Organizational Design

Management of Organizations

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Weeks 3–4

What makes a manager

Theory and practice

- **Plan**
- **Organize**
- **Command**
- **Coordinate**
- **Control**

} Fayol's influence

What managers actually do

Ritual and ceremony, networking, lobbying, "soft" information, filling in for absentees, meetings…

Mintzberg's study (I)

- Five managers over one week
  - Tech, manufacturing, consulting, healthcare, education
  - Stopwatch and log of activities
- Quantity and pace of work
  - Averaged 583 activities per 8-hour shift
  - Steady stream of calls/mail, worked during breaks
- Brevity, variety, fragmentation
  - Half the activities lasted less than 9 min
  - One out of 368 verbal contacts was "general planning"
  - Worked 30 minutes straight once every two days

Mintzberg's study (II)

- Live action and intuition
  - Read 142 pieces of mail in about three hours
  - Cost reports → "I never look at this"
- Networking
  - Only 13% of mail of specific/immediate use
  - Most was opinions, gossip, hearsay
- Unwritten communication
  - Spent 66–80% of time on verbal communication
  - Initiated mail contact only once per day
- Situational pressure
  - Engaged in routine activities as needed

The dilemma of delegation

- Managers acquire strategic information
  - Originating outside the organization
  - Tacit and only accessible to them
- Information is needed to make decisions
  - Making decisions leads to overload
  - Delegating decisions increases chance of error
  - Both options are time-consuming
- No scientific attempts at solving this problem
  - Research focused on functional areas

    Marketing, HR, operations, finance
  - Little attention to general management

What should managers even learn?

* Academy of Management Learning & Education, 2008, Vol. 8, No. 2, 240–251.

Course Research: Using the Case Method to Build and Teach Management Theory

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Some in the Academy have questioned the usefulness of case studies in teaching sound management theory (Shugan, 2006). Our research and experience suggest exactly the opposite—that case studies can unite the development of theory with the teaching of it in a single enterprise we'll call *course research*. Conclusions such as those that Shugan and others have reached stem from misconceptions about the relationship of research, theory, case studies, and teaching. In fact, the proper use of case studies in teaching can help faculty resolve a basic dilemma of academia: Promotion is often based upon our published research, and we find that responsibilities to teach detract from the mandate to publish. When approached properly, case studies can transform teaching into research, which enrolls students as "course researchers," whose class participation can be exceptionally valuable in the theory-building process.

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Compartmentalizing our world into mutually exclusive realms of research and teaching wastes substantial intellectual energy and insight—our own, and that of our students. In the research side of our lives many of us have learned to train and trust students as junior partners in our theory-building efforts. We readily engage doctoral, MBA, and even undergraduate students as research assistants to collect and examine data. We discuss with these students the hypotheses that emerge from their analyses, and ask them to plunge back into the data to refine these hypotheses. When we walk into the classroom with those same students, however, many of us mentally shift gears into a mode of conveying theory, not developing it. While we work together as trusted research partners outside the classroom, we bifurcate as instructors and instructees inside the classroom. We rarely frame classroom activities as opportunities for theory building—for examining the phenomena, categorizing it, synthesizing hypotheses, and testing them to find anomalies that will yield improved theory. Yet classroom work can be structured as theory-building activity, just as out-of-classroom work can be, if case studies are used properly.

To show how research, course development, and teaching can be knit together in this way, we will first present a model of how theory can be built. Although there are other useful models of theory building, the simple one we employ here has proven helpful to us and many students and colleagues as we have sought to build, teach, and publish better theory for management.[1]

A THEORY-BUILDING PROCESS

We define "theory" very simply—as a body of understanding. The building of theory occurs in two major stages: a descriptive stage and a prescrip-

[1] This model was developed first by synthesizing models of theory building that have been developed by scholars of this process in a range of fields. These include Kuhn (1962) and Popper (1959) in the natural sciences; and Campbell and Stanley (1963), Glaser and Strauss (1967), Stinchcombe (1968), Roethlisberger (1977), Yin (1984), R. Kaplan (1986), Weick (1989), Eisenhardt (1989), and Van de Ven (2000) in the study of management and social science. To this synthesis we have added our own observations, derived from studying the research efforts of various faculty members and doctoral students at Harvard, MIT, Stanford, and the University of Michigan.

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Editorial: Save Research—Abandon the Case Method of Teaching

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The case method of teaching and the corresponding Socratic Method predate the discovery of the scientific method for advancing knowledge and problem solving. The case method applies known principles (e.g., laws) to specific situations while the scientific method focuses on discovering principles. Although the case method might be effective at teaching leadership and persuasion skills, it can lack the spirit of inquiry and the worship of the truth associated with the scientific method. Moreover, unlike legal cases, business cases lack precedent (i.e., stare decisis), the foundation of written law, and rigorous adjudication. More importantly, the traditional case method of teaching often ignores important research findings. Consequently, it helps destroy the link between academic research and classroom learning. Students lose the benefit of important research findings while leaving the classroom with false confidence about what they know. Researchers lose an incentive to do research relevant to their students. Eventually, there is less research worth teaching, and fewer students value the knowledge learned through painstaking research. Although we might covet the skill of persuasion, time might gradually elevate previously less persuasive managers who have better skills with analysis and collecting relevant information. Great teaching requires great content, in addition to active learning.

Key words: case method; teaching business; learning; M.B.A. education; scholarly research

1. What Is the Case Method?

Although virtually every business school faculty member can confidently define the ubiquitous case method of teaching, individual definitions do vary. Argyris (1980, p. 291) found that not only did definitions vary by individual, "but the same individual varied in different situations. For example, when basic concepts . . . had to be taught, many instructors lectured . . . some used role playing. . . . Simulations, films, and straight long lectures . . . faculty members interviewed believed that all these teaching modes represented the case method . . . ." Of course, the case method of teaching differs from simply using written cases (Gragg 1940).

Let us define the case method by focusing on its major differences from other types of instruction (lectures, class discussion, simulation games, etc.). The case method often involves giving students a real historic business situation consisting of a detailed factual description of an issue faced by an organization together with the surrounding facts, circumstances, events, and management opinions (Lundberg et al. 2001). Students analyze and discuss the case with the objective of determining an appropriate action (Gragg 1940). Rather than directly communicating concepts and knowledge, the instructor uses the Socratic Dialogue—usually by asking challenging pertinent questions but sometimes by demeaning students (Garner 2000). The instructor, supposedly a skilled discussion leader, asks provocative questions, pits one student against another, and goads the class into reaching the correct conclusions (Bonoma 1989). Ideally, supposedly empowered and engaged students now actively discover hidden concepts and precious knowledge for themselves.

2. A Short History of the Case Method

In 1870 at Harvard University, Professor Christopher Columbus Langdell decided that law students learn more from analyzing cases than from reading textbooks (Shulman 1986, LaPiana 1987). Although textbooks allowed students to memorize laws, Langdell wanted students to learn to apply the law in different situations (Shulman 1986). Langdell combined cases with Socratic Dialogue (e.g., challenging questions) to teach legal reasoning, in contrast to written law. Langdell admirable belief was that properly trained law students should acquire the skill of generalizing from singular cases to other analogous legal applications. Most law schools now employ his case method of teaching. In 1919, the new business school dean at Harvard, Wallace P. Donham, was a lawyer and a graduate of Harvard Law School. Given his extensive experience with the case method, Donham promoted the case method at the Harvard Business School.

Back to basics

The manager can be defined as the person in charge of an organization or one of its subunits

Besides CEOs, this includes vice presidents, bishops, foremen, hockey coaches, and prime ministers

Can these people have anything in common? They can, for all are vested with formal authority: from this comes status, which leads to **interpersonal relations**, and from these comes access to **information**

This, in turn, enables the manager to make **decisions**

Mintzberg, *Mintzberg on Management*, 1989

Interpersonal roles

- Performing ceremonial duties (figurehead)
  - Greeting dignitaries or custumers
  - Signing documents, giving awards
  - Up to 12% of contact time, 17% of mail
- Taking responsibility for subordinates (leader)
  - Hiring/training executive staff
  - Motivating employees and resolving conflicts
  - In 100% of contacts, employees want cues
- Maintaining outside contacts (liaison)
  - Relating to suppliers, clients, politicians, etc.
  - Relating to other firms, including competitors
  - About 45% of face time is with outsiders

Informational roles

- Receiving information (monitor)
  - Querying contacts within and outside the firm
  - Scanning trade press, periodicals, etc.
  - About 70% of mail has no call to action
- Relaying to subordinates (disseminator)
  - Sharing privileged info from outside
  - Transferring info across subunits
- Relaying to outsiders (spokesperson)
  - Giving talks, presentations, press conferences
  - Reporting to board and shareholders
  - Lobbying to protect firm interests

Decisional roles (I)

- Responding to events (disturbance handler)
  - Coping with loss of customers/suppliers
  - Dealing with fallout from scandals
  - Reorganizing during strikes
- Adapting to environment (entrepreneur)
  - Turning ideas into projects
  - Delegating projects to subordinates
  - Average of 50 projects at once

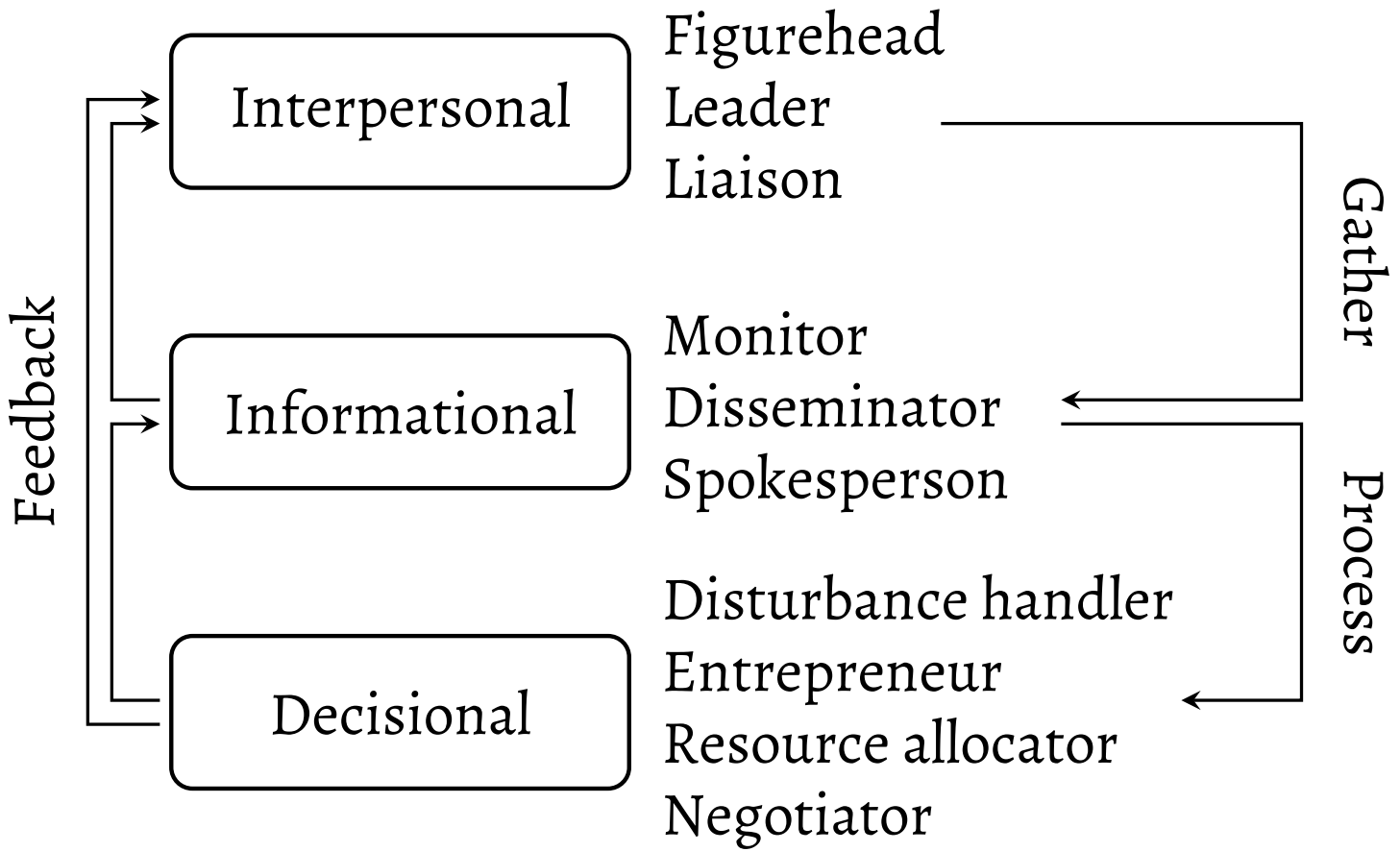
"Like jugglers, they seemed to keep many projects in the air; periodically one comes down, is given a new burst of energy, and is sent back into orbit"

Decisional roles (II)

- Deciding who gets what (resource allocator)
  - Distributing tasks, responsibilities, rewards
  - **Dividing labor and coordinating tasks**
  - Avoiding resource overcommitment
- Making deals (negotiator)
  - Finding agreements with competitors
  - Responding to demands from unions
  - Contracting star employees

"Only the manager has the authority to commit resources in real time, and only he or she has the [...] information that important negotiations require"

Overview of roles



Some examples

Figurehead, leader, liaison, monitor, disseminator, spokesperson, disturbance handler, entrepreneur, resource allocator, negotiator

Indivisibility of roles

Roles are inseparable: for example, without liaison contacts there is no information to make decisions

This leads to problems in managerial succession and within management teams, only partly solved by creating CEO, COO, CTO, CFO positions

Still, managers can specialize:

- Sales are mostly interpersonal
- HR is mostly informational
- Production is mostly decisional

Main challenges

Delegation

Regularly share info through debriefings, memory dumps, memos to managers down the line

Prioritization

Turn obligations into advantages, e.g., a speech or conference into an opportunity for lobbying

Cooperation

Managers have authority and resources but analysts have time, instruments, and knowledge

Sources of power

Authority

Rational-legal Professors, mayors, driving teachers
Charismatic Talented entrepreneurs and investors
Traditional Kings and popes

Control of resources

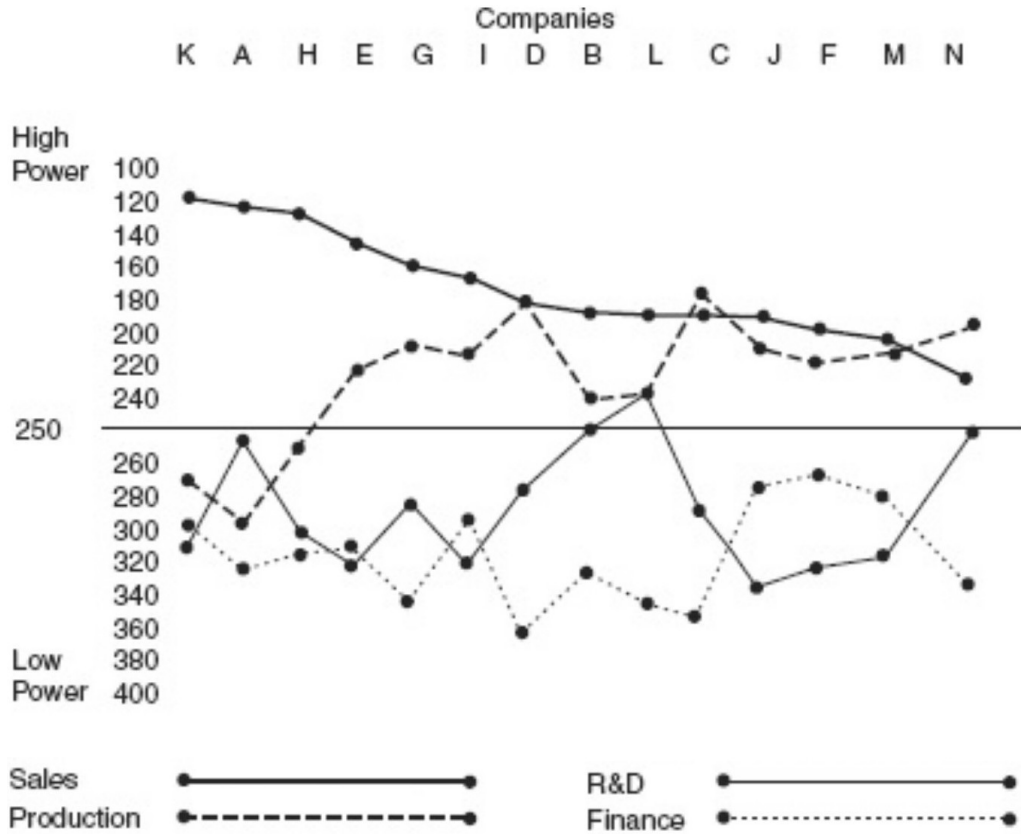
People Members of a club, network, or board
Information Knowledge of machinery or procedures
Instrumentalities Capital, accreditation, equipment
Feelings Friendship, status, sense of belonging

Power-generating resources

- **V**aluable
- **R**are
- **I**nimitable
- **N**on-substitutable

For example:

Knowledge to cope with uncertainties used to give power to sales departments



Perrow 1970, *Departmental Power and Perspective in Industrial Firms*

Outcomes of power

- Involvement
  - Coercion → *Alienative* involvement
  - Monetary rewards → *Calculative* involvement
  - Normative/symbolic rewards → *Moral* involvement
  - Not all types are equally important
- Conflict
  - Arises if power is used for personal goals
  - Spreads or shrinks until power is comparable
  - Uncommon, but sometimes spectacular

    American Revolution
    Birth of the USSR
    #MeToo movement

Leadership

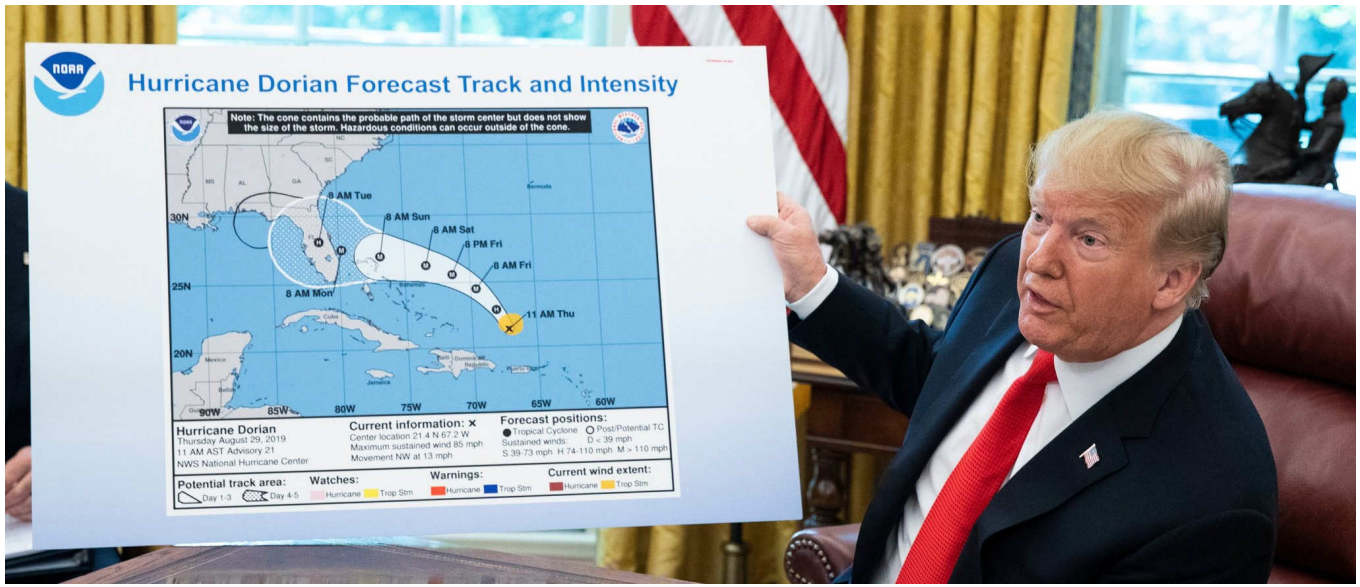
- Power that involves changing others' preferences
  - Acquired, not innate
  - Does not always coincide with formal authority
- Relevant to strategic apex
  - Defining organizational mission
  - Choosing means to accomplish mission
  - Defending organization's integrity
- Relevant to middle line
  - Transmitting information
  - Resolving local conflicts
  - Clarifying job expectations

Determinants of leadership

- Personality traits
  - Extroverted, agreeable, conscentious, open
  - Emotionally stable
- Decision-making styles
  - Making decisions alone → *Autocratic* style
  - Taking advice → *Consultative* style
  - Trusting others' decisions → *Delegative* style
  - Facilitating group decisions → *Participative* style
- Follower and situation characteristics
  - Highly or poorly structured tasks favor autocracy
  - Conflict and low consensus favor participation

Outcomes of leadership

- Mixed results about satisfaction and productivity
  - Satisfaction higher when participative
  - Productivity higher when autocratic
- Little evidence of impact at strategic apex



More on decision-making

- People are boundedly rational
  - Uncertainty about cause-effect relationships
  - Uncertainty about desirability of effects
  - Cognitive constraints and *satisficing* behavior
- Organizations as systems of decisions
  - More rational compared to individuals
  - Greater memory, attention, computational power
- Other constraints on rationality
  - Risk and loss aversion
  - Escalation of commitment
  - Social embeddedness

Managers as designers

- As resource allocators, managers give structure
- Limited discretion over design parameters

Some parameters

Specialization Degree to which labor is divided
Formalization Degree to which labor is standardized
Unit size Number of subordinates (span of control)
Unit grouping Criterion used to divide labor
Centralization Concentration of decision-making

Specialization

- Separating tasks for production (horizontal)
  - Predominant form of division of labor
  - Narrows workers' perspective on the job
  - Increases productivity and security
    - Repetition facilitates learning
    - Better workers can be hired
    - Better workers are harder to replace
- Separating tasks for coordination (vertical)
  - Generates administrative labor
  - Follows horizontal specialization
    - Separate production tasks are harder to coordinate

Unit grouping

Functional
Grouping jobs by common processes: sales, maintenance, HR

Product-based
Grouping jobs by line of business: oil, chemicals, steel, foods

Geographical
Grouping jobs by area of operation: China, North America

Customer-based
Grouping jobs by type of buyers: B2B, B2C, wholesale, retail

Matrix structure
Combining two or more criteria at the same level of hierarchy

Centralization

Centralization means decisions are made at the top and implemented by supervision or standardization

Decentralization means decisions are made by middle managers or even workers, with reliance on mutual adjustment

Why decentralize?

- Relax constraints on decision-making
- Improve timing or responsiveness
- Increase job satisfaction

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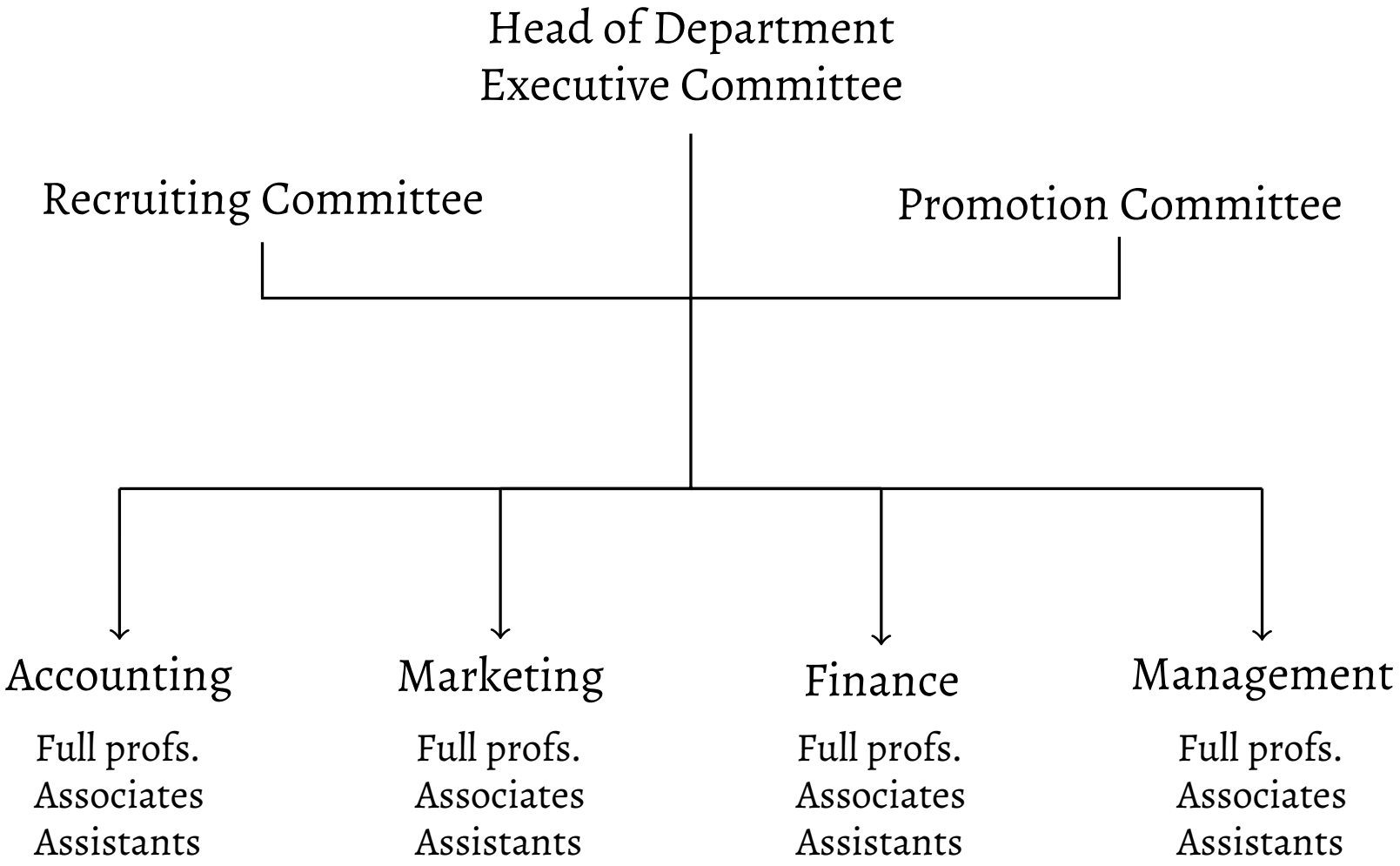

Theories of organization

- Foundations
  - Parts of organizations
  - Coordination mechanisms
- Classical schools
  - Administrative school
  - Scientific management
  - Weber's bureaucracy
- Human relations
  - Hawthorne studies
  - End of classical theories
- Contingency theory
  - Internal factors
  - External factors
- Recent perspectives
  - Transaction costs
  - Resource dependence
  - Institutional theory
  - Organizational ecology

The management of organizations

- Nature of the work
  - Six characteristics
  - Dilemma of delegation
- Ten roles
  - Interpersonal
  - Informational
  - Decisional
- Managerial processes
  - Power
  - Leadership
- Decision-making
  - Styles
  - Bounded rationality
- What is structure?
  - Specialization
  - Formalization
  - Unit size
  - Unit grouping
  - Centralization
  - **More in a few weeks!**

Readings

Mintzberg 1989, ch. 1

Tolbert & Hall 2009, ch. 4–6