uncertainty:

- Alter or adapt to the interdependent relationships:
 - purchasing ownership in suppliers, developing long term contracts, joint ventures, build relationships to gain resources
- Use Interlocking Directorships
 - Board of directors, members in integral companies
- Join Trade Associations
 - Coordinate needs, sign trade agreements, merge with another firm to guarantee resources
- Political Action
 - Lobbying for regulations/deregulation, taxation, tariffs, subsidies

Power Strategies

- Large, independent companies have power over smaller companies
- When company has more power can ask the other to: absorb more costs, ship more efficiently, provide more services, influence prices
- Ex. Wal-Mart and its suppliers

- Centred around joining together for scarce resources and reducing dependency on environment

2. Collaborative Networks

- Collaborative network is alternative to resource dependency
- Companies collaborate to achieve greater effectiveness and better use scarce resources
- Use each other's strengths and weaknesses
- Companies join together to become more competitive and to share scarce resources to increase the value of both parties
- Companies working together, joining together on projects
- Advantages of/why you should use Collaboration:
 - Sharing risks when entering new markets
 - Mounting expensive new programs and want to reduce costs
 - Enhancing organizational profile in certain industries
 - Cooperation is needed for greater innovation, problem solving, and performance
 - Helpful when entering global markets
 - Benefits: higher profits, greater innovation, better performance, eliminate uncertainty
- Competition can still exist in some areas of the company as they cooperate in other areas
- Interorganizational linkages, partnerships, joining together

- Change in characteristics of Interorganizational Relationships from adversarial to partnership:

Traditional Orientation: Adversarial	New Orientation: Partnership
-Low dependence -Suspicion, competition, arm's length	-high interdependence -trust, addition of value to both sides, high commitment

<ul style="list-style-type: none"> -Detailed performance measures, closely monitored -Price, efficacy, own profits -Limited information and feedback -legal resolution of conflict -minimal involvement and up-front investment, separate resources -short term contracts -contract limiting the relationship 	<ul style="list-style-type: none"> -loose performance measures -problems discussed and resolved through dialogue -managers must learn to manage relationships with other firms -equity, fair dealing, both profit- companies want to profit both, not just working for their own benefit -electronic linkages to share key info, problem feedback and discussion, lots of shared info, face to face feedback -mechanisms for close coordination, people on site, -Partners are involved in each other's product design and production, shared resources -long term contracts, lots of investment -assume continuing relationships -business assistance beyond the contract, and the contract terms are loosely specified - rely on equitable solutions to problems
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- Sharing information about needs and wants so that decisions will benefit both sides of the partnership
- Says Dependence on another company reduces risks and adds value to both parties
- The interorganizational relationships benefit everyone
- Difference from resource dependency: work together, want each other to succeed

3. Population Ecology

- Focuses on organizational diversity and adaptation within a population of organizations
- **Population:** a set of organizations engaged in similar activities with similar patterns of resource utilization and outcomes
- Organizations within a population compete for similar resources/customers
- Ex. financial institutions
- Individual organizational adaptation ability is very limited compared to the changes that the environment demands, thus innovation and change occur through the creation of new organizations
- New organizational forms emerge to fit the current environment, the new needs, and fill the gaps that the current organizations are not filling because they are slow to change...fill a new niche and take away business from established companies
- Established Organizations struggle with rapidly adapting to a changing environment because:
 - Limitations on the ability of an organization to change
 - Have heavy investment in plants, equipment, specialized personnel
 - Limited information
 - Established viewpoints of decision makers
 - Organization's current success that justifies the current procedures
 - Difficult to change the organizational culture
- According to population ecology theory: when looking at an organizational population as a whole, the changing environment determines which organizations survive/fail
- Assume that organizations have structural inertia and struggle to adapt to environmental changes
- Based from natural selection: forms that survive are best fitted for environment, evolution

Organizational Form: an organization's specific technology, structure, products, goals, and personnel, which can be selected/rejected by the environment

Niche: domain of unique environmental resources/needs. Each new organization tries to find a niche to support and that will be profitable. If niche grows, will be profitable. If there is no niche, organization will fail

Success of A new firm is based on: characteristics of environment, skills/strategies used, luck

Process of Ecological Change

- This model assumes that new organizations are always appearing, thus the population of organizations is continually undergoing change. Leads to establishment of new organizational forms in pop.
- Process of population change are: **Variation** → **Selection** → **Retention**

Variation

- Large number of variations (new, diverse forms) appear in the population of organizations
- Initiated by entrepreneurs, venture capitalists, government to meet need in environment

Selection

- Some organizations find a niche and survive if they successfully meet environment's needs
- Whether or not a new organizational form is suited to the environment and can survive
- Only a few variations are selected by the environment and survive over the long term

Retention

- A few organizations grow large and become institutionalized in the environment
- Create lots of value and becomes dominant in the environment (ex. McDonalds, schools)
- Relatively permanent in population, but in the long run can gradually be diminished or replaced if can't adapt to external change
- Based on this view, the environment is the most important determinant of organizational success/failure. Must meet needs or will be selected out.

Strategies for Survival

- **Struggle for Existence/Competition:** organizations and populations are engaged in competitive struggle over resources and each organizational form is fighting to survive
- Struggle is most intense in new organizations, and survival is based on factors in the environment
 - Ex of Factors include: Urban area, % of immigrants, political turbulence, industry growth rate
- Generalist and specialist strategies distinguish organizational forms in the struggle for survival, choose a strategy to use to compete in the population:
 - **Generalist Strategy:** organizations with a wide niche or domain, offer a broad range of products/services, serve a broad market
 - **Specialist Strategy:** narrower range of goods/services or that serve a narrower market

Generalist	Specialist
Generalists have more breadth and serve a greater domain, giving it some protection over environmental changes demand decreases in one area, it usually increases in another area diversity of products/customers, thus able to reallocate resources better and adapt to the changing environment	Specialists are more competitive than generalists in the narrow area in which their domains overlap Usually smaller, and sometimes their small size will help them move faster and be more flexible with changes

4. Institutionalism

- Companies perform well when they are perceived by the larger environment to have a legitimate right to exist, are legitimate in the eyes of their stakeholders
- **Institutional Perspective:** describes how organizations survive and succeed through congruence between an organization and the expectations from its environment
- **Institutional Environment:** composed of norms and values from stakeholders (customers, investors, associations, boards, government, collaborating organizations), what greater society views as correct ways of organizing and behaving
- Organizations adopt structures and processes to please outsiders

- **Legitimacy:** socially accepted. The perspective that an organization's actions are desirable, proper, and appropriate in the environment's system of norms, values, and beliefs
- Organizations must fit in with the cognitive and emotional expectations of their audience, behaviour reflects social responsibility
- Once organization/industry is established, the forms become increasingly similar
- Institutional view also sees organizations as having 2 dimensions:
 - **Technical**
 - Day to day work, technology, operating requirements
 - Governed by norms of rationality and efficiency
 - **Institutional**
 - Part of the organization most visible to the outside public
 - Governed by expectations from the external environment
 - That's why the formal structure of the organization reflects both the expectations and values of the environment and the demand of work activities...the expectations and values take precedence
 - Ex. activities or jobs that are incorporated into the business because society thinks its good and it increases its legitimacy and survival prospects, even though it decreases efficiency (ex. ethics officer)
- Follow expectations from cultural norms, standards by professional bodies, funding agencies, and customers

Institutional Similarity

- Organizations have strong need to appear legitimate
- Thus many aspects of structure and behaviour are done in order to have environmental acceptance rather than internal technical efficiency
- Interorganizational relationships are shown by forces that cause organizations in a similar population to look alike and resemble each other
- **Institutional Similarity:**
 - Institutional isomorphism
 - Emergence of common structure and approach among organizations in the same field
 - Process that causes one unit in population to resemble other units that face the same set of environmental conditions
-
- **Increasing Similarity Occurs through 3 forces**, changing the organization:
 1. **Mimetic Forces**
 - Result from responses to uncertainty
 - The pressure to copy or model other organizations
 - Look at the practices and processes of firms that are thought to be successful and mimic their actions
 - Model after other companies (ex. Starbucks Wi-Fi, other companies have it now)
 - Explain fads and fashion in the business world, new idea starts and many businesses want to use it
 - Sometimes companies adopt practices without evidence that it will actually improve their efficiency/effectiveness, just because other companies have implemented it
 - Mimicking other companies however does enhance companies image, because firm looks like its using the latest techniques
 - Innovations are culturally supported, copying other organizations' practices give firm sense of legitimacy
 2. **Coercive Forces**
 - External pressures exerted on an organization to adopt structures, techniques, or behaviours similar to other organizations. HAVE TO ABIDE
 - Formal/informal- government, regulatory agencies, important organizations in the environment
 - May not actually make the company more effective, but it will look more effective and be accepted as legitimate by the environment
 - Laws- government laws, health and safety regulations

- Occur between organizations where there is a power difference- larger company will insist that certain policies, procedures, and techniques be used
- Changes due to: rules, laws, sanctions, contractual/legal basis

3. Normative Forces

- Are pressures to change to achieve standards of professionalism, and to adopt techniques that are considered by the professional community to be up to date and effective
- Professional body, norms of the profession, standards, shared values
- Sense of obligation or duty to high standards based on professional norms, through professional education and certification
- Moral/ethical requirement of the profession
- Sometimes normative forces break down, and thus the coercive forces are there to make sure companies stay at acceptable standards
- Organizations can use all mimetic, coercive, and normative forces to change itself to become more legitimate in the institutional environment
- Companies become more homogenous

Chapter 6: Designing Organizations for the International Environment

- The technological, communications, and transportation, advancements have made competing internationally a requirement. Almost have to be global to be successful

Motivations for Global Expansion

- 3 primary factors motivate companies to expand internationally:

1. Economies of Scale

- Building globally expands the organization's scale of operations
- With more operations, can realize economies of scale
- Economies of scale: Through large volume production, companies can achieve the lowest possible cost per unit of production (fixed costs spread), Bigger is better
- Ex. only have one officer for multiple locations instead of 1 officer per each locale
- Domestic markets no longer provide the high level of sales needed to maintain enough volume to achieve scale of economies, thus must expand into international markets
- Economies of scale allows companies to obtain volume discounts, lowering cost of production

2. Economies of Scope

- Enhanced potential for exploiting economies of scope
- **Scope:** the number and variety of products and services a company offers, as well as the number and variety of regions, countries, and markets it serves
- Having international presence in more countries provides more marketing power than a firm in less countries
- Increase company's market power because it develops knowledge of cultural, social, economic, and other factors that affect its customers in varied locations, and will be more able to provide specialized products and services to meet those needs

3. Low-Cost Production Factors

- Opportunity to obtain raw materials and other resources at the lowest possible cost
- Going international for any factors that will lower the company's total production costs
- Can go overseas to get materials that were scarce/unavailable in the domestic country
- Factors of production: supplies used in production

- International for source of cheap labour
- Factors include: lower costs of capital, sources of cheap energy, reduced government restrictions
- Going to another country to gain favourable circumstances (skilled labour, close to customers)

Stages of International Development

- Managers must implement a strategy for global development and growth
- Although methods and processes are different, shift from domestic to global typically occurs through stages of development
- 4 stages of development: Domestic → International → Multinational → Global

	1. Domestic	2. International	3. Multinational	4. Global
Strategic Orientation	Domestically oriented	Export Oriented, multi domestic Multidomestic: competitive issues in each country are independent of other countries and company deals with each country individually	Multinational Company has extensive experience in a number of international markets and has established marketing, manufacturing etc in several countries	Global The company has influence in any single country Subsidiaries are interlinked and competitive position in one country significantly influences other countries.
Stage of Development	Considering Initial Foreign Involvement, want to expand production volume	Competitive positioning internationally	Explosion, sales really take off	Global Stateless Corporation, don't have a home country anymore
Structure	Domestic Structure, plus export department to handle foreign sales	Domestic structure, plus international division, specialists hired to handle services	Worldwide geographical, product	International Matrix, transnational
Market Potential	Moderate, mostly domestic, limited	Large, multidomestic, many countries identified in potential market	Very large, multinational	Whole world

Multidomestic: catering to the needs of the individual culture, changing your product/service to fit the country you are in

Global Expansion Through International Strategic Alliance

- Companies enter international operations by joining international strategic alliances
- Alliances include:
 - **Licensing**
 - License products out for others to use to support industry wide innovation and marketing and to offset the high fixed costs of research and distribution
 - **Joint Ventures**
 - A separate entity created with two or more active firms as sponsors
 - Sharing development and productions costs to penetrate markets
 - Form to:
 - take advantage of partner's knowledge of local markets,
 - achieve production cost savings through economies of scale,

- to share complementary technological strengths, or
- to distribute new products/services through another country's distribution channel
- **Consortia**
 - Groups of independent companies that join together to share skills, resources, costs, and access to one another's markets
 - Includes: suppliers, customers, competitors
 - Virtual global organizations: evolving relationships between organizations that exist to temporarily exploit unique opportunities/attain specific strategic goals

Designing Structure to Fit Global Strategy

- Structure must fit the organization's situation and provide ability for information processing (coordination and control) while focusing employees on special functions, products, geographical regions
- Must look for global strategic opportunities over local strategies

Global Vs Local Opportunities

- Must have global strategy that provides synergy and will help achieve common organizational goals across worldwide operations
- When acting globally, must decide if they want to emphasize:
 - **Global Standardization:** should activities be standardized across countries, globalization strategy
 - **National Responsiveness:** should each global affiliate act autonomously, multidomestic global strategy

1. Globalization Strategy:

- Product design, manufacturing, and marketing strategy are standardized throughout the world
- Standardized product line to save costs, don't have to tailor items
- Some products can be standardized and only have to change marketing/advertising approaches
- Services less able to be standardized because different customs/habits will require different approaches to providing the service
- Sell products/services across many countries

PROS	CONS
Save costs Use economy of scale efficiencies Standardizing product design/manufacturing, using common suppliers (building relationships), can get products out to the world faster, coordinating prices, and eliminating overlapping facilities	Economic and Social trends are backlashing against big global corporations, more favourable towards products with a local feel May not cater to the individual culture's needs

2. Multidomestic Strategy

- That competition in each country is handled independently of competition in other countries
 - Encourages product design, assembly, and marketing to be tailored to the specific needs of the country
 - Different cultures have different needs and wants, must adapt product to be successful
 - Have products/services for local country advantages, differentiation and customized for local needs
- There are different global organizational designs, based on the needs of global standardization or national responsiveness

Model to fit organization structure and international focus:

Forces of Global Integration	Globalization Strategy <i>Global Product Structure</i>	Both Globalization and Multidomestic Strategy <i>Global Matrix Structure</i>
	Selling standardized products worldwide provides a competitive advantage Product managers have authority to handle product lines globally, take advantage of unified global market	Must respond to both global and local opportunities simultaneously Some parts of the product line will be standardized globally, while others are tailored to meet needs of country (McDs)
	Export Strategy <i>International Division</i>	Multidomestic Strategy <i>Global Geographic Structure</i>
	Just include an international division with the domestic structure	Responding to unique needs in various countries Each country will have subsidiaries modifying the product/services to fit the location
Forces of National Responsiveness		

- Companies classified based on whether or not their product/service can be globalized (worldwide standardization) or if they meet local country advantages

1. International Division

- Beginning of international exploration, export department, grows into international department
- International division becomes another major department in the organization
- division is organized according to geographical interests
- Role of international division:
 - Selling products created by domestic division in the international market, opening subsidiary plants internationally, planning international operations
- Functional structures not really used in worldwide companies because it would be too long of a communication chain

2. Global Product Structure

- a form in which product divisions take responsibility for global operations in their specific product areas
- managers in each product division can focus on organizing international operations accordingly, can direct employees for division's own global opportunities and problems
- each division's manager is responsible for:
 - planning, organizing, and controlling all functions for the production and distribution of its products globally
- use this structure when:
 - there is opportunity for worldwide productions and sale of standard products for all markets.
 - provides economies of scale and standardization of production, marketing, and advertising
- PROS:
 - Standardizes product and sales globally
- CONS:
 - Product divisions don't work well together, compete instead of cooperate

3. Global Geographic Structure

- Divides the world into geographical regions, with each geographical division reporting to the CEO
- Base organizations regionally, want to emphasize adaptation to regional/local market needs through multidomestic strategy
- Each division has full control of functional activities within its geographical area
- Regional managers know the culture, don't target countries the same, have divisions in each country to focus on the local needs and competition of each country, can make adaptations to the product in their region
- Companies using this structure usually:

- Have mature product lines and stable technologies
- Find low cost manufacturing within countries
- Can meet different needs across countries for marketing and sales

PROS	CONS
<p>Able to customize product for the customer, competitive advantage</p> <p>Develop closer relationships with client (need to be geographically close to do these things)</p>	<p>Autonomy of each regional division may lead to planning problems on the global scale</p> <p>Each division really only acts for the needs of its region</p> <p>New domestic technologies and processes may be difficult to transfer internationally</p> <p>Hard to introduce new products, developed offshore, into domestic markets. Slow process</p> <p>Duplication of line and staff managers across regions (costly)</p>

4. Global Matrix Structure

- A form of horizontal linkage in an international organization in which both product and geographical structures are implemented simultaneously to achieve a balance between standardization and globalization
- Have a boss for both the “country side” and the “product side” of the organization
- Matrix works best when:
 - Pressure for decision making balances the interests of both product standardization and geographical localization
 - Coordination to share resources is important
- Many international firms apply this global hybrid/mixed structure
- Highly volatile environments

The Challenges of Running an Organization in the Global Environment

- 3 primary segments of the global organizational challenge:
 1. Increased Complexity and Differentiation
 - With international markets, there is greater level of internal and external complexity
 - External International Environment Challenges:
 - Create structure to operate in different countries with different: economic development, language, political systems, government regulations, cultural norms and values, infrastructure (transportation, communication). Lots of **cultural differences**
 - Global consumers are **rejecting homogenized products** and services, want their local preferences to be served. Ex McDonalds serving to local markets, India=Veggie Burgers, Nova Scotia = McLOBster
 - Internal Organizational Challenges:
 - As environments become more complex and uncertain, organizations grow more **highly differentiated**
 - Many have **specialized positions and departments** to cope with specific sectors in the environment. Specialized departments to deal with diverse government/legal/accounting regulations etc
 - More **boundary spanning departments** are needed to respond to external environment
 - Organizations must implement strategies, more activities, and a **larger number of products/services** to meet the needs of the diverse market
 - More products, divisions, departments, and positions across many countries
 2. Need for Integration
 - As differentiation increases, many things to coordinate, Integration becomes really important
 - Integration: the quality of collaboration across organizational units
 - International organizations face high differentiation, diverse goals, attitudes, and work values, geographical distance, time differences, cultural values, language barriers
 - Thus companies must COORDINATE

- Companies must share information, ideas, products, and technologies across the organization
- Very complex environment, must get the company to work together because it is so much harder to coordinate to start

3. Transfer of Knowledge and Innovation

- The international environment provides many learning opportunities, need to be shared
- **Organizations need a system to promote the transfer of knowledge and innovation across the global enterprise**
 - Units in each location solve problems, acquire knowledge, and achieve efficiencies that would be useful to other locations, thus must be able to share their knowledge and learn from international experiences and innovations
- Reasons that hinder the transfer of knowledge between International Organizations:
 - **Language, cultural, and geographical distances** prevent top managers from recognizing the knowledge exists
 - Divisions **may view knowledge and innovations as power**, and want to hold onto it to gain power in the global firm. Self Interest
 - **“not invented here” syndrome** - some managers don't want to use the expertise of other groups
 - The organization's knowledge is in the **minds of the employees**. Can't write all the knowledge down and share with the other units.
- To transfer knowledge and innovation, organizations must:
 - Encourage the development and sharing of knowledge
 - Implement systems for tapping into knowledge
 - Share innovations to meet global challenges

Methods of Facing the Challenges of a Global Environment

1. **Global Teams**

- Transnational teams, cross border work groups made up of multi skilled, multi national members, whose activities span multiple countries
- 2 types:
 - **Intercultural Teams:** members come from different countries and meet face to face
 - **Virtual Global Teams:** members remain in separate locations and conduct work electronically
- Team approach allows ideas and learning to be constantly shared, thus spreading internationally
- Teams contribute to 3 strategic areas:
 - **Differentiation Challenge:** teams can be more locally responsive, provide knowledge to meet the needs of different regional markets, consumer preferences, political systems
 - **Integration Benefits:** organizations can achieve global efficiencies, develop cost advantages and standardizing designs/operations across countries
 - **Contribute to Learning:** continuous knowledge transfer, learning, and adaptation

2. **Stronger Headquarters Planning**

- Have headquarters take an active role in planning, scheduling, and control to achieve stronger global coordination
- Keep the organization working together and moving in the same direction, goals start at the top
- Without strong leadership, highly autonomous divisions will begin to act like independent companies instead of working with the global company as a whole
- Centralized management and information systems that track and coordinate activities across divisions
- Plans, schedules, formal rules and procedures, increase communication, foster cooperation
- Top management must have strategic direction, guide operations, resolve competing demands between units
-

3. **Specific Coordination Roles**

- Structural solutions
- Specific organizational roles/positions for coordination
- responsibilities include coordinating across countries, linking organization’s expertise worldwide
- Functional managers: coordinate across countries, must coordinate with managers in other units, to share info and become more efficient
- Country Managers: coordinate across functions, coordinate across activities, meet opportunities and trends, coordinate everything that goes on in that country
- Formal network coordinator positions to coordinate information and activities related to key customer accounts
- Information exchange through formal systems and structures and the informal channels and relationships

Benefits that Result from Inter-unit Collaboration and Info Sharing include:

- **Cost Savings**
 - Collaboration shares best practices, produce cost savings and operations efficiencies
- **Better Decision Making**
 - Managers can make better business decisions for their own unit and entire organization
- **Greater Revenues**
 - Sharing expertise and products among divisions increase revenues
- **Increased Innovation**
 - Sharing of ideas will stimulate creativity and development of new products and services

Cultural Differences in Coordination and Control

- Management values and organizational norms differ internationally based on the national culture
- National Culture influences the structural approach and the ways managers coordinate and control
- Hofstede identified 5 dimensions of national value system that vary widely across countries
 - Hofstede believes that culture is more a source of conflict than synergy
 - 2 of his 5 dimensions are:
 - **Power Distance**
 - High power distance: people accept inequality in power among institutions, organizations, and people. Hierarchical, centralized, greater control from top
 - Lower Power Distance: people expect equality. Decentralized
 - **Uncertainty Avoidance**
 - High uncertainty avoidance: members of society feel uncomfortable with uncertainty and ambiguity, support certainty and conformity. Will like rules and procedures
 - Low uncertainty avoidance: people have high tolerance for unstructured, unclear, and unpredictable. Have fewer rules, formal systems, more informal networks and personal communication
- Power distance and uncertainty avoidance are reflected in the hierarchy, centralized decision making, formal rules and procedures, and specialized jobs
- **Gesteland’s 4 major cultural Value Patterns “Logical Patterns”**
 - Characterize countries based on dominant cultural values

Factor	Explanation	Example
Deal Focused vs Relationship Focused	<p>Deal Focused: task oriented, business is objective, impersonal</p> <p>Relationship: people oriented, building close relationships</p>	DF: North America, Australia, Northern Europe

		RF: Arabia, Africa, Latin America, Asia
Informal vs Formal	Informal: low value on status and power, egalitarian ideals of people Formal: hierarchical and status conscious, class-conscious	Informal: US and Australia Formal: Europe, Latin America
Rigid time vs fluid time	Flexible about time and scheduling Rigid and dedicated to schedules	Flexible may view rigids as being arrogant and demanding Rigids may view flexible as being irresponsible
Expressive vs reserved	Volume of voice, hand gestures, facial expressions. Reserved cultures may view expressive as angry/instable	Expressive: Latin America, Mediterranean Reserved: Asia, Germanic Europe

** the different views can cause conflicts between the spectrums, misinterpret communications

Three National Approaches to Coordination & Control

- There are 3 primary approaches to coordination and control presented by Japanese, European and NA countries, patterns of cultural differences. Ways to enter the international markets

1. Centralized Coordination in Japanese Companies

- Develop coordination mechanisms that rely on centralization, very hierarchical
- Top managers have active and direct control, keep R&D close to home
- Centralized Structure leverages the knowledge and resources located at the corporate centre, attain global efficiencies, and coordinate across units
- Headquarters can become loaded, decision making slows, quality may suffer, can adapt to each region's needs

2. European Firm's Decentralized Approach

- International units have a high level of independence and decision-making autonomy
- Strong mission, shared values, and informal personal relationships for coordination
- Emphasizes selection, training, development
- Each international unit focuses on local markets, meets diverse needs
- Negative: costs to ensure managers' goals are aligned, through training programs
- Decision making can be slow, complex, conflicts among divisions are more difficult to solve because more autonomous

3. North America: Coordination & Control through Formalization

- Delegated responsibility to international divisions, yet retain overall control of the enterprise through sophisticated management control systems- formal systems, policies, standards and regular flow of information from divisions to headquarters are methods of coordination and control
- Decision making based on objective data, policies, and procedures
- Costs of setting up systems are high, large headquarter staff to share info
- Flexibility is limited if focus too much on systems and not external environment

- Companies moving towards a new kind of organization form in the complex international environment:

THE TRANSNATIONAL MODEL OF ORGANIZATION

- Highly differentiated to address environmental complexity, yet offers high levels of coordination, learning, and transfer of knowledge
- **Transnational Model:** represents the most advanced kind of international org, it reflects org complexity with many diverse units and org coordination, with mechanisms for integrating the varied parts

- Useful for large, multinational companies w/subsidiaries in many countries that try to exploit both global and local advantages as well as technological advancements, rapid innovation, and global learning
- Wants to be strong in global efficiency, national responsiveness, and global learning simultaneously
- Achieving coordination, participation, involvement, knowledge sharing is all very difficult, just because it is so big
- Required for complex, global organizations such as Philips NV, P&G
- Individual units need autonomy and the ability to impact other parts of the organization
- **Creates integrated networks of individual operations that are linked together to achieve the multidimensional goals of the overall org**
- Management philosophy based on **interdependence** not independence or dependence on headquarters
- It's a managerial state of mind, a set of values, and shared desire to make worldwide learning system work

- Features that distinguish the transnational model from a typical Matrix
 1. Assets & resources are dispersed worldwide into highly specialized operations that are linked together through interdependent relationships
 - Assets are widely distributed, respond to diverse market needs in different parts of the world
 - Each group must cooperate to meet its own goals, continuous flow of info, cross functional sharing
 2. Structures are flexible and ever changing
 - Flexible centralization
 - Centralize functions in one country, yet decentralize functions amongst operations in other areas
 - Must be flexible in structural needs based on benefits gained, threats
 3. Subsidiary managers initiate strategy and innovations that become strategy for the corporation as a whole
 - Various centres and subsidiaries can shape the company from the bottom up
 - Create programs and initiatives in local locations, and innovations move up to other units/headquarters
 - Each unit provides capabilities and knowledge that will benefit the whole organization, more learning
 4. Unification and coordination are achieved primarily through organizational culture, shared vision and values, and management style, rather than through formal structures and systems
 - Horizontal structure
 - Diverse, and in fluctuating environment
 - To achieve unity and coordination in a global organization with differ cultural norms, must have a shared understanding...close supervision and rules will not work
 - Socialize employees into culture, adapting beliefs so that everyone participates in information sharing/learning
- Transnational will facilitate strong coordination, organizational learning, and knowledge sharing
- Needed for global organizations who use the whole world as market
- **Autonomy of organizational units empowers the subsidiaries and allows the firm to be flexible in changes in the local level, and benefit from opportunities**
- **Interdependency on each other allows global efficiencies and learning**
-

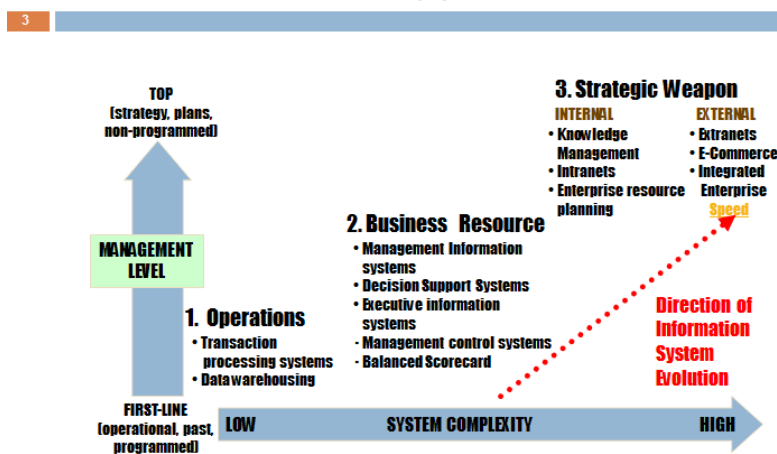
Chapter 8: Information Technology and Control

INFORMATION TECHNOLOGY EVOLUTION

- About diagram:
 - First line management is typically concerned with well-defined problems about operational issues and past events.
 - Top management by contrast deals mostly with uncertain, ambiguous issues, such as strategy and planning.

- When implementing IT systems into operations the goal was to reduce labour costs by having computers take over some task. These systems became known as **transaction processing systems** (TPS), which automate the organizations routine, day to day business transactions.
- A TPS collects data from transactions and stores them in a database
- The use of data warehousing and business intelligence software has expanded the usefulness of the accumulated data.
- **Data warehousing** is the use of huge databases that combine all of an organizations data to allow users to access the data directly, create reports and obtain responses to what-of questions.
- Software for business intelligence helps users make sense of all the data. Business intelligence refers to the high tech analysis of a company's data in order to make better strategic decisions.
- Sometime referred to as **data mining**, business intelligence means searching out and analyzing data from multiple sources across the enterprise and sometimes from outside sources as well, to identify patterns and relationships that might be significant.

Evolution of IT applications



INFORMATION FOR DECISION MAKING AND CONTROL

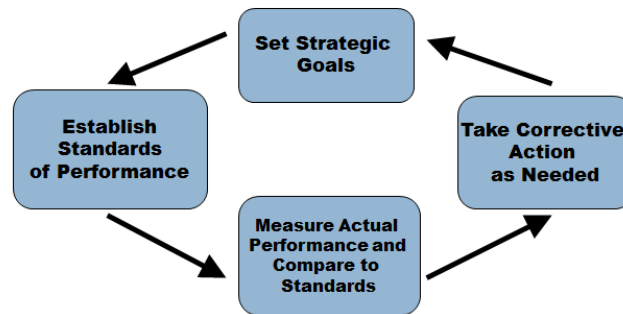
Organizational Decision Making Systems

- **Management information systems (MIS)** is a computer bases system that provides information and support for managerial decision making.
- The MIS is supported by the organization's transaction processing system and by organizational and external databases.
- The information reporting system, the most common form of MIS, provides mid-level managers with reports that summarize data and support day to day decision making.
- An **executive information system (EIS)** is a higher level application that facilitates decision making at the highest levels of management.
- These systems are typically based on software that can convert large amounts of complex data into pertinent information that provide that information to top managers in a timely fashion.
- A **decision support system (DSS)** provides specific benefits to managers at all levels of the organization. These interactive computer based systems rely on decision models and integrated databases. Using decision support software users can post a series of what if questions to test possible alternatives.

Feedback Control Model

- Effective control systems involve the use of feedback to determine whether organizational performance meets established standards to help the organization attain its goals.
- Managers set up systems for organization control that consist of the four key steps in the **feedback control model**.
- The cycle of control includes setting strategic goals do departments or the organization as a whole, establishing metrics and standards of performance, comparing metrics of actual performance to standards of performance or goals to help the organization be successful.

A Simplified Feedback Control Model



LAURIER Business & Economics

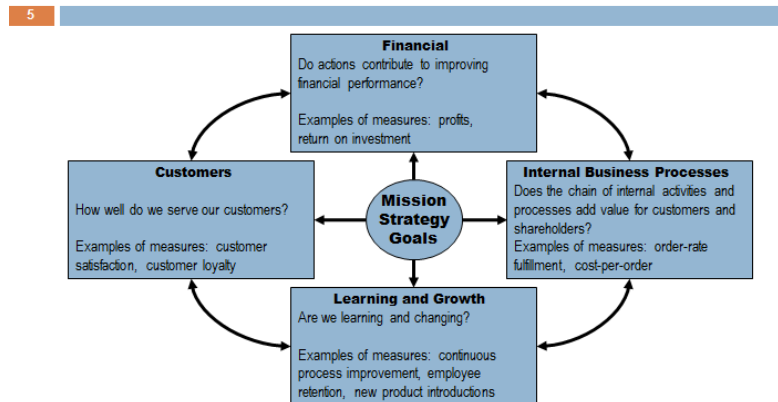
Management Control Systems

- Management control systems are broadly defined as the formal routines, reports and procedures that use information to maintain or alter patterns in organization activities
- These control systems include the formalized information based activities for planning budgeting. Performance evaluation, resource allocation and employee records.
- Targets are set in advance, outcomes compared to targets, and variance reported to managers for corrective actions
- Advances in this have led to increased efficiency and effectiveness in these systems
- Many organizations use executive dashboards, which enable managers to see at a glance key control indicators
 - Dash board systems coordinate, organize and display the metrics that managers consider more important to monitor on a regular basis with software automatically updating figures
 - The budget is typically used to set targets for the organisation's expenditures for the year and then report on a quarterly basis.
 - Managers use statistical reports to evaluate and monitor non- financial performance such as customer satisfaction, employee performance and etc.
 - Reward systems offer incentives for managers and employees to improve performance and meet departmental goals. Managers and employees evaluate how well previous goals were met, set new goals and establish rewards for meeting new targets.
 - Quality control systems set targets for employee participation, establish benchmarking guides and assign and measure six sigma goals
 - Benchmarking means the process of continually measuring products, services and practices against tough competitors or other organizations recognized as industry leaders
 - Six Sigma: based on DMAIC: define, measure, analyze, improve and control; this provides a structured way for organizations to approach and solve problems.
- some people feel all four used together provide the most complete control system.

The Balanced Score Card

- the balance scorecard combines several indicators of effectiveness into a single framework, balancing traditional financial measures with operational measures relating to an organization's critical success factors
- Four measures diagram

Major Perspectives of the Balanced Scorecard



ADDING STRATEGIVE VALUE: STRENGTHENING INTERNAL COORDINATION

Intranets

- Networking which links people and departments within a particular building or across corporate offices enabling them to share information and cooperate on projects has become an important strategic tool for companies
- Networks take many forms but the fastest growing form of corporate networking is the intranet: a private, organization wide information system that uses the communication protocols and standards of the internet and world wide web but is accessible only to people within the organization
- Most organizations have moved their MIS, EIS and so forth to intranets so that they are accessible to anyone that needs them.
- This enables employees to keep in touch with what is going on in the organization, and quickly/easily be able to find information they need, share ideas and work on projects collaboratively.

Enterprise Resource Planning:

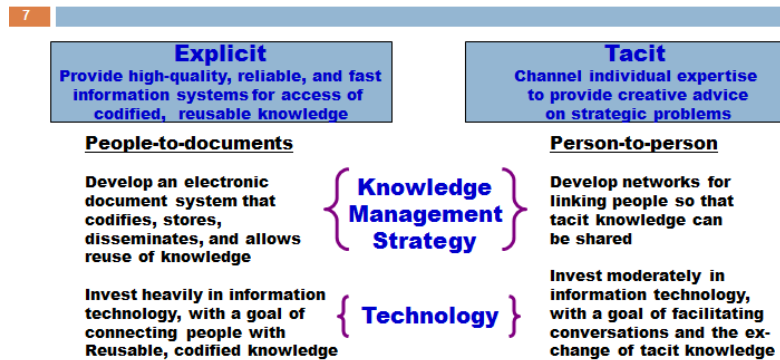
- Another approach to information management helps pull together various types of information to see how decisions and actions in one part of the organization affect other parts of the firm.
- Organizations are setting up large scale information systems that take a comprehensive view of the organizations activities
- These ERP systems collect and provide information about a company's entire enterprise.
- An ERP system can serve as the backbone for the entire organization by integrating and optimizing all the various business processes across the entire firm
- In addition because the system integrates data about all aspects of operations managers and employees at all levels can see how decisions and actions in one part of the organization affect other parts, using this information to make better decisions.
- ERP can provide the kind of information furnished by transaction processing systems as well as that provided by information reporting systems.

Knowledge Management

- A primary goal for IT systems today is to support efforts to manage and leverage organizational knowledge
- Increasingly intellectual capital is the primary way in which businesses measure their value
- Therefore managers see knowledge as an important resource to manage just as they manage cash flow and etc.
- Knowledge management is a new way of thinking about organizing and sharing and organization intellectual and creative resources. It refers to the efforts to systematically find, organize and make available a company's intellectual capital and to foster a culture of continuous learning and knowledge sharing so that the organization activities build on what is already known.
- The company's intellectual capital is the sum of its knowledge, experience, understanding, relationships, processes, innovations and discoveries.
- Although most of an organization's knowledge is within the formal boundaries of the organization, tapping into the knowledge of outside experts is also important because it brings new knowledge into the organization that can be combined with existing knowledge to highlight problems or opportunities and make the organization more competitive.

- A variety of new software tools for social computing supports collaboration and knowledge sharing through services such as web conferencing, knowledge portals, content management and the use of wikis.

Two Approaches to Knowledge Management



What is knowledge?

- Knowledge is not the same thing as data or information though it uses both
- Data are simply absolute facts and figures that in and of themselves may be of little use.
- Information is data that have been linked with other data and converted into a useful context for specific use.
- Knowledge goes a step further- it is a conclusion drawn from the information after it is linked to other information and compared to what is already known. Knowledge as opposed to information and data always has a human factor
- Organizations deal with both explicit knowledge and implicit or tactic knowledge
- Explicit knowledge is formal, systematic knowledge that can be codified, written down, and passed on to others in documents or general instructions.
- Tactic knowledge is difficult to put in words it is based on personal experience, rules of thumb, intuition and judgment Includes professional know how, expertise, individual insight and experience
- Finding ways to transfer both explicit and tactic knowledge- the knowing about and the knowledge how-across the organization is critical.

Approaches to knowledge management

- two distinct approaches to knowledge management are outline in an image below
- The first approach deals primarily with the collection and sharing of explicit knowledge, largely through the use of sophisticated IT systems
- Explicit knowledge may include intellectual properties such as patents and etc.
- When an organization uses this approach the focus on collecting and codifying knowledge and storing it in databases where it can easily be accessed and reused by anyone in the organization. With this people to documents approach knowledge is gathered from the individuals who possess it and is organized into documents that others can access and reuse. Although IT plays an important role in knowledge management by enabling the store and dissemination of data and information across the organization, IT is only one piece of a larger puzzle. The great trap in knowledge management is using information tools and concepts to design knowledge management systems.
- A complete knowledge management system includes not only process for capturing and storing knowledge and organizing it for easy access but also ways to generate new knowledge through learning and to share knowledge throughout the organization
- The second approach focuses on leveraging individual expertise and know how-tactic knowledge- by connecting people face to face or through interactive media
- Tactic knowledge includes professional know how, individual insights and creativity and personal experience and intuition.
- Managers concentrate on developing personal networks that link people for the sharing of tactic knowledge. The IT systems are used for facilitating conversation and person to person sharing of experience insight and ideas.
- Organizations typically combine several methods and technologies to facilitate the sharing and transfer of both explicit and tactic knowledge.

ADDING STRATEGIC VALUE: STRENGTHENING EXTERNAL RELATIONSHIPS

The Integrated Enterprise

- Extranets play a critical role in today's integrated enterprise
- The integrated enterprise is an organization that uses advanced IT to enable close coordination within the company as well as with suppliers, customers and partners.
- An important aspect of the integrated enterprise is suppliers, customers, and partners. An important aspect of the integrated enterprise is supply chain management, which means managing the sequence of suppliers and purchasers covering all stages of processing from obtaining raw materials to distributing finished goods to consumers.

Information linkages

- By establishing electronic linkages between the organization and key partners for the sharing and exchange of data, the integrated enterprise creates a seamless, integrated line stretching from end consumers to raw materials suppliers

Horizontal Relationships

- The purpose of integrating the supply chain is for everyone to work closely together, moving in lockstep to meet customers' product and time demands
- For this to work horizontal relationships get more emphasis than vertical relationships.
- Enterprise integration can create a level of cooperation not previously imaginable if managers approach the practice with an attitude of trust and partnership.
- This computer to computer exchange evolved into a horizontal relationship that has the two firms sharing customer information, shopper loyalty information and other data that provides strategic advantages for both sides of the trading partner

Customer Relationship Management

- Customer relationship management (CRM) systems help companies track customers' interactions with the firm and allow employees to call up a customer's past sales and service records, outstanding orders or unresolved problems.
- The system helps coordinate sales, marketing and customer service departments so that all work smoothly together.

E- Business Organizational Design

- CRM and the integrated enterprise are both components of e-business, a new approach to how organizations conduct their business activities.
- E-business can be defined as any business that takes place by digital processes over a computer network rather than in physical space.
- Many traditional organizations have set up internet operations to strengthen and improve these external relationships, but managers have to make a decision about how best to integrate bricks and clicks- that is how to blend their traditional operations with an internet initiative. In the early days of e-business, many organizations set up dot.com initiatives with little understanding of how those activities could and should be integrated with their overall business.

In House Division:

- An in house division offers tight integration between the Internet operation and the organization's traditional operation. The organization creates a separate unit within the company that functions within the structure and guidance of the traditional organization
- This approach gives the new division several advantages by piggybacking on the established company.

Spin-Off

- To give the internet greater organizational autonomy, flexibility and focus, some organizations choose to create a separate spinoff company.
- Advantages of a spin-off include faster decision making, increased flexibility, and responsiveness to changing market conditions, an entrepreneurial culture and management that is totally focused on the success of the online operation.
- Potential disadvantages are the loss of brand recognition and marketing opportunities, higher start-up costs and loss of leverage with suppliers.

Strategic Partnership

- Partnerships, whether through joint ventures or alliances offer a middle ground, enabling organizations to attain some of the advantages and overcome some of the disadvantages of the purely in-house or spinoff options.

- A primary disadvantage of partnerships is time spent managing relationships, potential conflicts between partners, and a possibility that one company will fail to deliver as promised to go out of business.

IT IMPACT ON ORGANIZATIONAL DESIGN

- Implications of these advances for organizational design are smaller organizations, decentralized structures, improved horizontal coordination, improved interorganizational relationships and enhanced network structures.

Key Characteristics of Traditional vs. Emerging Interorganizational Relationships

	Traditional Relationships	Emerging Relationships
Suppliers	<p>Arm's-length relationship</p> <p>Use of telephone, mail, some EDI for ordering, invoicing, payments</p>	<p>Interactive, electronic relationship</p> <p>Electronic ordering, invoicing, payments</p>
Customers	<p>Limited communication with manufacturer</p> <p>Mix of phone response, mail hard copy information</p>	<p>Direct access to manufacturer, real-time information exchange</p> <p>Electronic access to product information, consumer ratings, customer service data</p>

Chapter 9: Organization Size, Life Cycle and Decline

ORGANIZATION SIZE: IS BIGGER BETTER?

Pressures for Growth

- The vision of practically every business person is to have their company become a member of the fortune 500 list- to grow fast and to grow large
- Sometimes this goal is more urgent than to make the best products or show the greatest profits.
- There are other pressures for organizations to grow. Many executives have observed that firms must grow to stay economically healthy and believe that 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 your organization.
- Growing organizations can be vibrant, exciting places to work which enables these companies to attract and keep quality employees. When the number of employees is expanding an organization can offer many challenges and opportunities for advancement.

Dilemmas of Large Size

- Organizations feel compelled to grow, but how much and how large?

Large:

- Huge resources and economies of scale are needed for many organizations to compete globally. Only large organizations can build a massive pipelines in the north.
- Large organizations also are able to get back to business more quickly following a disaster, giving employees a sense of security and belonging during an uncertain time
- Large companies are standardized, often mechanistically run and complex.
- The complexity offers hundreds of functional specialists within the organization to perform multifaceted tasks and to produce varied and complicated product
- Large organizations, once established can be a presence that stabilizes its market for years at which managers can work for many years. The organization can provide longevity, raises and promotions.

Small

- The competing argument says small is beautiful because the crucial requirements for success in a global economy are responsiveness and flexibility in fast-changing markets
- Small scale can provide significant advantages in terms of quick reaction to changing customer needs or shifting environmental and market conditions.
- Small organizations have flat structures and an organic, free flowing management style that encourages entrepreneurship and innovation.
- Many service companies choose to stay small to better serve customers.

Big Organization/ Small Organization Hybrid:

- The paradox is that the advantages of small organizations sometime enable them to succeed and hence grow.
- All the fortune 500 companies are characterized by their ability to be fast and flexible when responding to the environment
- Small companies can become victims of their own success as they grow, shifting to a mechanistic structure emphasizing vertical hierarchies and spawning corporate drones rather than entrepreneurs.
- Giant companies are built for optimization not innovation- big companies may become committed to existing products and technologies and have a hard time supporting innovation for the future
- The solution to this is the big small hybrid from JACK WELCH.
- This is a hybrid structure that combines a large corporation's resource and reach with a small company's simplicity and flexibility. Full service global firms need a strong resource base and sufficient complexity and hierarchy to serve clients around the world
- Size is not necessarily at odds with speed and flexibility
- The divisional structure is one way companies achieve this hybrid- by reorganizing into group high companies capture the mindset of small companies.
- The development of new organizational forms with an emphasis on decentralizing authority and cutting out layers of the hierarchy combined with the increasing use of information technology is making it easier than ever for organizations to be simultaneously large and small thus capturing the advantages of each.

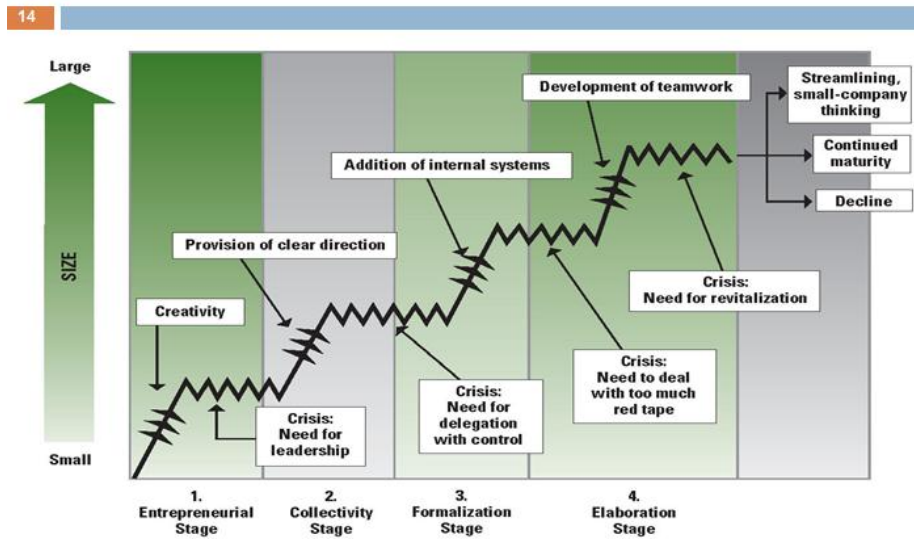
ORGANIZATIONAL LIFE CYCLE

- The organizational life cycle suggests that organizations are born, grow old, and eventually die. Organization structure, leadership style, and administrative systems follow a fairly predictable pattern through these stages in the life cycle. Stage are sequential and follow a natural progression

Stages of Life Cycle Development:

1. *Entrepreneurial Stage:* the entrepreneurial stage is the start up of an organization. When an organization is born the emphasis is on creating a product or service and surviving in the market place. Growth is from a creative new product or service. Crisis: need for leadership: as the organization starts to grow the large number of employees causes issues. The creative technically oriented owners are confronted with management issues, but they don't want to focus their time on that. At this time the structure needs to adjust to accommodate the growth.
2. *Collectivity Stage:* in the collectivity stage the organization grows and develops a more elaborate design. If the leadership crisis is resolved, strong leadership is obtained and the organization begins to develop clear goals and direction. Departments are established along with a hierarchy of authority, job assignments and the beginning division of labour. In this stage, employees identify with the mission of the organization and spend long hours helping the organization succeed. Crisis: need for delegation with control: if the management has been successful, lower level employees gradually find themselves restricted by the strong top down leadership. Lower level managers are acquiring confidence and want their own discretion. An autonomy crisis occurs when top managers who were successful because of their strong leadership and vision do not want to give up responsibility. Top managers want to make sure that all parts of the organization are coordinated and pulling together. The organization needs to find mechanisms to control and coordinate departments without direct supervision.
3. *Formalization Stage:* The formalization stage involves the installation and use of rules and procedures and control systems. Communication is less frequent and more formal. Product groups or other decentralized units may be formed to improve coordination, as might an incentive pay system based on profits. Crisis: need to deal with too much red tape: at this point middle management may be strangled, as the organization is too bureaucratic. Innovation is restricted as the organization seems too large and complex to be managed through formal programs.
4. *Elaboration stage:* in the elaboration stage, the organization becomes more flexible in its design. The solution to the red tape crisis is a new sense of collaboration and teamwork. Managers need to develop skills for confronting problems and working together. Bureaucracy may have reached its controls, managers learn to work within the bureaucracy without adding to it. Formal systems may be simplified and replaced by manager teams and task forces. Teams can be formed, or the organization split into divisions to help make the mentality small. Crisis: need for revitalization: after the organization reaches maturity it may enter periods of temporary decline. A need for renewal may occur every 10-20 years.

Organizational Life Cycle



Organizational Characteristics during the Life Cycle

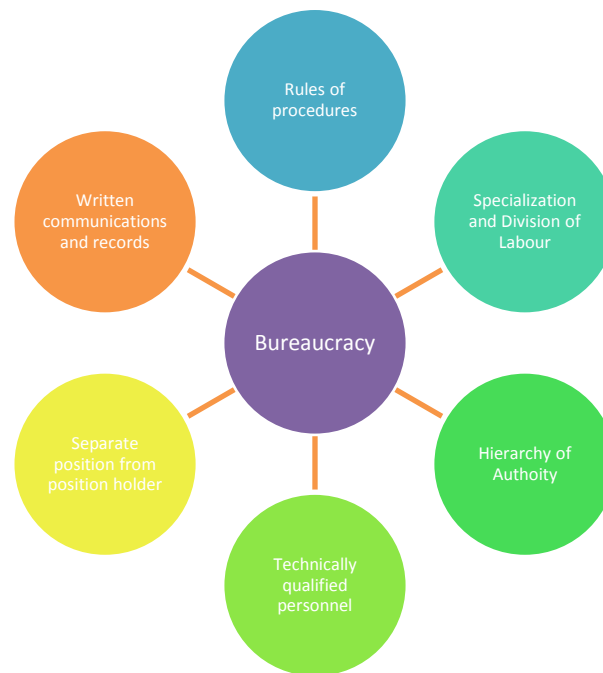
	<i>Entrepreneurial</i>	<i>Collectivity</i>	<i>Formalization</i>	<i>Elaboration</i>
<i>Characteristic</i>	<i>Non Bureaucratic</i>	<i>Bureaucratic</i>	<i>Bureaucratic</i>	<i>Very Bureaucratic</i>
<i>Structure</i>	Informal, one person show	Mostly informal, some procedures	Formal procedures, division of labour, new specialties added	Teamwork within bureaucracy, small company thinking
<i>Products or Services</i>	Single product or service	Major product or service with variations	Line of products or services	Multiple product or service lines
<i>Reward and Control Systems</i>	Personal, paternalistic	Personal, contribution to success	Impersonal, formalized systems	Extensive, tailored to produce and department
<i>Innovation</i>	By owner/manager	By employees and managers	By separate innovation group	By institutionalized R&D department
<i>Goal</i>	survival	growth	Internal stability, market expansion	Reputation, complete organization
<i>Top Management Style</i>	Individualistic entrepreneurial	Charismatic, direction giving	Delegation with control	Team Approach, attach bureaucracy

ORGANIZATIONAL BUREAUCRACY AND CONTROL

- As organizations progress through the life cycle, they usually take on bureaucratic characteristics as they grow larger and more complex.
- This systematic study was launched by MAX WEBER

What is Bureaucracy?

- Weber perceived bureaucracy as a threat to basic personal liberties, he also recognized it as the most efficient possible system of organizing
- He predicted the triumph of bureaucracy because of its ability to ensure more efficient functioning of organizations in both business and government settings.
- He identifies a list of organizational characteristics:



- In a bureaucracy, rules and standard procedures enable organizational activities to be performed in a predictable, routine manner. Specialized duties mean that each employee has a clear task to perform. Hierarchy of authority provides a sensible mechanism for supervision and control
- Technical competence was the basis by which people were hired rather than friendship, family etc., which dramatically increased work performance. Written records provided an organizational memory and continuity over time.
- Although bureaucratic characteristics carried to an extreme are widely criticized today, the rational control introduced by Weber was a significant idea and a new form of organization.
- Bureaucracy provides many advantages over companies formed or grown on the basis of family and etc.

Size and Structural Control

- Organizational size has been described as an important variable that influences structural design and methods of control

Formalization and Centralization

- Formalization refers to rules, procedures and written documentation, such as policy manuals and job descriptions that prescribe the rights and duties of employees.
- The reason is that large organizations need this formalization to standardize and control their organization.
- Centralization refers to the level of hierarchy with authority to make decisions. In centralized organizations decisions tend to be made at the top, in decentralized, the decisions are made at lower levels.
- Decentralization represents a paradox because in the perfect bureaucracy all decisions would be made by top management but this is unrealistic as because when the organizations grow top managers would be overloaded if they had to make all decisions.

Personnel ratios

- The ratio of top management to employees is smaller in large organizations indicating that organizations experience administrative economies as they grow
- Clerical and professional support staff ratios tend to increase in their proportion to organization size. This is because of the greater communication and reporting requirements needed as it grows.

BUREAUCRACY IN A CHANGING WORLD

- Bureaucratic characteristics have many advantages and have worked extremely well for many of the needs of the industrial age.

- By establishing a hierarchy of authority and specific rules/procedures bureaucracy provided an effective way to bring order to large groups of people and prevent abuses of power.
- Impersonal relationships based on roles rather than people reduced the favouritism and nepotism characteristic of many pre industrial organizations.
- Bureaucracy also provided systematic and rational ways to organize and manage tasks too complex to be understood and handled by a few individuals, thus greatly improving the efficiency and effectiveness of large organizations
- As the world is changing this bureaucratic approach won't always work.

Organizing Temporary Systems for Flexibility and Innovation

- to overcome the problems of bureaucracy in the rapidly changing environments some are implementing innovative structural solutions
- one is the incident command system (ICS) which is used by people such as fire departments and etc. It allows of centralized decision making in times of stability but in times of instability (like a fire) the decision making is decentralized allowing for lower levels to make decisions leading to a better outcome.

Other Approaches to Reducing Bureaucracy

- cutting layers of hierarchy
- keeping headquarter staff small and giving lower level managers/people more decision making power
- the point is to ensure the organization is not too top heavy
- increase professionalism of employees- formal training and etc. – ongoing training

ORGANIZATIONAL CONTROL STRATEGIES

- even though many organizations are trying to decrease bureaucracy and reduce rules and procedures that constrain employees, every organization needs systems for guiding and controlling the organization
- employees may have more freedom in today's organizations but control is still a major responsibility of management
- William Ouchi suggested three control strategies for organizations to adopt

Bureaucratic Control

- Bureaucratic control is the use of rules, policies, hierarchy of authority, written documentation, standardization and other bureaucratic mechanism to standardize or assess behaviour
- Rational legal authority: is based on employees belief in the legality of rules and the right of those elevated to positions of authority to issue commands. This is the basis for both creation and control of most government organizations.
- Traditional authority: is the belief in traditions and in the legitimacy of the status of people exercising authority through those traditions. Traditional authority is the basis for control in monarchies, religious institutions etc.
- Charismatic authority is based on devotion to the exemplary character or to the heroism of an individual person (cult** eek)
- More than one type of authority may exist in an organization

Market Control

- Market control occurs when price competition is used to evaluate the output and productivity of an organization
- The idea of market control originated in economies (dollar control)
the use of market control requires that outputs be sufficiently explicitly for a price to be assigned and competition exist
- Without competition the price does not accurately reflect internal efficiency.
- Increasingly governments and non-profits are turning to market control
- Increasingly used in product decisions
- Can only be used when the output of an organization, division or department can be assigned a dollar price and when there is competition.

Clan Control

- Clan control is the use of social characteristics such as organizational culture, shared values, commitment, traditions and beliefs to control behaviour
- Organizations that use clan control require shared values and trust among employees
- It is important to use clan control when ambiguity and uncertainty are high, high uncertainty means that the organization cannot put a price on its service and things change so quickly that rules and regulations are not able to specify every correct behaviour.
- People are hired because they are dedicated to the organizations purpose.
- Often used in small informal organizations, with a strong culture
- Self- control stems from values , goals and standards of individuals.

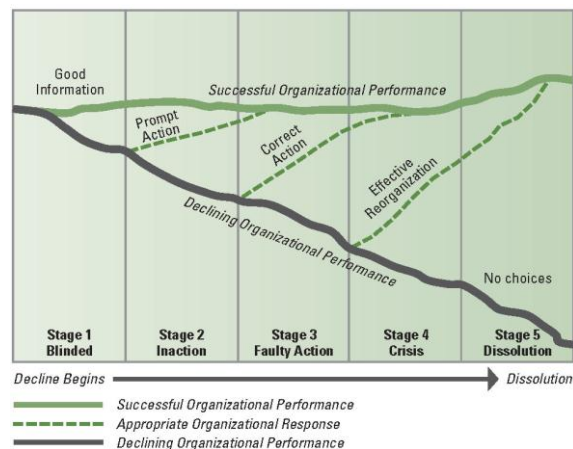
ORGANIZATIONAL DECLINE AND DOWNSIZING

- Every organization goes through periods of temporary decline

Definition and Causes

- The term organizational decline is used to define a condition in which a substantial, absolute decrease in an organization's resource base occurs over a period
- Organizational decline is often associated with environmental decline in the sense that an organizational domain experiences either a reduction in size or shape.
- 3 factors that cause organizational decline
 1. *Organizational Atrophy*: atrophy occurs when organizations grow older and become inefficient and overly bureaucratized.
 - The organizations ability to adapt to its environment deteriorates
 - Atrophy often follows a long period of success, because the success is taken for granted and they become attached to what has worked in the past
 - Some warning signs for organizational atrophy include: excess administrative and support staff, cumbersome administrative procedures, lack of effective communication and coordination, outdated organizational structure
 2. *Vulnerability*: vulnerability reflects an organizations strategic inability to prosper in its environment.
 - This often happens to small organizations that are not yet fully established
 - They are vulnerable to shifts in the consumer tastes or in the economic health of the larger community.
 - They may have trouble defining a strategy
 - And need to redefine their environmental domain
 3. *Environmental Decline or Competition*
 - Environmental decline 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 switch to a small domain
 - One cause of this is an increase in competitors

A Model of Decline Stages



1. Blinded stage: internal and external change that threatens long term survival and may require the organization to tighten up. The organization may have excess personnel, cumbersome procedures, or lack of harmony with customers. Leaders often miss the signals of decline at this point and the solution is to develop effective scanning and control systems that indicate when something is wrong
2. Inaction stage: the second stage of decline is inaction, in which denial occurs despite signs of deteriorating performance. Leaders may try to persuade employees that all is well. This can lead to “creative accounting” to make things look fine. The solution is for leaders to acknowledge decline and take prompt action to realign the organization with the environment.
3. Faulty action stage: the organization is facing serious problems and indicators or poor performance cannot be ignored. Failure to adjust to the declining spiral can lead to organizational failure. Leaders are forced by severe circumstances to consider major changes. Leaders need to reduce employee uncertainty by clarifying values and providing information. A major mistake at this stage decreases the organizations chance for turn around
4. Crisis stage: still has not been able to effectively deal with decline and is facing panic. May experience chaos, needs to go back to basics/re-organizations.
5. Dissolution: stage of decline is irreversible: close down.

Downsizing Guidelines

- ❑ Communicate more, not less – it isn’t possible to over-communicate
- ❑ Provide support to displaced workers such as training, severance, and outplacement activities
- ❑ Help the survivors deal with survivor guilt

Chapter 10: Organizational Culture and Ethical Values

- Values characterize how people behave and how the organization carries out everyday business
- Values must be aligned with the environment and relate to how the company needs to thrive

Social Capital: the quality of interactions among people and whether they share a common perspective. How you treat your other employees and how you treat the customers. Have high or low level of social capital

High Degree of Social Capital- relationships are based on trust, mutual understandings, shared norms and values. People cooperate and coordinate activities to achieve organizational goals

Goodwill: relationships in an organization and with customers, suppliers, and partners are all based on honesty, trust, and respect. Spirit of good will exists and people will cooperate to achieve mutual benefits

- High level of social capital and good will allows an organization to run smoothly

Culture: the set of values, norms, guiding beliefs, and understandings that is shared by members of an organization and is taught to new members. The unwritten, feeling part of the organization.

- Culture is shown in the social activities and patterns of the organization

2 levels of organizational culture:

- **Surface Level:** Observable symbols, ceremonies, stories, slogans, behaviours, dress, physical settings. The way people act, symbols, stories, and ceremonies organization members share. The visible elements reflect deeper values in the organization
- **Underlying Level:** underlying values, assumptions, beliefs, attitudes, feelings, thought processes. These make up the true culture. The surface level is based on this underlying level

Culture:

- Provides members with a sense of organizational identity
- Generates a commitment to beliefs and values that are larger than the individual members

Culture Emergence:

- Culture stems from founder/early leader who articulated and implemented the particular ideas and values in the vision, philosophy, or business strategy
- When ideas lead to success, they become part of the institution, and culture emerges to reflect this vision

Culture's Function in an Organization:

1. **Internal Integration:** Integrate members so that they know how to relate to one another
 - Members develop a collective identity and know how to work together effectively. Culture guides day to day working relationships, how people communicate, what behaviour is acceptable, and how power and status is allocated
2. **External Adaptation:** To help the organization adapt to the external environment
 - How the organization meets goals and deals with outsiders
 - Culture decides how daily activities should be done to meet goals, meet customers' needs, face competitor moves
3. Guides employee decision making when there are no written rules/policies

- Culture's functions relate to building the organization's social capital- forging positive/negative relationships with organization and outsiders

Interpreting Culture

- To identify and interpret culture, people must make inferences based on the observable artefacts...may have different meanings in different cultures
- Typical and important observable aspects of culture include: (the aspects represent the culture)
 - Rites and Ceremonies
 - Stories
 - Symbols
 - Language

Rites and Ceremonies

- The planned activities that make up a special event and are often conducted for the benefit of an audience
- Purpose:
 - Provide dramatic examples of what a company values
 - Create a bond among people for sharing an important understanding
 - Celebrating heroes who symbolize important beliefs/activities
- 4 types of Rites:

Type of Rite	Example	Social Consequences
Passage	Intro and basic training	Facilitate the transition into new social roles and statuses
Enhancement	Annual awards night	Enhance social identities and increase statuses of employees
Renewal	Organization development activities	Refurbish social structures and improve organization functioning
Integration	Office Holiday Party	Encourage and revive common feelings that bind members together and commit to the organization

Stories

- Narratives based on true events that are frequently shared among organizational employees and told to new employees to inform them about an organization
- Company heroes- model of the culture norms, legends- events are historic and have been embellished, myths- no facts
- Primary values of the organization

Symbols

- Represents another thing- ceremonies, slogans, stories, rites all symbolize deeper values of an organization
- Physical artifact of the organization

Language

- Companies use a specific saying, slogan, or metaphor, or other form of language to convey special meaning to employees
- These 4 aspects reflect the culture and are used to shape company values and strengthen organizational culture

Organizational Design and Culture

- The organizational culture will reinforce the strategy and structural design that the organization needs to be effective within the environment
- Ex. environment requires flexibility -> culture should be adaptable
- Correct Combo of values, structure, and environment will increase organizational performance
- 2 dimensions to assess culture:
 - o Extent that environment requires flexibility/stability
 - o The extent to which the organization’s strategic focus and strength are internal/external
 - o Leads to 4 categories of cultures:

Needs of the Environment			
Strategic Focus	Flexibility		Stability
	External	Adaptability Culture	Mission Culture
	Internal	Clan Culture	Bureaucratic Culture

1. The Adaptability Culture

- Characterized by strategic focus on the external environment through flexibility and change to meet customer needs
- Encourages entrepreneurial values, norms, and beliefs that support the organization’s ability to detect, interpret, and translate signals from the environment into new behaviour responses
- Reacts quickly to the environmental changes and actively creates change
- Values and rewards: Innovation, creativity, and risk taking, team work, creativity
- Companies include ebay, google, amazone, cosmetic, marketing, electronics

2. The Mission Culture

- Concerned with serving specific customers in the external environment, without need for rapid change
- Emphasis on clear vision on organization’s purpose and achievement of goals
- Behaviour shaped by envisioning and communicating a desired future state for the organization
- Vision translated into measureable goals, evaluate employee performance based on completion
- High level of competitiveness, and profit making orientation

3. The Clan Culture

- Involvement and participation of the organization’s members and on rapidly changing expectations in the external environment

- Focuses on the needs of employees in order to have high performance
- Involvement and participation create responsibility and ownership, therefore greater commitment to the organization
- Important value= taking care of employees
- Want creativity of employees so they can be productive and adapt to outside environment
- Ex. fashion industry

4. The Bureaucratic Culture

- Internal focus and consistency orientation for a stable environment
- Culture that is methodical
- Symbols, heroes, ceremonies all support cooperation, tradition, and following established policies and practices are how they achieve goals
- Less personal involvement, high level of consistency, conformity, collaboration among members
- It is highly integrated and efficient, Not very flexible

Culture of Discipline (by Collins)

- Culture of Discipline: everyone in the organization is focused on doing whatever is needed to keep the company successful
- How to build a culture of discipline:
 - **Level 5 Leadership:**
 - A top leader who exemplifies a lack of personal ego, strong will, ambition for the success of the organization. Develop strong group of leaders, so when they leave, the organization will continue to be more successful. Selfishness, greed and arrogance are not present
 - **The right Values**
 - Values of individual freedom and responsibility within framework of organizational purposes and goals and systems
 - People have autonomy to do what it takes- within clear guidelines
 - **The right People in the Right Jobs**
 - Look for people with the right values to fit the culture
 - People are determined, diligent, precise, systematic, consistent, focused, accountable, responsible. Willing to work for the organization
 - **Knowing Where to Go**
 - Understanding of 3 ideas: what they can be the best in the world at, what they are deeply passionate about, and what makes economic sense for the organization. Vision and strategy
 - Once these building blocks achieve these things, positive results ensure, and success continues to build

Culture Strength: the degree of agreement among members of an organization about the importance of specific values. If the values are very strong and high agreement, the culture is strong and cohesive.

Strong Culture:

- Frequent use of ceremonies, symbols, stories, heroes, and slogans
- Increase employee commitment to the values and strategy of the company
- Emphasize selection and socialization of employees into culture
- In many organizations, culture is not uniform throughout, Have several subcultures
 - **Subcultures:** develop to reflect the common problems, goals, and experiences that members of a team, department, or other unit share. Cultures vary based on the experiences of other functions/departments
 - Different cultures in diff areas of the organization (department, location, function etc)
 - Have the basic underlying values of the dominant organization, plus additional values unique to members of the subculture.
 - When subcultures are too strong and overwhelm the overall culture, conflicts can occur

Organizational Culture, Learning, and Performance

- Culture creates organizational climate that promotes learning, innovative responses to challenges, threats/opportunities
 - Strong culture of adaptability and change increases organizational performance by:
 - energizing/motivating employees
 - unifying people around shared goals and higher mission
 - guides employee behaviour and ensures actions are aligned with strategic priorities
 - right culture drives high performance

- positive relationship between culture and performance, higher performance with cultures emphasizing adaptability
- by holding onto old values and old culture, organizations aren't able to adapt to external environment, keeping stable values may actually hurt company's future performance

- Nonadaptive cultures: rigidity and stability
- Healthy/Strong/Adaptive Cultures: smooth internal integration and encourage adaptation to external environment
- Strong Adaptive Cultures have the following values:
 - ***The whole is more important than the parts, and boundaries between parts are minimized***
 - Everyone is aware of whole system, how it fits together, how actions affect other parts and the total organization. Acknowledgement of the whole reduces boundaries within the company. Everyone's attitudes reflect the dominant culture
 - ***Equality and trust are primary values***
 - Culture creates a sense of community and caring for one another. People can take risks, develop to full potential, treating everyone with care and respect, allows people to experiment, make mistakes, and learn.
 - Open communication to build trust
 - ***Culture encourages risk taking, change, and improvement***
 - Question the status quo
 - Constant questioning to improve creativity, culture rewards and celebrates new ideas, products, and work processes
 - May also reward those who fail in order to learn and grow

	Adaptive Cultures	Maladaptive Cultures
Core Values	Managers care about customers, stockholders, employees Value processes that can create useful change	Managers care about: <ul style="list-style-type: none"> - Themselves and their immediate work group - Value orderly and risk reducing processes - Value short term gains
Common Behaviours	Managers pay attention to their stakeholders and initiate change to serve their interests Create organizational climate that is supportive of employee participation, development, and creativity	<ul style="list-style-type: none"> - Managers tend to be isolated, political, and bureaucratic - Tend to resist change and when they must change, they push ideas down the hierarchy and restrict employee creativity

Ethical Values and Social Responsibility

- Ethical values are considered most important in the organizational culture

Individual Ethical Principles

Ethics: the code of moral principles and values that governs the behaviours or a person or group with respect to what is right or wrong

- Values shaped by background and experiences

- Ethical values set standards as what should be done in decision making
- Ethics are personal, yet there is great consensus of what makes ethical behaviour in an organization
- Sources of individual ethical principles:

- Individual ethics are important because individual actions make up the ethical behaviour
- Individual view on ethics affected by: peers, subordinates, supervisors, organizational culture

Managerial Ethics and Social Responsibility

- Strict ethical standards are becoming part of the formal policies and informal cultures of many organizations
- **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 enforceable in courts

Managerial Ethics: principles that guide the decisions and behaviours of managers with regard to whether they are right or wrong

Social Responsibility: management's obligation to make choices and take action so that the organization contributes to the welfare and interest of all organizational stakeholders (employees, customers, shareholders, community, society)

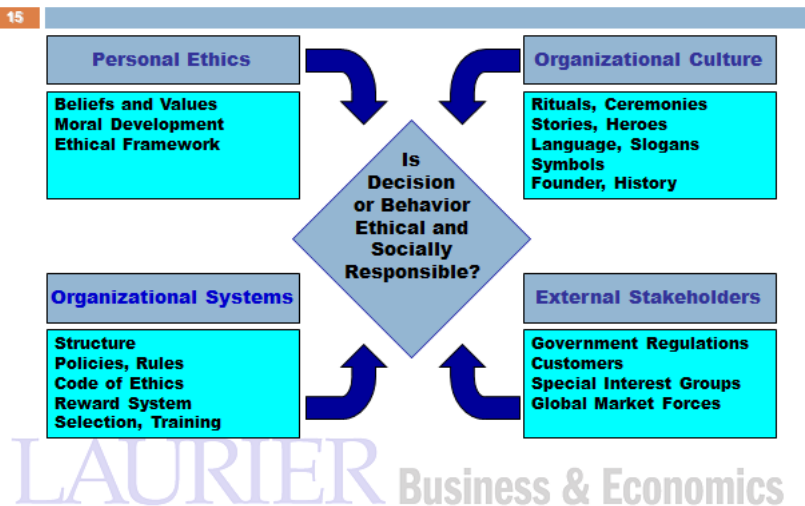
Ethical Dilemma: arises in a situation concerning right and wrong in which values are in conflict, 2 sides cannot be easily identified.

- Top execs must facilitate the process of good decision making by establishing organizational values that stress moral views
- Small positive relationship between ethical and socially responsible behaviour and financial results (ethics= good reputation= alliance= financial results)
 - Companies based on selfless principles perform better
 - Corporate philanthropy gives good reputation, given benefit of the doubt when bad acts occur

- Builds social capital (reputation for honesty, fairness, doing the right thing)
- High quality employees prefer to work for companies with high ethics and social responsibility
- Customers say they prefer a company with commitment to ethics
- Companies who forget about ethics are not able to gain the trust of employees, customers, investors, etc

Sources of Ethical Values in Organizations:

Forces That Shape Managerial Ethics



1. Personal Ethics

- Every individual brings a set of personal beliefs and values into the workplace
- Values translate into behaviour which make up the ethical decision making of the organization
- Shaped by historical, cultural, family, religious, community backgrounds
- People go through **stages of moral development**:
 - **Low Level**: making decisions and behaving to obtain rewards and avoid punishments
 - **Intermediate Level**: people learn to conform to expectations of good behaviour as defined by society and colleagues. Societal Expectations
 - **Highest Level**: people who develop an internal set of standards. Self chosen ethical principals, more important than external expectations. Only few reach this level, includes breaking laws to sustain higher moral principles.
- do managers have an **ethical framework** that guides their decisions:

- **Utilitarian Theory**
 - Ethical decisions should be made to generate the greatest benefits for the largest number of people
- **Personal Liberty**
 - Decisions should be made to ensure the greatest possible freedom of choice and liberty for individuals. Liberties include the freedom to act on one's conscience, freedom of speech, due process of law, and the right to privacy
- **Distributive Justice**
 - moral decisions are those that promote equity, fairness, and impartiality with respect to the distribution of rewards and the administration of rules, which are essential for social cooperation

2. Organizational Culture

- Business practices also encompass the values, attitudes, and behaviour patterns of an organization's culture
- To promote ethical behaviour: companies must make ethics an integral part of the organization's culture
- Culture impacts individual ethics, guides employees in daily decisions, shows employees what is acceptable/not

3. Organizational Systems

- Basic architecture of the organization, formal ethics programs
- Whether or not ethical values are incorporated in policies and rules
- If code of ethics is available
- If organization rewards (praise, attention, promotions) based on ethical behaviour
- If ethics is considered in the selection and training of employees
- Formal efforts to incorporate ethics in the informal culture

4. External Stakeholders

- Groups outside the organization that have a stake in the organization's performance
- Ethical and socially responsible decision making recognizes that the organization is part of the large community
- Considers impact of decisions on all stakeholders (government- act within regulations, customers- concerned with quality, safety, availability, etc, special interest groups)
- Sustainable development is key- economic growth and environmental sustainability (what is taken out of the environment is restored to the system in waste that can be reused)

How Leaders Shape Culture and Ethics

- top management commitment, leadership, and exemplifying ethical behaviour is key in creating ethical companies
- ceo and top managers must be committed to specific values and provide constant leadership in renewing the values, people look up to them and follow actions
- communicate using speeches, company publications, policy statements, personal actions
- must create a culture that emphasizes the importance of ethical behaviour for employees every day

How managers signal and implement values through leadership/formal systems:

Tools Leaders can use to shape cultural and ethical values:

1. **Values Based Leadership**

- values are developed and strengthened through a relationship between a leader and followers that is based on shared, strongly internalized values that are advocated and acted upon by the leader
- leaders influence the cultural and ethical values by:
 - expressing a vision of the organizational values that employees believe in
 - communicating vision throughout organization

- institutionalizing the vision through everyday behaviour, rituals, ceremonies, symbols, organizational systems, and policies
- every statement/action has an impact on culture and values
- employees learn about ethical behaviour from watching the managers
- values based leaders foster trust and respect from employees
- use the respect to motivate employees toward high level performance and a sense of purpose in achieving the organizational vision

2. Formal Structure and Systems

- Structure

- Assign responsibility for ethics to a specific position
- Ethics committee:
 - Focuses on ethics and emphasizes importance
 - cross functional group of execs who oversee company ethics
 - provides rulings on ethical issues, discipline wrong doers
- Chief Ethics Officer:
 - Ethics department that coordinates all corporate ethics activities
 - Establishing standards, communicating, setting up training programs, supervising ethical problems, advising on decisions
- Ethics Hotline/Counselling Centres:
 - Help employees resolve issues, report unethical behaviour

- Disclosure Mechanisms

- Establish policies and procedures to support and protect whistle-blowers (so they feel comfortable reporting)
- Whistle blowing: employees disclosure of illegal, immoral, or illegitimate practices in the organization
- Looking for stronger protection on those who report illegal/unethical business activities
- Without protective measures, people wont blow the whistle, and company will suffer

- Code of Ethics

- Formal statement of the company's values concerning ethics and social responsibility
- Clarifies to employees what the company stands for and what it expects
- Guiding values, guidelines for workplace safety, information, employee privacy, commitment to environmental responsibility, product safety etc
- Clarify and formally state the company's values and expected ethical behaviours
- Code must be reinforced through actions and reward systems

- Training Programs

- Employee training programs to ensure ethics are considered in daily decision making

- Along with these programs, ethics must be integrated into the culture and be supported through words and actions

Organizational Culture and Ethics in a Global Environment

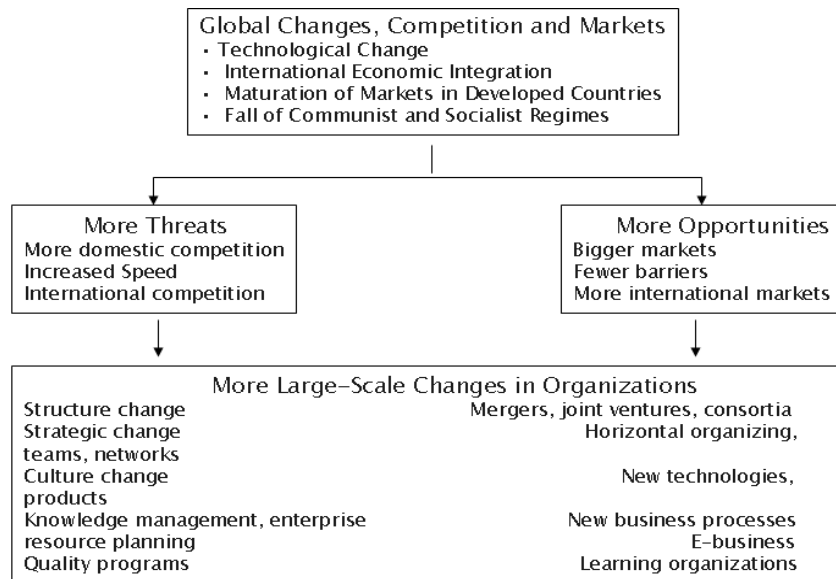
- The greater complexity of the environment (various cultural and market factors) and organizational domain create a greater potential for ethical problems or misunderstandings
- Employees from different countries have varied attitudes/beliefs that make it difficult to establish a cohesive organizational culture
- National culture vs. Organizational culture---national culture usually wins
- Different national cultures affect the attitudes and the methods of performing
- Organizations have to develop a broad strong culture that can be shared across multiple countries, while allowing countries to contribute their own culture

- Must also be wary as each country has different ethical standards
- Global ethics, mechanism to support ethical initiatives on a global scale:
 - **Social Audit:** measures and reports the ethical, social, and environmental impact of a company's operations
 -

Chapter 11: Innovation and Change

- Organizations must innovate and change with their environment/competitors or they will perish

Forces Driving the Need for Major Organizational Change



- Response to global forces: self-directed teams, horizontal structures for increased communication and collaboration, streamlining supply and distribution channels, joint ventures, consortia, structural network changes

Types of Changes used to Adapt to the Environment:

Incremental Change: represents a series of continual progressions that maintain the organization's general equilibrium and often affect only one organizational part.

Radical Change: breaks the frame of reference for the organization, often transforming the entire organization.

Incremental Change	Radical Change
Continuous Progression	Paradigm-Breaking Burst
Affects Organizational Part	Transforms entire Organization
Through normal structure and management processes	Creates new structure and management, management systems, culture
Technology Improvements	Breakthrough technology
Product Improvements	New Products create new markets

- Although incremental is sustainable, radical change is necessary as the environment is turbulent
- Incremental Changes:
 - constant implementation of small ideas can result in a sustainable competitive advantage

- occurs through established structure and management processes
- technology improvements, systems, product improvements
- Radical Changes:
 - Creation of a new structure
 - New management processes, corporate transformations
 - Technology is breakthrough
 - New products establish new markets

Strategic Types of Change

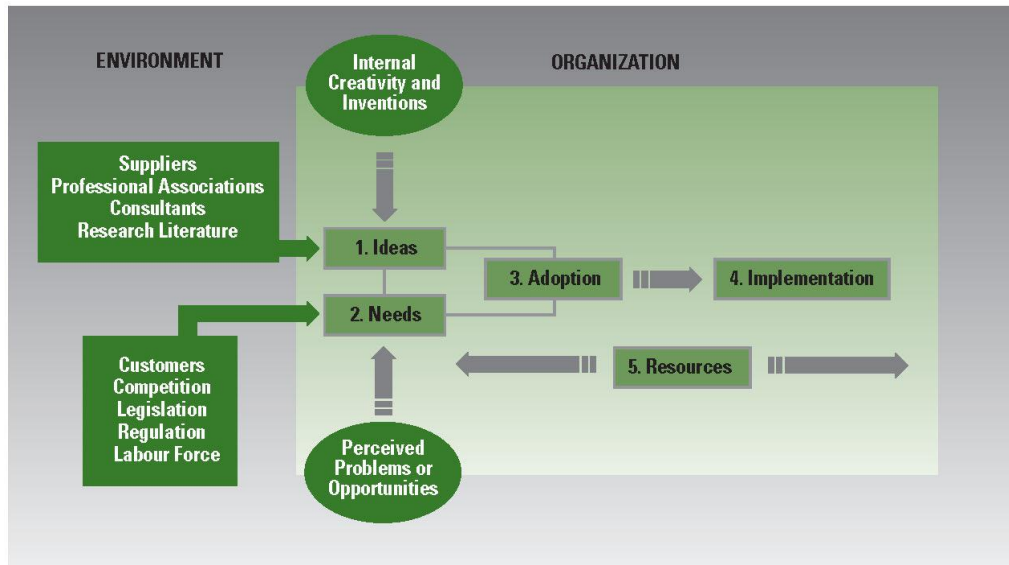
- 4 changes to achieve strategic advantage, each company has a unique configuration of these 4 facets in order to achieve results in their chosen markets
 1. **Product and Service Changes**
 - New products: small adaptations to existing products, entirely new product lines
 - Any changes to the company’s outputs
 - Designed to increase the market share or develop new markets, customers or clients
 2. **Strategy and Structure Changes**
 - The administrative domain in an organization, Supervision and management
 - Changes in: organizational structure, strategic management, policies, reward systems, labour relations, coordinating devices, management information, accounting, budgeting systems
 - Top down changes
 3. **Culture Changes**
 - Changes in values, attitudes, expectations, beliefs, abilities, and behaviour of employees
 4. **Technology Changes**
 - Changes in organization’s production process, knowledge and skill base, distinctive competence, changes in techniques for making products/services
 - Make production more efficient/produce greater volume
 - Equipment, methods, workflow
- 4 types of changes are often interdependent, not all have to change together however

Elements for Successful Change

- Sequence of events that are identifiable in the stages of innovation
- **Organizational change:** adoption of a new idea or behaviour by an organization
- **Organizational innovation:** the adoption of an idea or behaviour that is new to the organization’s industry, market, or general environment
- Innovator: the first organization to introduce a new idea
- Adopt Changes: the organizations that copy the innovator
- There are 10 faces of innovation as per Tom Kelley:

Learning Faces	Anthropologist- looks at human interactions Experimenter- prototypes new ideas Cross Pollinator- explores other industries/cultures
Organizing Faces	Hurdler- develops ways to deal with roadblocks Collaborator- brings together an eclectic group Director- sparks creative talents
Building Faces	Experience Architect- creates experiences that go beyond product/services functionality Set Designer- creates the right space Caregiver- delivers special service Story teller- builds internal morale and external awareness

Sequence of Elements for Successful Change:



- For a change to be successful, each element must occur in the organization!!!!
- Either needs or ideas can occur first
- 1. Ideas**
 - New ideas, change stems from the expression of these ideas, a new way doing things
 - Internal creativity (creativity: the generation of novel ideas that may meet perceived needs or respond to opportunities)
 - Techniques for spurring internal creativity:
 - Increase the diversity within the organization
 - Facilitate employee interaction with diverse people
 - Give employees time and freedom to experiment
 - Support risk taking and making mistakes
- 2. Needs**
 - Ideas are only considered if there is a perceived need for change
 - Gap between actual performance and desired performance in the organization
 - Try to establish a crisis or increase urgency to encourage needs
- 3. Adoption**
 - Decision makers choose and go ahead with an idea
 - Key employees must be in agreement, depends on the size of the decision change
- 4. Implementation**
 - Organization members use a new idea, technique, and behaviour
 - Get materials, equipment, and train workers to use the new idea
 - Important step because it is properly going through with the idea
 - Until this step occurs, no change has actually occurred
- 5. Resources**
 - Innovation Requires: human energy, activity, time, money, etc resources
- A. Technology Change**
 - 2 forms of technological change:

- Organic organization: people are free to be creative and introduce new ideas, experiment
- Mechanistic: stifles innovation with its emphasis on rules and regulations, but best structure for being efficient and producing routine products
- Managers want: create both mechanistic and organic organizations to achieve both innovation and efficiency
- Therefore, ambidextrous approach to take advantage of both:

Ambidextrous Approach: (designs the organization to encompass both processes)

- Initiation and utilization of change are 2 very different processes
- Initiating Change requires:
 - Organic characteristics
 - Decentralized
 - Employee freedom, explore and developing
- Utilizing Change requires:
 - Different approach, more rules, can't be like above culture or else the change will never be implemented, needs routines

Ambidextrous Approach: to incorporate structures and management processes that are appropriate to both the creation and the implementation of innovation. Organizations are designed to focus on 2 different facets- exploring and exploiting

- Look at organizational design elements that either:
 - Explore new ideas- encouraging creativity and developing new ideas
 - Exploit Current Capabilities- implementing ideas to produce routine products
- Therefore ambidextrous designs the organization to have 2 parts:
 - **Organic way:** department structured to explore new ideas.
 - **Mechanistic way:** department structured to exploit and use the ideas created routinely

Techniques for Encouraging Technology Change:

- Techniques used to maintain ambidextrous approaches
- 1. Switching Structures**
 - Organization creates an organic structure when it is needed for the initiation of new ideas
 - Switched structures to achieve ambidextrous approaches
 - Establish organic conditions for developing new ideas while keeping the mechanistic conditions for implementing and using those ideas
- 2. Separate Creative Departments**
 - Assign the initiation of innovation to separate creative departments
 - Departments such as: research and development, engineering, design
 - Departments creating changes for adoption in other departments
 - Departments initiating the change are organically structured to facilitate new ideas
 - Departments using the innovations are mechanistically structured for efficient production
 - **Idea incubator:** provides a safe harbour where ideas from employees throughout the organization can be developed without interference from company bureaucracy or politics
 - The incubator provides a generic place that people can go to if they have a new idea, central location people can submit their ideas
- 3. Venture Teams**
 - Venture teams are given a separate location and facility so they are not constrained by organizational procedures
 - "A small company within a large company"
 - **Skunkworks:** a separate, small, informal, highly autonomous, and often secretive group that focuses on breakthrough ideas for the business

- Talented people are given time and freedom to let creativity take over
- Open based team approach, communication
- **New Venture Fund:** provides financial resources for employees to develop new ideas, products, or businesses
-
- 4. **Corporate Entrepreneurship**
- Tries to develop an internal entrepreneurial spirit, philosophy, and structure that will produce a higher than average number of innovations
- Tries to release the creative energy of all employees in the organization
- Create systems/culture that encourage entrepreneurship
- Facilitate idea champions/advocate/intrapreneur/change agent
 - Idea champions make things happen- fight the resistance to change and convince others of the merits of the new idea
 - Someone who passionately believes in the idea
 - 2 types of idea champions:
 - **Technical/Product Champion**
 - Person who generates or adopts and develops an idea for a technological innovation and is devoted to it, even if it is risky and degrades position or prestige
 - **Management Champion**
 - Acts as a supporter and sponsor to shield and promote an idea within an organization. Sees the potential idea and has the prestige and authority to give the idea a chance and allocate resources to it
 - Use in combination, technical idea has better chance if manager will sponsor it
- **Bootlegging:** developing new technologies without company approval, unauthorized research

B. New Products and Services

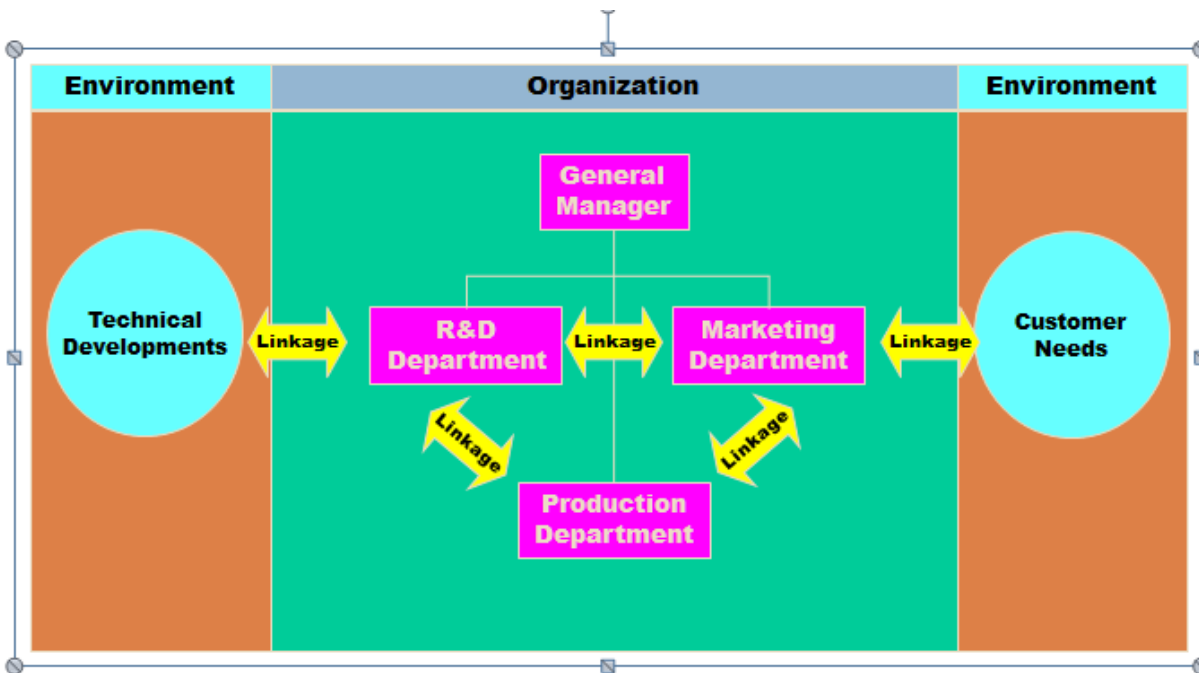
- There is a lot of uncertainty about the suitability and success rate of a new innovation or product
- To be successful, new products have to pass 3 stages of development:
 - Technical completion- solving all technical problems
 - Commercialization- fully marketing and producing
 - market success- achieve economic success in the market

Reasons for New Product Success

- innovation success seems to relate to strong collaboration between technical and marketing teams, good products that meet the customer needs
- Reasons for company success include:
 - Tailoring innovations to customer needs, marketing
 - Making effective use of technology
 - And having influential top management support
 - Horizontal coordination across departments

Horizontal Coordination Model- helping to ensure new product success

- Organizational design for achieving new product innovation involves 3 components:
 - Departmental specialization
 - Boundary spanning
 - Horizontal coordination
- The horizontal coordination model is:



Specialization:

- Key departments in new product development include: R&D, marketing, and production
- The personnel in each department are highly competent in their own tasks
- Departments are differentiated from each other
- Each department has skills, goals, attitudes that are based on specialized functions

Boundary Spanning:

- Each department has linkages with the relevant sectors in the external environment
- R&D- professional associations, scientific developments
- Marketers- customer needs, competitor products, suggestions from distributors
- Connecting with customer needs and market forces

Horizontal Coordination:

- the people in different departments are sharing ideas and information
- horizontal communication across departments
- increase the amount and variety of information in order to develop new products
- coordination will allow products to meet customer needs and fix any manufacturing and marketing problems
- collaborating with other firms and customers in order to innovate and stimulate stronger internal coordination
- internal departments sharing needs and coordinating with one another

Achieving Competitive Advantage

- to be competitive, must develop new products quickly, before anyone else does
- get people working together on products, in order to work faster
- **Time Based Competition:** delivering products and services faster than competitors, giving companies a competitive edge
 - use **fast cycle teams**
 - to support important projects and deliver products and services faster than competitors
 - Multifunctional team that works under tight tightlines and is given high levels of company resources and empowerment to accomplish an accelerated product development project
 - Use global teams to develop products that will meet needs of diverse consumers

C. Strategy and Structure Change

- Due to new competitive demands and the changing environment, companies have been forced to make radical changes in strategy, structure, and management processes
- Shift to:
 - more decentralized approach, cutting layers of management
 - horizontal structures
 - teams of front line workers being empowered to make decisions and solve problems
 - virtual network strategies and structures
- changes are based on the organization's top managers

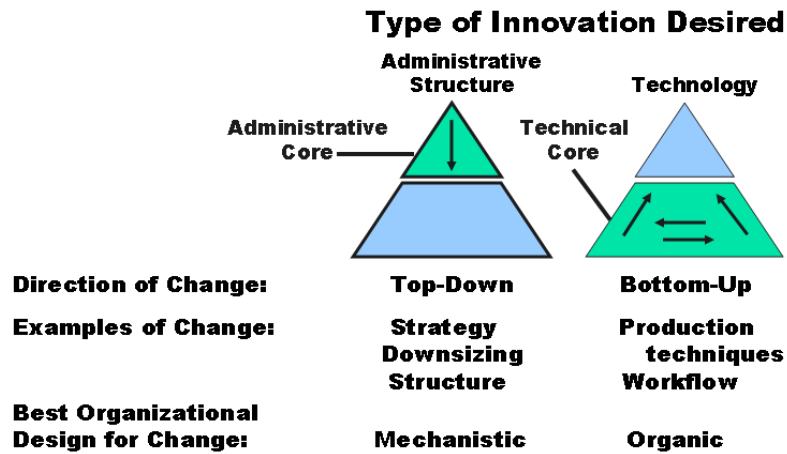
The Dual Core Approach

- compares administrative and technical changes
- Administrative Changes: pertain to the design and structure of the organization itself- restructuring, downsizing, teams, control systems, information systems, and departmental grouping
- Identifies the unique processes associated with administrative change over technical change
- Organizations have 2 cores: technical core and administrative core
- Each core has its own employees, tasks, and environmental domain
- Administrative core:
 - is above the technical core in the hierarchy
 - Responsibility includes: structure, control, coordination, concerns with environmental sectors, financial resources, economic conditions, human resources, competitors
- Technical Core:
 - The transformation of raw materials into organizational products and services
- Dual approach indicates organizations must adopt frequent administrative changes and need to be structured differently from organizations that rely on frequent technical and product changes for competitive advantage.

Organizational Design for Implementing Administrative Change

- Organizations that successfully adopt administrative changes usually have:
 - Larger administrative ratio
 - Larger in size
 - Centralized
 - Formalized

- A mechanistic structure is appropriate for frequent administrative changes, like goals, strategy, structure, etc., because it allows for top-down implementation, high formalization and centralization. Adopt changes without resistance more
- An organic structure is appropriate for technical changes, like production techniques and innovation technology, because it allows for bottom-up changes
- This is shown in the diagram below:



- Very difficult to implement administrative changes in companies with an organic technical core because easier to resist changes
- Strategy and structure changes lie with the top management who implement the new strategies/structures to meet the circumstances
- Top down approach (top implements and the lower level employees are still educated and participating)
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D. Culture Change

- Achieving a new focused change in the underlying cultural values and norms
- Shifts how work is done in an organization and leads to renewed commitment and empowerment of employees, stronger bond in company

Forces for Culture Change

- Trends causing cultural makeovers
- Primary changes requiring the culture to shift and a change in employee mindset:

Re-engineering and Horizontal Organizing (vertical to horizontal structure)

- Redesigning a vertical organization along its horizontal workflows
- Managers and employees will change how work is done and requires greater focus on employee empowerment, collaboration, information sharing, and meeting customer needs
- Employees may react negatively
- Culture must now embrace team work, empowerment, and cooperation
- Managers view workers as a more integral part, workers accept more power and responsibility,
- Horizontal organization emphasizes: mutual trust, risk taking, and tolerance for mistakes

Diversity (Employees and Customer)

- New recruiting, mentoring, promotion methods, diversity training programs, policies on sexual harassment and racial discrimination, new benefits for a more diverse workforce

- Underlying culture has to become more accepting of diversity

The Learning Organization Shift

- Learning organization: breaking down boundaries both within and between organizations to create companies that are focused on knowledge sharing and continuous learning
- To become learning, structures must:
 - Horizontal
 - Empowered teams
 - Information is broadly shared at all levels of the organization
- The shift requires a culture of openness, equality, adaptability, and employee participation

Organization Development Culture Change Interventions

- Organizational Development (OD): method of culture change- fundamental change in the human and social systems of the organization, culture
- Organizational Development: focuses on the human and social aspects of the organization as a way to improve the organization's ability to adapt and solve problems
- Emphasizes the values of:
 - Human development, fairness, openness, freedom from coercion, individual autonomy
 - Allows workers to perform as they see fit, within reasonable organizational constraints
- *Organization development (OD)* is a behavioural science field devoted to improving performance and creating a learning environment through trust, open confrontation of problems, employee empowerment and participation, the design of meaningful work, cooperation between groups, and the full use of human potential
- OD interventions involve training of specific groups or of everyone in the organization
- For OD interventions to be successful, senior management must see the need for OD and provide enthusiastic support for change
- Techniques for improving people skills through OD include:
 - **Large group intervention**
 - An approach that brings together participants from all parts of the organization (could even include outside stakeholders) to discuss problems or opportunities and plan for change in an off-site setting
 - The off-site setting limits interference and distractions, enabling participants to focus on new ways of doing things
 - For example, GE has a "Work Out" program, and it creates a culture where ideas are rapidly translated into action and positive business results
 - **Team building**
 - Activities that promote the idea that people who work together can work together as a team, promote cohesiveness, communication, collaboration
 - A work team can be brought together to discuss conflicts, goals, decision-making processes, communication, creativity, and leadership
 - The team can plan to overcome problems and improve results
 - Team building activities can be used to train task forces, committees, and new product development groups
 - **Interdepartmental activities**
 - Reps from different departments are brought together in a mutual location to expose problems or conflicts, diagnose the causes, and plan improvements in communication and coordination

Strategies for Implementing Change

- Implementation is the most crucial and difficult part of the change process, as it is frequently disruptive and uncomfortable for managers and employees

Leadership for Change- visionary leadership is crucial for change

- The need for change within organizations and the need for leaders who can successfully manage change is continually growing
- The leadership style of the top exec sets the tone for how effective the organization is at continuous adaptation and innovation
- **Transformational leadership** is particularly suited for bringing about change. Top leaders who use this style enhance organizational innovation both directly, by creating a compelling vision, and indirectly, by creating an environment that supports exploration, experimentation, risk taking, and sharing of ideas
- Successful change can happen only when employees are willing to devote time and energy needed to reach new goals and endure stress and hardship
-
- There are 4 stages of commitment to change:
 - **Preparation:** Employees hear about the change through memos, meetings, speeches, or personal contact and become aware that change will directly affect their work
 - **Acceptance:** leaders should help employees develop an understanding of the full impact of the change and the positive outcomes of making the change. When employees perceive the change as positive, the decision to implement is made.
 - **Commitment:** involves installation, which is a trial process for change that gives leaders an opportunity to discuss problems and employee concerns and build commitment to action. The final step is institutionalization, where employees view the change as not something new but as a normal and integral part of organizational operations
 - **Institutionalization:** stabilizing the change – reinforcing outcomes, evaluating results

Barriers to Change- expect resistance

- **Excessive focus on costs**
 - Management may think that costs are all-important and may fail to appreciate the importance of a change that is not focused on costs, like a change to increase employee motivation
- **Failure to perceive benefits**
 - Education may be needed to help managers and employees perceive more positive than negative aspects of the change
- **Lack of coordination and cooperation**
 - Conflict often result from the lack of coordination for change implementation, and in the case of technology, old and new systems must be compatible
- **Uncertainty avoidance**
 - Many employees fear uncertainty, so constant communication is needed so that employees know what is going on and understand how it affects their jobs
- **Fear of loss**
 - Managers and employees may fear the loss of power, status, or their jobs, so implementation should be careful and incremental, and all employees should be involved as closely as possible

Techniques for Implementation – top leaders (vision and tone), managers and employees

- **Establish a sense of urgency for change**
 - Once managers identify a true need for change, they need to thaw resistance by creating a sense of urgency that a change is really needed
 - Crisis/need will make employees willing to invest time/energy
 - For example, American Airlines lost billions since 2001, and managers have undertaken a massive change effort to try and save the company. This crisis has made employees more receptive to change because they know that without it, the organization could fail

- **Establish a coalition to guide the change**
 - There must be a shared commitment to the need and possibilities for change
 - Coalition should involve lower-level supervisors and middle managers from across the organization along with needing top management commitment
 - Change managers building a group of people throughout organization with enough power to steer the change process.

- **Create a vision and strategy for change**
 - They should focus on formulating and articulating a compelling vision and strategy that will guide the change process

- **Find an idea that fits the need**
 - Finding the right idea often involves search procedures
 - The creation of a new idea requires organic conditions, participation
 - ALLTEL, for example, set up a program called “Team Focus” to gather input from all employees. In 20 group meetings in a period of under 2 weeks, managers gathered 2,800 suggestions which they narrowed down to 170 critical action items that addressed the problems that were affecting employee morale and performance

- **Develop plans to overcome resistance to change**
 - Must acknowledge the conflict, threats, and potential losses perceived by employees in order to anticipate and prepare for resistance to change. Strategies include:
 - Alignment with the needs and goals of users: make sure change is due to a real need and that irrelevant changes are not just being made for the sake of them
 - Communication and training: informing about need of change, results, prevent misunderstanding, explain role in process
 - An environment that affords psychological safety: confidence that they won't feel embarrassed or rejected in the organization, feel secure and capable. Create climate of trust, mutual respect
 - Participation and involvement: early participation in change, sense of control, better committed to a successful implementation. OD development
 - Forcing and coercion: may have to overcome resistance by threatening employees with loss of jobs, promotions, firing. Use management power. Last possible approach because of negative effects, just in case

- **Create change teams**
 - Separate creative departments, new-venture groups, and ad hoc teams or task forces are ways to focus energy on both creation and implementation
 - A separate department has the freedom to create a new technology that fits a genuine need, task force to ensure that implementation is done correctly

- **Foster idea champions**
 - The most effective champion is a volunteer champion who is deeply committed to a new idea
 - The idea champion sees that all the technical activities are correct and complete
 - Manager sponsor: to persuade people about implementation

Reasons for New Product Success

- Understand customer needs
- Focus on marketing
- Effective use of technology
- Supported by top management

