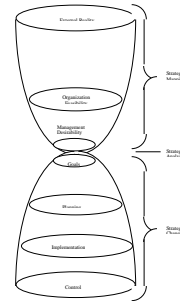


Chapter 4

Organizations As Systems

A system is a big black box
Of which we can't unlock the locks
And all we can find out about
Is what goes in and what comes out.

Kenneth Boulding
in M. D. Mesarovic,
Views on General Systems Theory
(1964)



In the previous chapter we examined the organization as an entity unto itself. Viewed from the classical and neoclassical perspectives, the principal decisions facing management focused on operational and social issues. However, in Chapter 2 we found that organizations, and the environments with which they interface and interact, are multifaceted, dynamic, and complex. We also found that we do not have to attend to all forces of nature and all dimensions of organizations simultaneously in order to understand system interactions. By tracking the forces and arranging them in hierarchical fashion we were able to reduce their inherent complexity to a set of meaningful, understandable, flows. The method that was employed consisted of: 1) labeling, 2) operational defining, and then 3) arranging (see? It does work!). The fruits of our labors are summarized in Exhibit 4.1. Recall, the *General Environment* consists of the *Natural* and *Institutional Environments* . . . the *Task Environment* includes the *Market Environment*, *Regulators*, and *Competitors*.

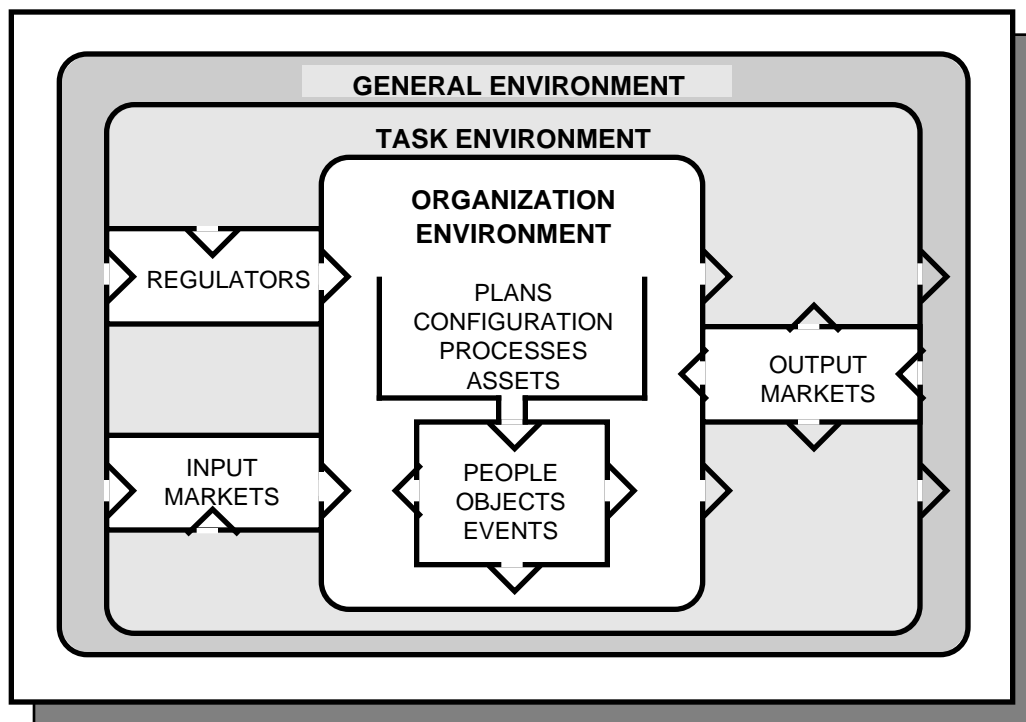


Exhibit 4.1. The Key System Components

With the exception of the Macro Organization design components, the flows in Exhibit 4.1 are directional. Forces in the *General Environment* shape the nature of *competition*, the *regulatory require-*

ments, input market supplies, and output market demands in the Task Environment. These forces, in turn, specify the boundary conditions within which the organization must operate if it is to survive and prosper. The organization's outputs flow back to the task and general environments, thus the organization has some impact on these environments although it has no control over them.

Macro

Organization: "Shockabsorber"

Within the *Organization Environment*, the *plans, configuration, processes, and assets* — design components — become the mechanisms by which the organization adapts to the external forces by arranging *people, objects, and events* into effective and efficient relationships. The consequences of these arrangements, in turn, create a set of internal forces that flow back to impact the four components that designed them. The flows within the organization are, thus, circular following a pattern much like that shown in Exhibit 4.2. The four design components, therefore, act like a "shock absorber" that shapes, accommodates, and separates the external and internal forces. This set of conditions confronts the organization designer with an ongoing challenge. The organization must maintain a harmonious relationship with the external forces that dictate its ultimate fate and simultaneously respond to the internal forces that dictate its day-to-day accomplishments and the quality of organizational life.

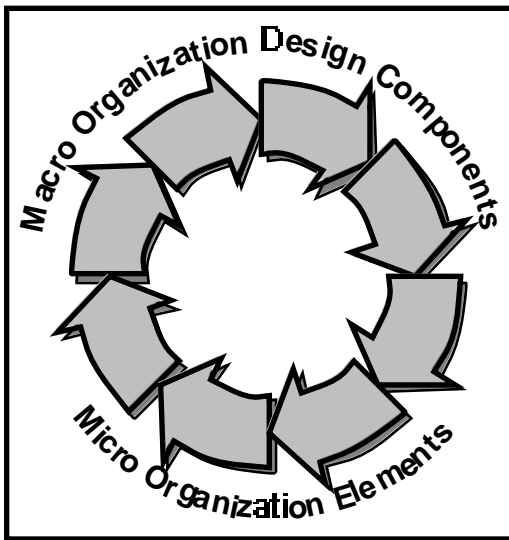


Exhibit 4.2. Macro/Micro Organization Interaction

External Factors

During the decade of the 1960s, the organization's relationship with its external environments received considerable attention from researchers: so much attention, in fact, it may well be considered the "golden age" of Macro Theory. Some of this research has become outdated, some has been updated, and some has withstood the tests of time to become the foundation for current thinking. Two particular works are noteworthy in their contributions to making the open systems view of organizations amenable to practical application.

Environmental Dynamism

Although the same external forces affect the same internal components of all organizations, they do so in differing degrees. One reason for this variation, is the rate of change among the forces in the task environment. In a relatively stable environmental setting, one might achieve an effective organization design through trial-and-error processes and then concentrate upon engineering the system for the greatest efficiency. Little concern would be devoted to system effectiveness since once it was achieved the conditions around which it was designed would remain relatively unchanged. Conversely, if the external forces were subject rapid change, the determinants of effectiveness would have to be constantly monitored and the

organization designed to accommodate regular adjustments. In this latter case, the pursuit of efficiency would become subordinated to the necessity of remaining effective.

In *The Management of Innovation*, Tom Burns and G.M. Stalker (London: Tavistock Publications, 1961), investigated the influence of environmental dynamism on organization design in 20 industrial firms in the United Kingdom. Their results suggested that a “rational” design will take one form in a stable environment and another in a changing environment. The two forms are not dichotomous, rather, they are polar extremes on a continuum of designs. Between the states of relative stability and relative change, the organization may operate with systems that include characteristics of both designs.

***Mechanistic
Organization***
*Specialized
Formalized*

Mechanistic Design. A *mechanistic* management system was found to be most appropriate for *stable* conditions. Its distinguishing characteristics are: 1) A high degree of task and functional specialization, 2) an emphasis on improving the means to achieve desired ends as opposed to the ends in themselves, 3) reliance on the chain-of-command for coordination, conflict resolution, control, authority, and communication, 4) clearly defined policies, procedures and methods, 5) clearly defined position and job descriptions, 6) centralized information disseminated on a need-to-know basis, 7) vertical interaction among members, 8) operations governed by instructions and decisions issued by superiors, 9) insistence on loyalty and obedience, and 10) a greater importance and prestige attached to internal than external knowledge, experience, and skill.

The term *mechanistic* reflects the machine-like precision of the design. If the traits look familiar, recall the classical perspective on organizations discussed in Chapter 3. Indeed, when external forces are inconsequential, the organization has the luxury of operating in a highly efficient, closed system mode. The design is such that it minimizes reliance on the individual to achieve organizational goals — members need only to be “good soldiers” to permit the system to work. Furthermore, note that the emphasis is on completing the task; all potential distractions, such as getting information and making decisions, are left to those higher up in the organization. The high degree of specialization promotes efficiency. The high degree of centralization facilitates the organization moving as a unified whole. The high degree of uniformity makes detecting and correcting errors relatively simple. Because there is little if any need for change, improving competencies, initiative, or creativity is a liability — it consumes resources and there is no positive payoff for the effort. The phrase “don’t fix it if it ain’t broke” applies literally to such systems.

***Best For
Stable
Environments***

From the standpoint of the organization member, the mechanistic organization, like the stable environment, offers considerable personal comfort. Expectations and directions are made clear at the outset. There are no crises to create stress. One need only to do a good job at the work assigned to be rewarded. Because the methods and procedures are standardized, no “superstars” will emerge to put pressure on everyone else for performance improvements. There is little chance of becoming technically obsolete, thus long tenure is assured and normally rewarded. The organizational affiliation is consistent, predictable, and reliable; the member is psychologically secure.

Managing mechanistic systems is rather straightforward also, both internal and external forces are such that new planning is minimal. Shareholders benefit from the profits that accrue to operating efficiencies. Buyers and consumers get desired levels of performance and quality at a reasonable price and a reliable source of supply. In a stable environment, no other design can provide the same amount of efficiency or combined utility for the owners, workers, managers, and clientele.

In industries where the rate of change in products and production methods is slow — regulated industry, container manufacturing, footwear — mechanistic organization designs have worked extremely well. The *command* versus *demand* economies of the communist bloc countries created the kind of stability in which the mechanistic organization thrives. Unfortunately, however, the architects of the system completely disregarded the principal of *balance* (the 7 Cs) when the design was applied. Everyone wanted the benefits of security and predictability but no one wanted to pay the costs of achieving disciplined efficiency to make the systems work properly. Consequentially, Soviet industry fared poorly under regimented control and was decimated when confronted with the dynamics of free-market conditions early in 1992.

**Organic
Organization**
*Generalized
Individualized*

Organic Design. The *organic* management system is best suited to a *changing* environment. Its distinguishing characteristics are: 1) more of a generalized than a specialized approach to critical activities, 2) the desired ends determine the means employed to pursue them, 3) a network structure of coordination, conflict resolution, control, authority, and communication, 4) mutual adjustment and redefinition of tasks through interaction with others, 5) positions and jobs are not limited to areas of specific responsibility but are defined by individual initiative and a commitment to organizational success, 6) free-flowing information, 7) multidirectional interaction among members, 8) communications consist more of information and advice than directions and decisions, 9) contribution to progress is more highly valued than conformity, and 10) importance and prestige are attached to external affiliations and industry and technical expertise.

**Best For
Dynamic
Environments**

Such systems are defined as *organic* because they operate in much the same manner as a living organism — there are parallel systems, loose operating tolerances, and regenerative properties. The design requires greater reliance on the individual to achieve organizational goals than on the organization's infrastructure — members must be mature, knowledgeable, and initiating if the organization is to succeed. The emphasis is on responsiveness — decision making is pushed downward to the level that is most affected by the decision; local issues are handled locally. The design also has a great potential for redundancy and overlapping efforts because areas of responsibility are not clearly defined. Identification with the organization's goals, mutual respect and trust among the members, and a willingness to cooperate keep the elements of the system moving "roughly in the same direction."

There is far more ambiguity in an organic system than in a mechanistic system. Planning time frames are short and the premises upon which plans are constructed are often very tenuous. The necessity for hypervigilance, the high stress associated with ongoing change, and the need to keep everyone informed tend to test the mettle of key personnel. Since the organization depends so heavily on successful individual performance, there is considerable pressure on the individual to perform successfully. Furthermore, because it is difficult to assess accountability in such systems, there is great potential for inequity when meting out rewards and sanctions.

**Repair vs.
Self-Healing**

Managing an organic system is as much an act of faith as it is a talent. Great care must be taken in the selection, assessment, and development of personnel. Communications channels must be well engineered to facilitate the free flow of timely, accurate information. And considerable effort must be devoted to coaching, mediating, negotiating, and coordinating. Still, when properly executed, an organic design is a thing of beauty to behold. The payoff for all the difficulties is a sensitive, adaptive, and productive organization that remains afloat in a sea of turbulence. Unlike the mechanistic system which must be repaired, the organic system has a capacity for self-healing. Although not necessarily efficient, it is sufficiently effective to provide demanded utilities (and endless on-the-job excitement) under conditions that no other design could survive.

Exemplifying the contrast between stable and dynamic environments, and the types of organization designs most appropriate for each, was the deregulation of the commercial airline industry in the late 1970s. Before deregulation, pricing, route structures, and subsidies were all determined by public policy. The environment was stable and predictable. A review of the industry members at the time, would reveal an industry dominated by mechanistic management systems. In fact, each carrier's organization was almost a pure reflection of the governmental agencies that regulated it. After deregulation, the number of carriers doubled, traditional customers failed to demonstrate the brand loyalty that was presumed to exist under regulation, fuel prices soared, and operating margins were diluted by a torrent of price-wars. Those carriers that failed to make the transition from a mechanistic design toward a more organic design were the first to collapse. They simply could not adapt to the changes quickly enough to survive. Once the industry began to restabilize after the shakeout period, there was gradual movement back toward a degree of mechanism to achieve greater efficiency.

**Gaps vs.
Overlaps**

Because effectiveness is presupposed in a mechanistic system, the emphasis shifts to efficiency through specialization. By its nature, specialization tends to create "gaps" between the specialties that are exposed when conditions change. Further, because past successes are often attributed to operating efficiencies, management is reluctant to let go of past practices when conditions worsen. Indeed, many keep trying to do more of the wrong thing to get out of trouble.

In an organic system, flexibility, creativity, and initiative reign supreme. This creates considerable "overlap" to ensure that no significant event goes unattended. These duplicated efforts become excess

baggage when conditions stabilize. Again, management tends to cling to the styles and practices that they feel made them successful. They attempt to retain their flexibility at the expense of the efficiency necessary for them to be competitive. Conceptually, the contrast between mechanistic “gaps” and organic “overlaps” is depicted in Exhibit 4.3.

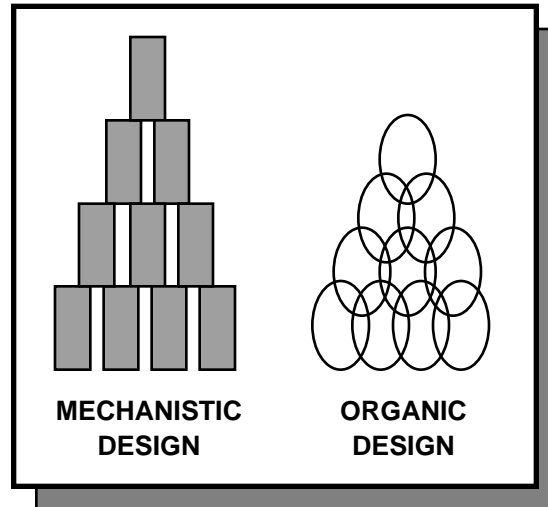


Exhibit 4.3. Mechanistic “Gaps” Versus Organic “Overlaps”

One additional variation seems worthy of mention here. When environmental stability occurs as the result of regulatory forces, as opposed to market forces, there is a tendency for organizations to neglect the pursuit of efficiency. In the absence of competitive operating pressures, industry members can simply pass the cost of their inefficiencies on through to their customers. This pattern was quite evident in the regulated airline industry and Soviet manufacturing; more current examples might be drawn from the ranks of government agencies.

Environmental Predictability

Burns and Stalker did not imply that environments are either stable or dynamic. Nor did they exclude the variety, magnitude, and potential range of change from consideration as significant variables, these issues were simply outside the scope of their research. They did, however, intimate that organic designs are best suited for dynamic environments and that organic designs are inherently inefficient.

Challenged by the “dearth of systematic research on the relationships between the structural characteristics of complex organizations and the environmental conditions these organizations face”, Paul R. Lawrence and Jay W. Lorsch (*Organization and Environment*, Boston: Harvard University Press, 1967) set out to redress the problem. Their research sample covered high and low performing companies in the very stable container industry, the slowly changing food industry, and the highly dynamic plastics industry. Their purpose was to gain a clearer understanding of the determinants of success and failure. Among firms operating in the more stable environments, their findings conformed closely to those of Burns and Stalker. The unique contribution of the study came from the insights gained from high performance companies that operated in dynamic environmental settings.

Differentiation and Integration

Differentiation. As task environments experience a great variety of changes, when the changes are of great magnitude, and/or when the changes imply a broad range of potential outcomes, successful organizations tend to “match up” with the critical forces by creating specialized components to deal with them. The rationale is to delegate authority and position specific expertise as close as possible to those areas of the environment that are most influential and least predictable. Research and development groups pursue emerging technologies; marketing specialists attend the leading edge of product/service preferences, consumption patterns, and purchase behaviors; and, legal and financial experts interface with regulators and capital markets.

There is a tendency for these “specialists” to perceive the world in terms of their particular expertise and the conditions of the environments with which they regularly relate. As a consequence, there is considerable *differentiation* among their views as they pertain to *the need for formal structure* and *interpersonal relationships*, and, their *time* and *goal orientations*. Where environments are least predictable, group structures tend to be less formal and interpersonal relationships more social. Time orientations tend to reflect the rate at which feedback is received from the environment. And, goal priorities tend to focus on the area of the environment for which the group is responsible.

For example, production departments face relatively predictable environments and, accordingly, have highly formalized structures and interpersonal relationships tend to be more task than socially oriented. Research departments, face highly uncertain environments and tend to be less structured and more social. Because of the speed by which feedback information is received, sales departments tend to orient themselves toward short time frames and research departments toward long time frames. Most departments prioritize their own goals over those of other departments with the exception of those groups who represent professional personnel. Among the professionals — attorneys, scientists, engineers, etc. — professional goals tend to share priority status with departmental goals. Differentiation, therefore, creates disunity among the various operating groups within the organization and a potential for high conflict.

As environments become less predictable, and the scope, scale, and complexity of the organization increase, differentiation accelerates. Consequently, multiple, rapid, large external shifts mandate that mechanisms to facilitate organizational unity receive high priority.

Integration. Among the successful firms investigated, Lawrence and Lorsch found that efforts aimed at *integration* — the creation of organizational unity — were proportional to the degree to which the organization was differentiated. Companies in stable industries experienced minimal differentiation and tended to rely on traditional organization mechanisms — most commonly the management hierarchy, meetings, and memos — to provide the necessary levels of integration. Companies in highly dynamic industries, where differentiation approached extremes, raised the importance of integration to functional proportions. That is, integrative activities became as important as research, sales, and production activities. The integrative mechanisms employed included: 1) integrative departments (e.g. project management groups), 2) permanent and temporary cross-functional teams at several levels of the organization, and 3) individual integrators — usually a person with cross-functional experience who was held in high regard by those with whom (s)he interacted. Their purpose was to enhance communications, resolve conflicts, and to keep the subsystems focused on the achievement of overall system goals.

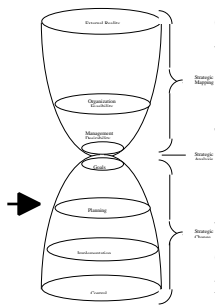
By combining the Burns and Stalker research results with those of Lawrence and Lorsch, it is evident that organic systems need not sacrifice efficiency for effectiveness. Critical to success in both areas simultaneously, however, is the availability of adequate integrating devices. The situation of the organic design in a dynamic environment resembles a group of musicians in a “jam session.” The group is comprised of virtuosos, playing different parts of a musical piece on different instruments, without a designated score or band leader. Although there is a potential for cacophony, the results are usually melodious if each musician is familiar with the overall composition (the goal), listens carefully to the others (remains informed), and shares the responsibility for the group’s overall performance (optimizes rather than maximizes, to avoid conflicts and maintain integration). In a symphony orchestra, formal integration mechanisms are employed by charting the roles of the various players, rehearsing, and attending to the directions of the conductor.

Successful adaptation to shifting environmental forces requires that organizational tasks and maintenance be treated with equal deference. While everyone is out running the enterprise, someone had better stay home to run the organization.

Planning and Strategic Posture

Implicit in the research of Burns & Stalker and Lawrence & Lorsch is the notion that, at the very least, organizations must be *creatures of the life-space they occupy*. That is, to survive, the organization must have some mechanism that will enable it to first *read* the forces that surround it and then internalize those forces in the arrangements of its design components. A clear perception of reality and an appropriate organizational response are critical if the organization is to meet the minimal requisites of effectiveness

necessary to ensure its viability. The nexus between the organization and its task environment — the conduit that permits the organization to operate as an open system — is the plan. Appropriate responses will take the form of *adaptation* and developing a *greater ability to adapt*.



The Planning Hierarchy

Plans are concretized dreams; architectures for the future; behavioral targets; decisions we make today about the shape of tomorrow. All plans are formulated in advance of an event; all planning implies commitment to the potential reality of the event. Plans and planning do not cause events, that is a matter for control, but they do anticipate events and that provides a basis for control. Right or wrong, good or bad, just or unjust, the event is the event. It is the role of planning to accurately predict it, to forecast alternative events and the means to achieve them, and to facilitate the achievement of desired outcomes by providing scenarios of the future before it arrives.

Ends & Means

There are many types of plans and, as they pertain to a specific event, there is a hierarchical relationship among them. Our goals define desired end states and, thus, are plans. Our selected means to achieve those goals describe our intentions so they too are plans. Both sets of plans are different in their content . . . one defines ends and the other describes means . . . yet, they are sequentially developed and related. The goal is determined first and the means to achieve it, second. Further, the means are developed in such a way that goal achievement is the probable end product. Organization, it should be noted, is a means and not an end.

Purpose, Mission & Policy

Each type of plan in the planning hierarchy has a specific intent and each is defined by the subject to which it pertains. Atop the hierarchy is the *purpose* (also known as the *definitional objective*); it answers the “why” questions. Why do we want to do that? Why are we in business? It embodies the philosophical core of the enterprise. Subordinated to it is the *mission* (also known as the *institutional objective*); it answers the basic “what” questions. What are we doing here? What business are we in? It delimits the operating scope of the enterprise and provides general direction. Next comes *policy*. Policy defines the boundaries of acceptable behavior in the pursuit of goal achievement. It is a general guideline for decision making and action and is subject to discretionary interpretation by those who have the authority to create it. At the very bottom of the hierarchy are *rules* and *standard operating procedures (S.O.P.s)*; they prescribe behaviors irrespective of any mitigating factors . . . they provide specific direction and are not subject to discretionary interpretation . . . they are almost the polar opposite of policy.

Policies vs. Rules

For example, a policy covering discriminatory hiring practices stipulates that gender discrimination constitutes unacceptable behavior. Certainly not all discrimination is unacceptable because discrimination between skill or ability levels is a primary purpose of the selection process. It does say that discriminating on variables that are not job related, such as gender, is not an acceptable practice. Presume, however, that you must cast the role of Romeo for a special promotion. You exclude females from consideration and find yourself outside the gender discrimination policy. The policy maker may decide to make an exception in this case because gender constitutes a *bona fide occupational qualification*. Because policy is a *general guideline*, it does not have to be rewritten every time an exceptional situation arises.

Now presume that there is a security rule that prohibits access to certain areas without an identification badge. Your job is to manage the activities that take place in one such area. As you enter the door, a playful guard dog snatches your I.D. badge from your lapel and, to your and the attending security agent’s astonishment, summarily eats it before your very eyes. Clearly you have been involved in an extraordinary circumstance, the guard knows you “had” a badge, you are attempting to enter an area where you have not only a right but a responsibility to be, and you have taken reasonable measures to comply with the rule. Nevertheless, no badge, no entry, no exceptions . . . that is the rule.

Standing Plans

Despite the fact that policies and rules are such opposites, it is quite common for one to be confused with the other. Some organizations will forego the obvious benefits of policy formulation because they feel policy will be too restrictive. Others will purport to be strict adherents to prevailing policies and will apply them with unwavering fervor. In the former case policy is perceived as a set of rules. In the latter, rules are being called policy. Because *purposes*, *mission statements*, *policies*, and *rules* can endure for long periods of time without modification, they are collectively known as *standing plans*. Generally, the formulation of an organization’s standing plans is confined to executive level management.

**Objectives,
Strategies,
Tactics &
Budgets**

Following policy in the hierarchy, is the *objective* (also known as the *operational objective*). Objectives specify what we wish to accomplish, who will accomplish it, and when it will be complete. The *purposes*, *mission statements*, and *objectives* of the organization define its *goals*. Goal achievement is facilitated by the remaining varieties of plans in the hierarchy. The broadest of these is the *strategy*. It outlines how the plural environments and multiple constituents of the organization will be accommodated to achieve the desired results. *Tactics* are sub-elements of the strategy that explain how specific actions will be executed. The strategy is the the “war plan” while the tactics constitute the “battle plans.” Any plan that can be quantified is a *budget*. Budgets would include all financial plans, quotas, and schedules. The development of the objectives, strategies, tactics, and budgets is usually left to middle management.

**Procedures,
Methods &
Rules**

Finally, at the lower echelons of the hierarchy are the *procedures*, *methods*, and *rules*, respectively. *Procedures* describe the execution of flows of activities and *methods* define each element within the flow. A baking recipe is a procedure, how one separates egg yolks is a method. Designing methods and procedures, and enforcing rules usually falls within the purview of first level management.

The relationship between the hierarchy of plans and the hierarchy of a formal organization is depicted in Exhibit 4.4. Note that the top of the planning hierarchy represents those plans that have general content and broad application. That is, they omit specific details yet they apply to the total organization and its activities. Correspondingly, the executive level managers responsible for such planning tend to be more generalists than specialists and also have the greatest scope of authority in the organization. As one moves down the hierarchies, the plans become more specific in both their content and the areas to which they apply and the managers responsible for them operate within progressively narrower limits of authority.

Lest they become lost among the “labels,” several implications need to be pointed out here. First, plans are not homogeneous; there are different types of plans and each has a specific application and a unique organizational impact. Second, consistency among plans requires that each type of plan be developed in sequential fashion beginning with the most general and moving downward to the most specific. Third, a comprehensive planning effort will produce plans that represent every level in the planning hierarchy. Fourth, a manager’s involvement in plan approval should reflect his or her scope of authority. Fifth, planning should begin with the executive level of the organization and then “trickle down” to the intermediate and lower levels if it is to be thorough, comprehensive, and consistent. And, finally, a plan is not a plan unless it is based on objective reality . . . anything else is just a wish.

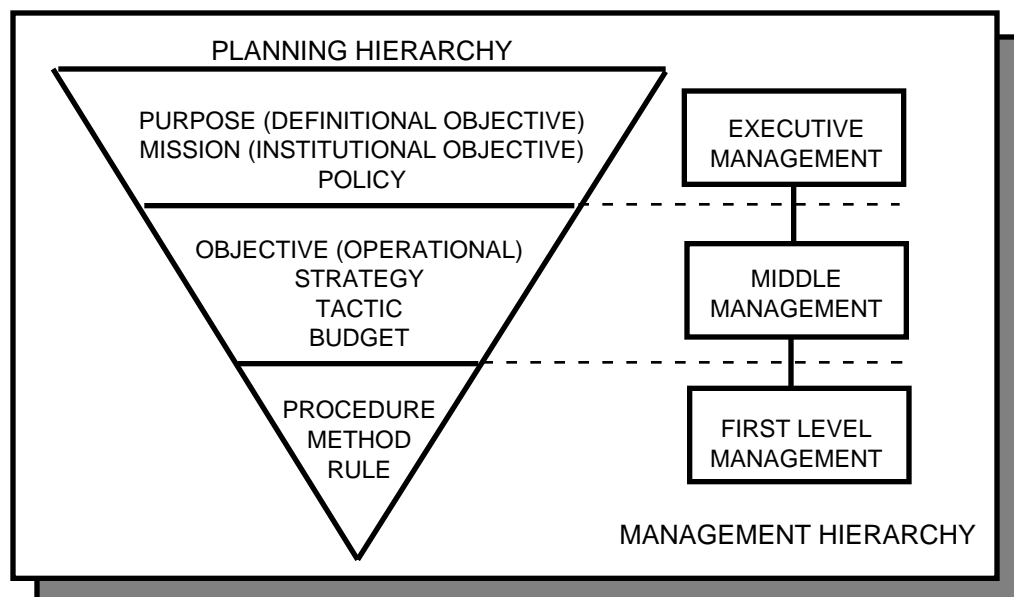


Exhibit 4.4. The Relationship Between Planning and Management Hierarchies

**Contingency
Plans**

There are other types and groups of plans, and means for classifying them, not reflected in Exhibit 4.4. *Contingency plans* provide for alternative actions in the event the selected plan is disrupted or rendered ineffective by a change of events. Since all plans are anticipatory, a variety shifts can occur between plan formulation and ultimate fruition. To avoid the debilitating effects of disappointment and failure or the disruption of having to replan in the midst of executing a previously selected course of action, contingency plans are developed during the initial planning stages to provide “back up” should reality deviate from forecasts.

**Programs &
Projects**

Sets of plans that have a specific focus, broad impact, and tend to endure for long periods of time are called *programs*. Included among them are research and development programs, safety programs, and educational programs. Sets of plans that have more limited impact and a short life span are labeled *projects*. They are exemplified by construction projects, research projects, and consulting projects. The local and relatively short-lived nature of projects makes them potentially disruptive to organization consistency. Each time a project begins or ends, those assigned to it must be shuffled around to other duties. Therefore, as noted in Chapter 3, a matrix organization design is nicely suited to project execution. Programs, on the other hand, are best undertaken in a more conventional organization scheme. Both programs and projects may include the entire range of plans represented in the planning hierarchy. Their principal differences lie in the proportion of the total organization that they affect and whether they have an ongoing or limited life. Although the distinction between them may seem a trivial matter, failure to differentiate programs from projects has led many aerospace manufacturers to use matrix designs to handle production runs that have lasted fifteen years and longer. Invariably, these programs-mistaken-for-projects are burdened with time and cost overruns simply because an inappropriate organization design was selected.

**Temporal
Plans**

Plans may also be classified relative to the temporal period to which they apply – e.g. *short-range*, *mid-range*, *long-range*. The problem with temporal classification systems is their inherent variation across industries. In highly dynamic industries, long-range plans may cover a shorter time period than short-range plans in a more stable industry. In the electronics industry, for example, long-range plans may only extend one year forward whereas the container industry may look at a five years plan as covering the short-range.

Strategies

**Primacy &
Pervasiveness
of Planning**

Among the oldest of the management principles are those addressing the *primacy* and *pervasiveness of plans*. Planning precedes all other management functions and plans affect all other management functions. Organizing is one function of management and the design components available to management . . . plans, configuration, processes, and assets . . . are profoundly affected by planning exercises and their consequences. Plans, in and of themselves, constitute one component and the manner in which they are developed and executed affect two others . . . the management processes and the administrative processes. The nature and content of an organization’s plans influence both its technical processes and its asset acquisition and deployment. Even the social processes of an organization may be affected by its plans and planning . . . or lack thereof. Where plans are comprehensive and effective and planning is broad-based and sensitive, the organization tends to be more stable, predictable, and humane. This, in turn, tends to promote a more harmonious relationship between the formal and informal organization.

**Context,
Strategy &
Configuration**

Of all the plan/design relationships, those between the organization’s strategies and its configuration are, perhaps, the most basic and most profound. The organization is a creature of the context in which it exists. How regulatory, input, and output forces are internalized by the organization is determined by its strategies. Because contextual forces are so fluid, strategic plans must compensate for more uncertainty than any other type of plan. They must provide specific direction, yet allow for navigational change; they must be adequately rigid to ensure resource conservation, yet adequately flexible to ensure survival. Strategy is the vehicle by which the organization pursues its goals in an uncertain environment to the satisfaction of its pluralistic constituents. Strategy is the organization’s link to its life-space, and the organization provides the machinery by which strategic objectives are identified and achieved.

Since the organization is subject to greater control than the context, recall the Organization Context model in Exhibit 2.8, a purely rational strategy might seek the best possible alignment with critical external forces. The purely rational organization, in turn, might be configured to best execute the strategy . . . form follows function. Experience, however, tells us the neither strategy formulation nor organization design are perfectly rational processes. And, perhaps, this is best. If the totality of organization life was

completely dominated by the pursuit of contextual opportunities or the avoidance of contextual threats, organizational affiliations would provide little personal satisfaction and organizational activities would be in a constant state of chaos. A more realistic approach to strategy formulation and organization design might follow the Planning Process model shown in Exhibit 4.5.

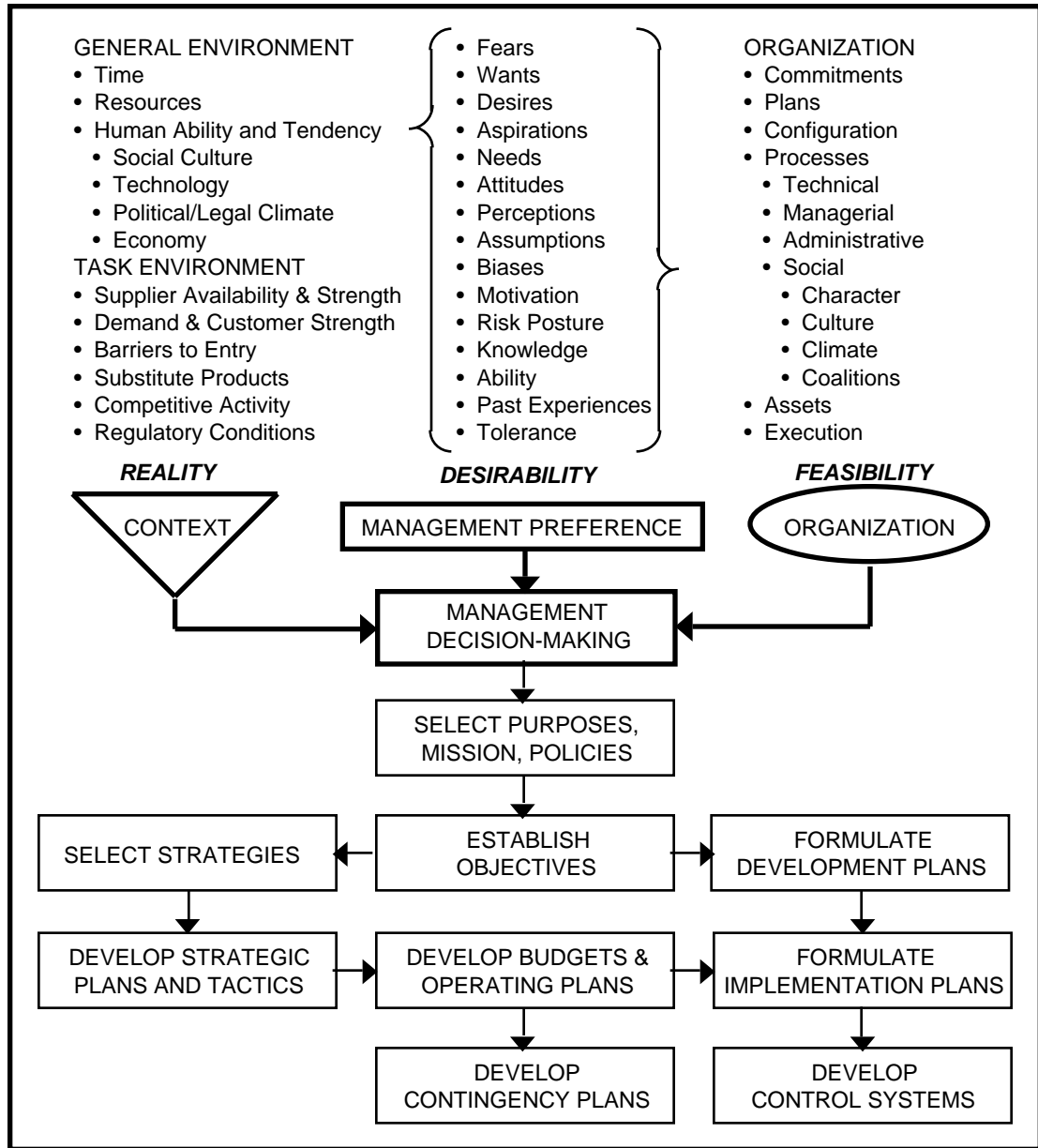


Exhibit 4.5. The Planning Process

Consider, if external effectiveness was permitted to dominate all planning decisions: 1) internal efficiency would be sacrificed, 2) personal preferences would not only have to be subordinated to the common good but also to the vicissitudes of the environment, and 3) the organization would never have the opportunity to take advantage of its strengths or to remedy its weaknesses. External forces play a primary role in strategy formulation, but not the only role. In the previous chapter we noted that once the organization design is in place, internal forces can be as significant as external forces in terms of organization

functioning. The well-balanced strategy will take into account the sentiments and concerns of the principal stakeholders in the enterprise along with the current abilities and potential of the existing organization. Strategy formulation, then, represents a series of tradeoff decisions in which the pros and cons of each planning input . . . context, management preference, and organization . . . will be carefully weighed.

**Balancing
Planning
Inputs**

Just as external factors can be overly-valued in strategy formulation, excessive emphasis on the other planning inputs can be equally debilitating. If management preferences are permitted to dominate the process, the resulting plans and configuration may be capricious and unrealistic. If organization status is permitted undue influence, the realm of opportunity will be perceived as narrow and the realm of threat will be treated as vast. A good example of this “inside out” approach to planning is provided by the history of the American railroad industry. Once the largest and most powerful industry in the country, the railroads have fallen on hard times because they defined their world in terms of their ability. Rather than perceiving themselves as transportation companies and growing with improvements in transportation technologies, such as over-the-road trucking and air transportation, they defined themselves as railroads and confined their activities to the capabilities of the locomotive. The movie industry followed a similar pattern. It missed the point that it provided entertainment and ignored the development of radio and television. Now, television production companies are buying major movie studios. The key to developing a sound strategy is striking a reasonable balance among the three planning inputs. And, a sound strategy is the precursor to and a product of a sound organization.

Competitive Strategy

In Chapter 2, competitive activity was noted to be fostered by: 1) the relative bargaining power of input providers and output demanders to each other, 2) barriers to entry in the marketplace, and 3) the availability of substitute products and services (Porter, 1980). High bargaining power, high barriers to entry, and the lack of substitutes provide a competitive advantage to those organizations fortunate enough to occupy such a position. Reverse the conditions and the organization must work harder to procure critical inputs and to “peddle” its outputs. In effect, these forces will affect levels of relative supply and demand for any given product or service at any point in time.

Assume for the moment that you own the patent rights for “Velcro.” To the extent that anyone wants the material, you have absolute competitive advantage — as the sole source, you have more bargaining power than your customers; your patent rights protect you from others entering the market to compete with you; and nothing else has quite the properties of “Velcro” as a fastener (of course, in a realistic sense, all products and services have substitutes. At question is the practicality of using a substitute — in some cases the substitute is to do without the utility of the good or service). Simply because no one can effectively compete with you, does this assure you of organizational success? What if you could take the resources you have dedicated to “Velcro” and invest them elsewhere with a higher return and less risk? What if the total market size for “Velcro” is extremely small or declining?

Competitive advantage is important, but it is a relative measure; not an absolute measure. It merely facilitates obtaining a share of the whole. A large share is only significant if the whole is sufficiently large. One might take little solace in owning 100% of something that has little or no value.

**Competitive
Advantage:
More than just
besting the
competition**

If one defines the organization purely as a competitive entity, the bulk of intelligence gathering and planning will be oriented toward what the competition is doing. The presumption here is that the competition is the industry expert and constitutes the principal force to which the organization must adapt. This leaves three options: 1) follow them, 2) try to stay even with them, or 3) try to surpass them. This type of myopia is hazardous because it suppresses creativity and innovation and desensitizes the organization to other threats and opportunities that may not be competitive in origin, as in the “velcro” example above. Although knowledge of competitive activity is important, one should also remain vigilant to the potential for becoming preoccupied with it.

Open Systems Planning

Hopefully, the point has been well-made that strategy must consider more than contextual or competitive forces alone if it is to be both realistic and practical. With that in mind, we can now turn our

attention to a method for reducing external forces to a reasonable plan. The method is called *Open Systems Planning* (OSP) and it was advanced in the late 1960s by G.K. Jayaram (“Open Systems Planning,” in W.G. Bennis, K.D. Benne, R. Chin, And K.E. Corey, eds., *The Planning of Change* , 3rd ed., New York: Holt, Rinehart and Winston, 1976.).

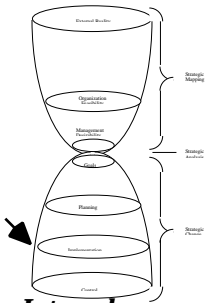
OSP is a four step process that begins with an *environmental scan*. If the term does not look familiar, refer back to the end of Chapter 2. Generally, the scan will provide a lot data that will have to be converted to a more usable form . . . information . . . before it will be of much value. The conversion process is called *premising* . . . premises are merely assumptions drawn from the facts. This notion is introduced here as a cautionary measure. Few data have absolute meaning, we simply assume them to have the meaning we infer from them. The more careful we are in developing our premises the more likely our data will provide valid information.

Open Systems Planning:

- Scan & Premise
- Static Prediction
- The Ideal State
- Action Planning

Basically, we want to organize our information to provide insight into three issues at the organization/task environment interface: 1) expectations, 2) interactions, and 3) impacts. Recall, the key players here are the organization and its regulators, input providers, and output consumers. Our concern is with mutual expectations, relative interaction roles, and our actual or potential impact on each other’s outcomes. What do they want and what do we want? How do they deal with us and how do we deal with them? How do they influence our results and how do we influence their results?

Step two in the process is the *static prediction*. The static prediction presumes that the current conditions will persist without change and attempts to describe what the future will look like N years hence if the pattern is not broken. Step three defines the *ideal state* and attempts to identify those current factors that if changed might create more ideal future conditions. At this stage several *if-then scenarios* might be developed to see how current changes would impact the future. The final step in the process is *action planning* . Here, the specific steps required to create the ideal future state are developed.



The overall thrust of OSP is to better align the organization with its task environment by identifying key mismatches and developing remedial interventions. Ideally, OSP should be a “rolling” process rather than a one-time event. It should also be noted that participation in the OSP cycle can be as beneficial to the organization’s healthy development as the strategies that derive from it.

Internal Factors

Internal Forces:

- Politics,
- History,
- Technology
- and Size

Not only must the plans, configuration, processes, and assets of the Macro organization conform to the extant forces in the task environment, they must also mediate among the internal forces engendered by people-object-event relationships in the Micro organization. Some of these internal forces are spawned by the specific nature of the formal design selected: that is, how the Micro organization is contrived and managed. Among the most common factors influencing these internal forces are *political activity*, *history*, *technology*, and *size*. Note, each of these factors derives from arrangements among the macro design components.

Social

Processes:

- Culture,
- Character,
- Climate and
- Coalitions

Because the subsystems are interactive, there are also some unplanned social side effects from these arrangements that transcend the formal design. These “spontaneous” forces make up much of the organization’s *social processes* and are reflected in its *culture*, *character*, *climate*, and *coalitions*. The importance of this “softer side” of the organization cannot be overestimated — it may produce extraordinary performance or create unyielding inertia and it will never be revealed in an organization chart or financial statement.

Political Activity

There is nothing inherently right or wrong with political systems, they simply define the location and balance among centers of social power, authority, and influence. By definition, organizations are political systems. Their “nervous systems” consist of their formal authority and communications networks and they would be hard pressed to function if this were not so — recall, collections and collaborations lack this facility and, as a result, tend to be less reliable and enduring than organizations. The use of authority — issuing a command — is a political activity. Likewise, gaining support for an idea by demonstrating superior

knowledge — expert power — or by relying on status or charisma — prestige influence (also known as referent power) — exemplify political activity. So long as the political system supports the goals of the organization, it is not only beneficial, it is critical.

The comments above define a *political system* and *political activity* in the broadest possible sense of the terms. More narrowly applied, the authority vested in a position within the organization, personal expertise, and leadership qualities are *legitimate* bases for exerting influence on organizational outcomes. But what about influence that derives from access to important individuals or information, the ability to arbitrarily control critical assets, threats and intimidation, conning and manipulating other people, or forming private alliances with collaborators for personal gain (remember, one of the advantages of collaboration is the ability to exploit smaller social units and individuals)? Are these legitimate bases for influence? Generally, *political activity*, when applied to organizations, refers to the use of non-legitimate bases of influence to promote personal outcomes that may or may not be consistent with organization goal achievement.

Authority, Power and Influence

Authority, as noted earlier, is the right to command. *Power* is the *ability to demand*. It is the ability to manipulate the contingent reinforcements that shape behavior: that is, positive and negative sanctions. So long as the person with power can manipulate and control the things that others value, (s)he can demand and expect compliant behavior from them. The use of authority in organizations is legitimate, the use of power is ethically questionable.

Influence is an attempt to *manipulate perceptions of the contingent reinforcements* even though the reinforcements themselves may be beyond the control of the influencer. . . sort of, “do what I ask or you will never work in this town again.” Actually having authority or power can provide a basis for influence; in their absence, the “illusion of power” is substituted. The reality is interpreted to suggest that the influencer can control the outcome when, in fact, (s)he cannot. The use of illusory power is as questionable as the use of actual power in terms of its legitimacy.

Relative to rational formal organization design, non-legitimate political activity is usually symptomatic of a system failure. When the integrity of the authority structure is suspect, the quest for and use of power, as opposed to authority, will become more pronounced. When formal communications systems are abbreviated, anonymity and the control of information will be used for personal advantage. When asset allocation systems are superficial, reciprocity will be recast in the form of dysfunctional cooptation, coalitions, and empire building. When incentive and control systems are inequitable, they will be supplanted by imaginative techniques to beat them.

Well-conceived organization systems will generally hold political activity at bay. As a result, the channels of formal authority, created in the *configuration* and executed by *management processes*, will be able to stimulate the critical behaviors necessary to keep the organization moving toward its goals. When the formal systems falter or are subverted, the configuration and management processes will have to contend not only with adapting to the conditions imposed by forces in the task environment, but also with the distractions or counter-forces emanating from within the organization itself.

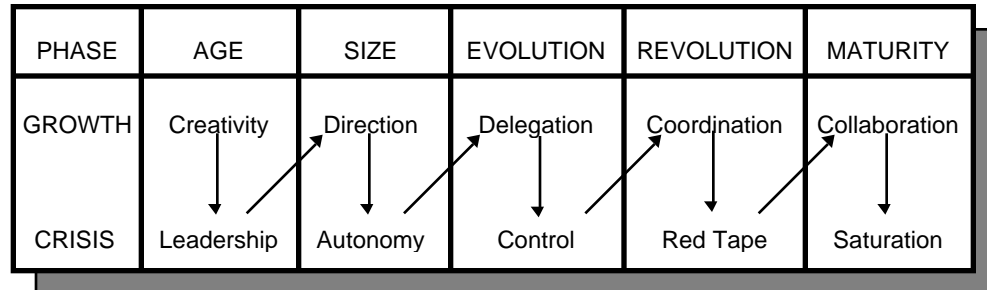
History

Danny Miller and Peter H. Friesen (*Organizations; A Quantum View*, Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1984) found that the best predictor of appropriate organization adaptation was a past history of appropriate adaptations. They concluded that organizational momentum, or the lack thereof (stagnation), has as much influence on plans, configuration, and processes as do externally generated forces.

As social systems, organizations capture, retain, and invoke their past experiences in numerous ways. Culture becomes a medium for social memory and a mechanism to preserve traditional practices. Operating systems become institutionalized habit patterns. Past decisions and their consequential successes and failures provide precedents for current and future decisions. We noted this pattern when comparing mechanistic and organic designs. Past success using one design tended to retard adopting the other even though the context had undergone a radical shift. Even Roethlisberger’s “X” chart (Exhibit 3.12) paid deference to the influence of history by noting that an individual’s *attitude* will, in part, reflect his or her past experiences.

Growth & Crisis

Another way in which history affects the organization is through its patterns of development. Just as social units develop from collections through organizations, with each stage of development being fostered by some failure of an earlier stage, so organizations develop to redress some shortcoming of an earlier design.



Adapted from "Evolution and Revolution as Organizations Grow,"
Larry E. Greiner, *Harvard Business Review*, July-August 1972, pp. 37-46.

Exhibit 4.6. Organization Life-Cycles

Larry Greiner (Exhibit 4.6) found that many organizations select their mechanisms for further growth to compensate for some crisis created by a previous selection. The infant organization relies on creativity to meet contextual challenges, but discovers that the lack of leadership creates internal chaos. To compensate, it provides more formal direction only to find that autonomy is so restricted that no one can act without first securing approval. More widespread delegation follows and soon after the organization is running out of control. Coordination systems are then installed to provide checks-and-balances, but the operation gets bogged down in the red tape. Finally, the organization matures to a point where everyone is involved, informed, committed, cooperative, and *burned out*.

Conceptually, the model has considerable merit: 1) the cause-effect-cause relationships provide insight into what often appears to be anomalous behavior in some organizations. That is, organizations may be as "pushed" by their internal forces as they are "pulled" by their external forces. 2) The pattern permits us to identify current life-cycle stages and, thus, to infer where the organization is coming from and to predict where it is going, and 3) the notion of life-cycles keeps us mindful of the fact that organizations, like individuals, develop in stages (albeit not the same stages nor in the same time frames) — the achievement of some organization states may not be possible without first "living" through some preliminary stages.

Empirically, the model contains some manifest shortcomings: 1) there is no evidence to suggest that organizations develop in such linear fashion — habit may compel them to revert to an earlier stage just as easily as they might advance toward a more mature stage to resolve a current crisis. Some organizations seem to get caught in a "developmental loop" between the "size" and "evolution" stages and perpetually oscillate between a centralized and decentralized structure. Others practice a form of "management by contrast" in which each shift is always the polar opposite of the present state; 2) Few if any organizations can achieve the maturity stage — during the developmental process, the leadership and membership of the organization may turnover several times. With each new set of players and conditions, it is likely that the organization will experience numerous rebirths throughout its lifetime. And, 3) the model casts the organization as a closed system and gives no weight to the impact of externally induced crises — attending such events will likely take precedence over internal issues.

In the final analysis, experiences, memories, and habits do influence the form the organization components might take. What an organization can and cannot do is often moderated by what it has or has not seen, done, or remembered.

Technology

Buffering, Leveling, Forecasting and Rationing

Production systems are dictated by the nature of the transformation necessary to convert a particular combination of inputs into specified outputs and the availability of desired technologies. Once they are selected, however, they assume a degree of influence that rivals the forces that spawn them. James D. Thompson (*Organizations in Action*, New York: McGraw-Hill, Inc., 1967), for example, found that organizations will attempt to insulate their core technologies from external forces and only alter them as a last resort. Initially, they may try to “buffer” contextual influences by stockpiling inputs and maintaining large output inventories. Next, they may try to “level” output transactions to match inputs by offering special inducements to smooth out fluctuations in demand such as price reductions during slow periods and price increases during peak periods. When “buffering” and “leveling” are not possible, they may attempt to anticipate available supplies and demand through forecasting and then accelerate or decelerate their current transformation processes at a gradual rate as opposed to redesigning them. Finally, they may resort to “rationing” their outputs before they ultimately succumb to the reality that change is in order.

One of the earliest forays into the the relationship between the organization’s components and the nature of its core technology was undertaken in South Essex England during the early 1950s with follow-up studies continuing on into the early 60s (Joan Woodward, *Industrial Organization: Theory and Practice*, London: Oxford University Press, 1965). With a sample of 100 manufacturing firms, the initial study endeavored to find a relationship between the pattern of organization and size, industry classification, and success. Failing to find significant relationships, the focus of the research turned to isolating other factors that would explain the differences in the designs of the organizations under study.

Unit, Mass and Process Production

Each of the subject firms was reclassified relative to its production technology. When this was done, three discrete technical categories emerged: 1) small batch and unit production technologies where manufacturing concentrated on producing single, complex units or customized small production runs (e.g. printing plants, machine shops, ship building, etc.), 2) large batch and mass production technologies that were characterized by large production runs of single units (e.g. automobile manufacturing), and 3) process production technologies where the units of production were large and could only be identified by batches or lots (e.g. chemical plants, breweries, smelters, etc.). When viewed from this perspective, significant relationships became apparent between the selected technology and the nature of the organization design.

As the level of technical complexity increased from unit to mass to process production, there was a corresponding increase in the number of authority levels in the hierarchy, the ratio of managers to total personnel, the ratio of staff to operating personnel, the number of college graduates employed in production supervision, the chief executive’s span of control, the degree of functional specialization, and the emphasis placed upon production control activities. Large supervisory spans of control, rigidly defined roles and responsibilities, and dependency on written, versus verbal, communications, were most pronounced among mass producers. In unit production firms, coordination was facilitated by specialized systems, mass production tended to rely on interaction among functional specialists, and processors depended on the design of the process itself. Major decisions in unit production consisted primarily of problem solving; in mass production, of policy making; and, in process production, of strategic planning.

Core technologies have a profound influence on all organization components. First, as Thompson noted, because they are so resistant to modification and displacement once they are in place. And, second, pursuant to Woodward’s research results, because many design characteristics will be more sensitive and responsive to the prevailing technology than to critical external forces.

Size

Woodward’s original quest to discover a relationship between size and design reached fruition through the persistence of a group of researchers at the University of Aston in Birmingham, England in 1969 (David J. Hickson, D.S. Pugh, and Diana C. Pheysey, “Operations Technology and Organization Structure: An Empirical Reappraisal,” *Administrative Science Quarterly*, No. 14, September 1969). The Aston group attributed Woodward’s failure to achieve meaningful results to the scale of the organizations included in her initial sample. Over 75% of the firms in Woodward’s study had fewer than 500 employees and some hovered around 100, 60% of the firms in the Aston study had over 500 employees and none had fewer than 250.

The Aston group's findings were encouraging because they added an important "footnote" to Woodward's final results. Technology was a significant internal factor, but its degree of influence on overall design characteristics was found to be relative to the size of the organization. In smaller organizations, technology exerted considerable influence on the arrangement of other design components and structural variables in particular. In larger organizations, size was a far more influential factor. When compared to technology, size demonstrated consistently stronger correlations with specialization, standardization, formalization, and centralization. These conclusions should not be construed to suggest that size itself is the ultimate internal factor deserving of management's attention in large organizations. The study only considered size versus technology; its influence relative to political activity and history remains a question yet to be answered.

Culture, Character, Climate, and Coalitions

Individuals have values, personalities, and temperaments. When they aggregate, their personal traits meld together and the resulting social unit manifests a certain uniqueness that can only be attributed to the combinations and permutations of these individual qualities. When raised to the power of an organization, these traits become its *culture*, *character*, and *climate*. No organization member is ignorant of the prevailing culture, character, and climate, yet few, if any, are consciously aware that they even exist. They are rarely discussed in the councils of organization design, yet their presence constantly shapes and reshapes the organization's architecture and dynamics.

Culture: ***The*** ***Organization's*** ***Memory***

Culture. The shared patterns of ideas, language, behavior, and beliefs of a society constitute its culture. It is somewhat unfortunate that another term was not developed when the concept of culture was applied to organizations, because *organization culture* is somewhat different than the *culture* described by anthropologists. Anthropologically, culture is a social institution and, as such, is a product of the forces emanating from the natural environment and influenced by interactions with other social institutions. Organizationally, culture derives from forces in the task environment and the interaction of internal organizational forces and factors. Furthermore, organizations are more "tribal homelands" than they are homogeneous societies, therefore, the tools and concepts of the anthropologist are difficult to apply, with any precision, when studying organizations. Suffice it to say, the terms are the same and the things they describe are similar, but the subject of organization culture is vastly different from the one you studied in Anthropology 101.

Culture is a creature of the *informal organization*. It develops along with, in addition to, or as a reaction to the formal organization. When the formal organization is externally effective and responsive to the needs of its members, the culture will usually reflect and support the formal organization machinery. Formally sanctioned conduct will be reinforced by cultural norms, formal goals will become core cultural values, cultural roles will emulate formal roles. When the demands on the organization inhibit it from providing all the social needs of its members, cultural norms, values, and roles will fill in the gaps. When organization plans, configuration, and processes conflict with the aggregate needs of members, culture will develop as a counter-force to pressure the formal system into meeting those needs.

Socialization ***Rites,*** ***Rituals,*** ***Totems,*** ***Taboos*** ***& Jargon***

Culture facilitates cohesion among the organization's members by providing them a common orientation and training through *socialization* processes; common experiences through *rites* and *rituals*; common symbols by the use of *totems*; common prohibitions through *taboos*; and, even a common language in the form of specialized *jargon*. Members of one culture are, thus, able to predict the beliefs and behaviors of other members (within relative bounds) and to easily distinguish their members from those of other cultures. The culture may engender blind loyalty, abject enmity, or complete indifference toward the formal organization depending on the degree of compatibility between the two.

People are "time binding" animals who may not know where they are going, but who derive a great sense of comfort from knowing where they have been. Adopted children are generally compelled to learn something of their natural parents. Children raised by their natural parents want to know of their forebears. We tire of stories told of our childhood antics or incidents from the lives of our friends and family members. . . but only after we have heard them a few hundred times. In general, we like to know where we fit and how we compare to others: not just in the physical sense but also in the temporal sense. Our memories are the repositories of our personal histories. Bitter or sweet, they give us a sense of who we are.

Like the individuals who comprise them, social units also have a need to remember. The status associated with membership is enhanced if it is seen as the “next link” in a chronology of great wars, great victories, and heroic deeds. If you doubt this, recall that the Third Reich of Germany and Mussolini’s Italy were spawned from the dream of recovering past glories. Current activities and events have greater meaning when the conditions that preceded them are known. Progress cannot be measured in the absence of a baseline. Furthermore, social memory permits past learning to be preserved and enhanced across generations. Culture is the repository of social history. Bitter or sweet, it gives the organization a sense of what it is and its members an idea of where they stand.

Folklore

The history of the organization is captured in its *folklore* and, like any history that is kept alive by those who retell it, it is fraught with omissions, distortions, and enhancements. Although it may not be entirely accurate, nor entirely accepted without question, it is treated with considerable respect and is not without influence on social conduct. When a superior tells a subordinate, “try to make the three o’clock meeting if you have a chance,” it is the culture that tells the individual whether the boss has made a suggestion or dictated mandatory attendance. Stories about all the past members of the organization whose fates were decided at the meetings they failed to attend provide adequate motivation to comply regardless how the invitation is phrased. Whether lunch periods last 60 minutes or “about an hour,” stated goals are the *real* goals, or the desire for candor is professed but not really encouraged are all explained by the culture.

Of course, one must be “plugged into” the network and be around long enough to hear the stories if they are to have any influence on behavior. Unless members have been sufficiently *socialized*, the system does not work. This, in turn, impacts perceptions of subordinates’ willingness to be “team players,” and superiors’ competencies as managers. Furthermore, it puts considerable pressure on new members to learn the system even though the system to be learned has never been documented nor openly acknowledged.

Character: The Organization's Distinctive Theme

Character. Character is to the organization what personality is to the individual. *Organization character* describes the consistent and characteristic manner in which an organization presents itself to its world — the way in which it expresses itself and impresses others — it is the organization’s *distinctive theme*. Like individual personalities, organization character is an abstraction or a theoretical construct — it cannot be directly observed, in fact, it does not exist in an empirical sense. It is not behavior, but rather, it is inferred from behavior.

Through a variety of life experiences, each of us collects data about other people. From these data, we create images of what we conclude to be typical or normal. In essence, each of us constructs a personal model of the average person (we also tend to assume that others operate off of a similar model). We use our personal models to evaluate and understand the thoughts and actions of others. Since our models are organized around averages, no single individual ever quite matches them exactly. When we describe someone’s personality, therefore, we tend to focus on those areas where they deviate from our constructed norms.

For example, everyone has emotions, thus we would not tend to mention someone’s emotionalism unless it seemed atypical — at one extreme we may describe someone as a hot-head, at the other, as level-headed. Note, in both instances we describe how they compare to “our average person.” Note also that the descriptions are actually conclusions drawn from something we have witnessed — we cannot see the emotion, we can only assume that it exists and is related to the behavior we saw.

A host of minute data points contribute to our conclusions — style, appearance, mannerisms, expressions, speech patterns, movements, etc.. For example, what is the difference between a smile and a smirk, between someone who is guarded or simply uncertain? Clearly, our assessment of someone’s personality can be clouded by our own expectations and emotions and by the situation at hand. The differences between personality assessments done by clinical psychologists and those we do all the time can be attributed to the objectivity of methods of observation and measurement and the construction of the norms applied. Valid norms, multiple observations, and an objective perspective will generally yield more accurate analyses.

Because organizations are comprised of people, they tend to manifest very human characteristics. Because people are people, they tend to ascribe human qualities to their institutions, pets, body parts, and even inanimate objects. However, organizations are not quite the same as individuals because they are

aggregates of individuals. This, however, does not inhibit us from constructing and using profiles of organizations in the same manner as we do for individuals.

Organization character: 1) explains behavior, 2) provides insight into the logic and reasoning behind decisions, 3) determines what is or is not considered acceptable, 4) embodies the degree of risk the organization will tolerate, 5) determines the type of people who will or will not fit into the system, 6) provides a basis for accepting or rejecting ideas, and 7) assists us in formulating a total view of an organization as a holistic system. Although organization character is conceptually similar to individual personality, it is not the same thing operationally. To avoid the pitfalls of over-generalization, the term *character* is preferred over “personality” when discussing an organization’s consistent tendencies.

Many of the same forces that shape an individual’s personality can also influence an organization’s character — developmental experiences, influential people, cultural heritage, and the nature of the local setting. Unlike the individual, however, the organization is immune to biological predispositions and evolutionary forces. Its character traits derive from past events, key personalities, the nature of the work and work force, the social climate, the culture within the organization, and the prevailing forces in its task environment.

Like a personality assessment, a careful organization character analysis can permit us to understand, describe, and predict ideas and actions. And, similarly, clear understanding is predicated upon a valid model, multiple observations, and an objective perspective.

Climate:
The
Organization's
Emotional
Setting

Climate. Climate is the emotional setting within the organization. Hostile or friendly, candid or suspicious, nurturing or indifferent or punitive, are all terms that might be used to describe a *climate*. It is similar to, but, again, not the same as an individual’s temperament. Climate, like culture, may be reflected in an organization’s character.

The attractiveness or aversiveness of working in some organizations, or departments or functions within an organization, is usually attributable to the climate. Climate can be the cause for high conflict or the means by which conflicts can be minimized and resolved. Labor/ management discord, interdepartmental friction, and interpersonal rivalry are often the products of a highly competitive climate. Conversely, a cooperative climate will foster a genuine concern for co-workers, developmental coaching, a free flow of information and advice, and resource sharing.

Relative to culture and character, climate is very volatile. It may be shaped by resource availability — it will tend to grow more tense when resources are scarce, — the “chemistry” of work groups, the degree of flexibility inherent in deadlines, the intensity of control systems, supervisory styles, and memories of past events. Each of these factors is subject to radical swings in a relatively short period of time. Resources become more plentiful, work group composition is altered by conscious decision or natural attrition, deadlines extend, controls relax, supervisors mature and adapt . . . but what about history? Can the past change? The answer is a resounding “yes.” Each day adds another increment to history, therefore, history is rewritten with every experience. Some experiences will reinforce memories, others will reshape them, still others will replace them. A variety of events cause us to reconsider old assumptions, challenge previous conclusions, view past situations from new perspectives, or to simply forget.

Coalitions. Coalitions are a special form of *collaboration*. In the previous chapter we noted that social unit membership is not mutually exclusive; one can, and often does, maintain membership in several social units simultaneously. *Friendship groups* are loosely-knit networks of people who are bound together by proximity or some mutual attraction. Friends listen to each other’s woes, share gossip, and, perhaps, recreate together on and/or off the job. *Cliques* are somewhat more restrictive. Their membership tends to be smaller and more homogeneous, requisites for membership more specific and rigid, and their basis for membership more politically-oriented. Cliques form to empower their members to further their personal and collective purposes. *Coalitions* are cohesive, enduring, special-interest groups. They are generally larger and more heterogeneous than cliques, but no less political in their motives and methods. They are founded on and maintained by the pursuit of some commonly-shared aim. Smaller, more short-term coalitions are called *cabals*. They tend to parallel *simple collaborations*.

Coalitions:
The
"Organizations"
within the
Organization

The presence or absence, influence or futility of coalitions often reflect the culture, character, and climate of the organization. Weak organizations with weak cultures, casual characters, and antagonistic climates are natural breeding grounds for coalitions. Such conditions, interestingly, prevail in some professional organizations. Professional organizations are purposefully designed to minimize formal organizational machinery and to maintain a relaxed atmosphere where the professionals "can do their thing." Antagonism is a predictable by-product when such a group of experts is assembled — no one can tell anyone else anything they do not already know. Traditionally, these organizations rely heavily on the professional culture to maintain order — professional courtesy, professional conduct, professional standards, professional roles. When the culture fails, however, the membership typically realigns itself into "armed camps."

This is precisely what happened on American college campuses in the 1960s and 70s. The traditionally-shared values of the academic community collapsed and groups of students, faculty, and administrators formed themselves into a variety of alliances seeking a variety of outcomes. Some of the special interests were fostered by perceived academic needs that were unmet by the existing system while others rallied around the war in Vietnam, civil rights, and the feminist movement — causes that went well-beyond traditional academic issues. Exhibit 4.7 summarizes the internal factors that affect organization design.

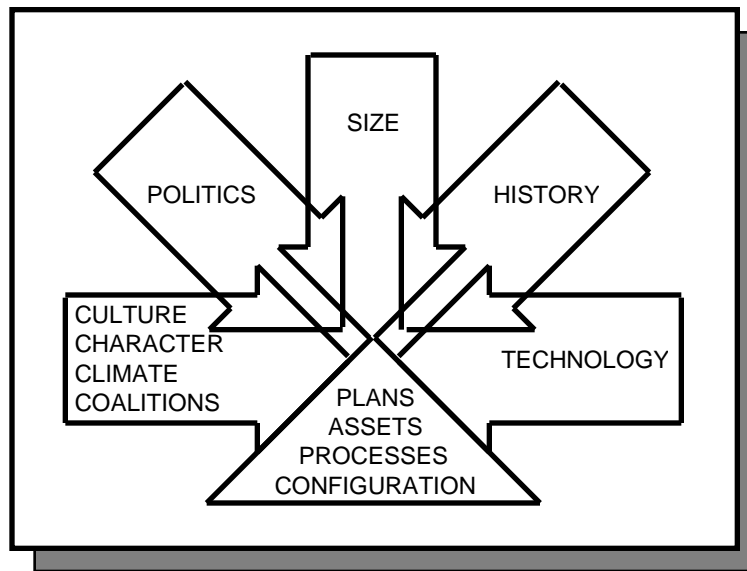


Exhibit 4.7. Internal Factors Affecting Organization Design

Summary Conclusions

The "organization" is a contrived network of plans; configuration; technical, managerial, and administrative processes; and, assets. The principal criterion for the design of these components, and the relationships among them, is an effective alignment with the forces that surround them in their task environment. The process by which design is undertaken is profoundly affected by the quality of the plans and planning systems from which it derives. The influence of these forces is not confined to their strict nature and interactions. Other factors such as the rate, magnitude, and potential range of change among these forces will also affect the organization design.

The design components are the instruments by which the organization specifies and controls people, objects, and events inside the organization, to achieve desired outcomes, within the constraints imposed by its task environment. The people-object-event interactions, in turn, create a set of internal forces with which the design components must also contend. These interactions seem to be most affected by internal political, historical, size, and technological factors combined with the social processes reflected in the organization's culture, character, and climate.

Of all the design components, there is something adequately intriguing about issues of configuration to make it, by far, the most popular subject for research and instrument for change. This bias is reflected in the previously cited research and in common practice as a great number of contemporary managers appear to function under a banner that reads, “when in doubt, reorganize.” Perhaps it is because when we think of organizations we conjure images of structures. Perhaps it is because the structure of roles and relationships and flows of authority strike us as more concrete than plans and processes. Moving lines and boxes on an organization chart does not change organizations, but it does provide us physical evidence that something is being done about *the problem*.

Another recurrent theme in most of the research and discussion was history. This seems reasonable because history is a function of the passage of time, and time, as was demonstrated in the context model (Exhibit 2.8), is the most pervasive of all forces.

History is an input, an integral part of the transformation system, and an output. As inputs, business trends and cycles, industry maturity, the life-cycle stages of products or services, traditional industry practices, and industry patterns of stability or change will tend to influence the design of industry member organizations. For example, in the wholesale gem industry, million dollar deals are closed with a handshake. In other industries, such a large financial commitment would not even be considered in the absence of a carefully written contract. Thus, industry tradition in the gem trade dictates that aspiring industry members must go through a protracted “apprenticeship” before they will be accepted by the key players. Likewise, mergers, acquisitions, hostile takeovers, and spinoffs emanate from external forces that are no less a function of fashion than changes in clothing styles or home decor.

Organization and “The Wheel of History”

“ . . . The management of great corporations can be a dramatic, even epic, subject, worthy of the most serious and detailed attention of the best minds in the country. It has been known for some time that corporations are social institutions with customs and taboos, status groupings and pecking orders, and many sociologists and social scientists have studied and written about them as such. But they are also political institutions, autocratic and democratic, peaceful and warlike, liberal and paternalistic, and only in the light of political history can that aspect of them be studied properly. The lower slopes can be explored by the schools of business management and the higher ones by the faculties of social study: to reach the peaks demands the training, the equipment, and the mettle of the historian.”

From: *Management and Machiavelli: An Inquiry into the Politics of Corporate Life* written by Antony Jay a former Executive Producer for the BBC and management consultant to several large British companies. The book should be on your *must read* list (Holt, Rinehart and Winston: New York, 1968).

Internally, the organization’s position in its life-cycle, its culture, and the tenure of its key decision makers and work force will influence its design characteristics. The impact of temporal conditions is particularly significant in the event of retirements by founders, key leaders, or among “old guard” executives, or when rapid expansion necessitates mass hirings of new personnel. As an output, history is captured in the skills, knowledge, and sentiments of organization members and the expectations of external constituents.

One difficulty with operationalizing history is its placement in an analytic model. If it is isolated as a separate force, its relationship to other factors is likely to be neglected. If it is omitted as a discrete component, it is likely to be forgotten. It appears to be best handled by remembering that it is an independent factor that has specific meaning when associated with another factor — e.g. design history or cultural history.

Questions

1. What are the four *organization design components* and what is their dual role?
2. What influence does environmental dynamism have on organization design?
3. What are the characteristics of a *mechanistic* and an *organic* system and for what type of environment is each best suited?
4. What is *organization differentiation*, in what forms is it manifested, and how does it come about?
5. What is *organization integration*, how is it achieved, and why is it important?
6. What are plans?
7. What plans are represented in the hierarchy of plans, what is the purpose of each type, and who should be responsible for them?
8. What types of plans are not represented in the hierarchy and what is their purpose?
9. How does strategy impact the organization design components?
10. What factors must be considered when formulating a strategy? Why is this so?
11. Does competitive advantage assure organizational success? Why or why not?
12. What is OSP and how does it work?
13. What is *strategic posture* and what is meant by *strategic fit*?
14. What are some forces that inhibit achieving a good strategic fit and how do they operate?
15. How does a legitimate political system differ from a non-legitimate political system?
16. How do *power, authority, and influence* shape behavior?
17. What can the nature of political activity tell us about organization design?
18. In what ways does history influence organization design?
19. What are the strengths and weaknesses of Greiner's life-cycle model?
20. How does technology influence organization design (be specific)?
21. What influence does size have on organization design?
22. What *social process* factors influence organization design, how might each be defined, and how do they relate to each other?
23. Which design component has received the greatest attention in research and practice and why might this have happened?
24. Which internal factor appears to affect most other internal forces and why does this seem reasonable?