

BU398 Lecture Notes

Spring 2023

Section: B5

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Chapter 1- Organizations and Organization Theory

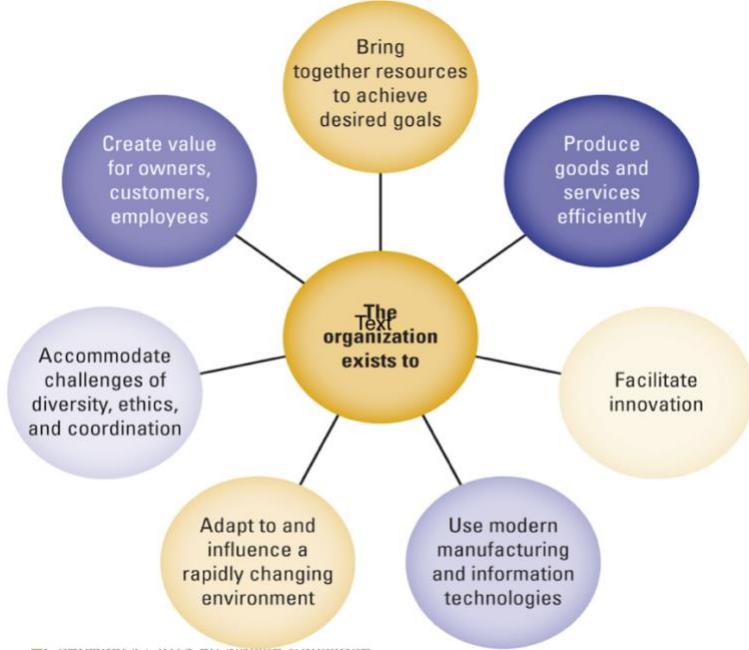
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Theories vs. Common Sense

- Common sense develops through unsystematic and incomplete experiences.
- Good intuition
 - o = systematic education + experience
- Management practice should be based on the integration of theory, evidence, and experience.
 - o Evidence-based management (EBS)

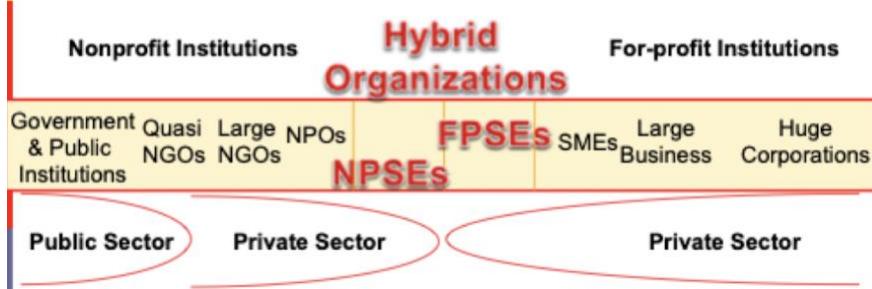
Organization

- Social entities that are
 - o Goal directed
 - o Designed with structure and coordinated systems
 - o Linked to the external environment
- Social inventions for accomplishing common goals through group effort



Types of Organizations

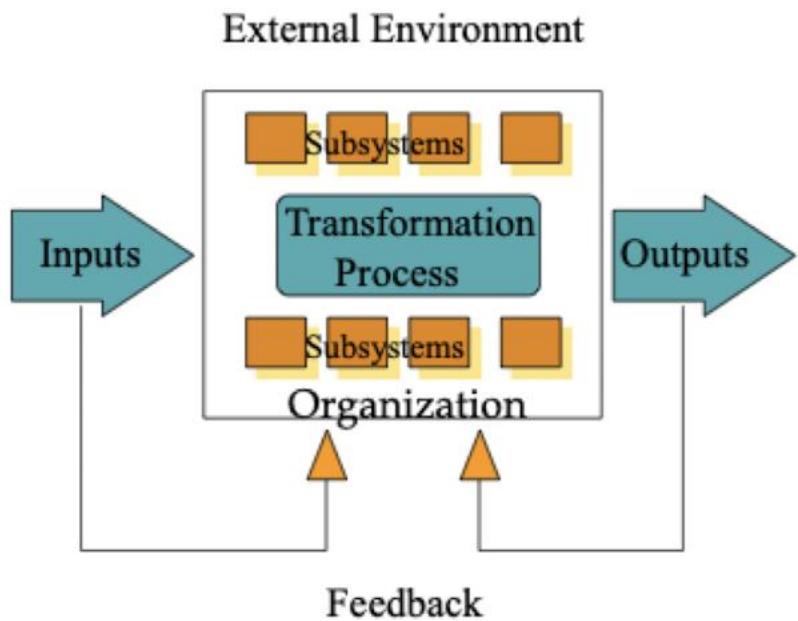
- Size
- For-profit versus non-profit



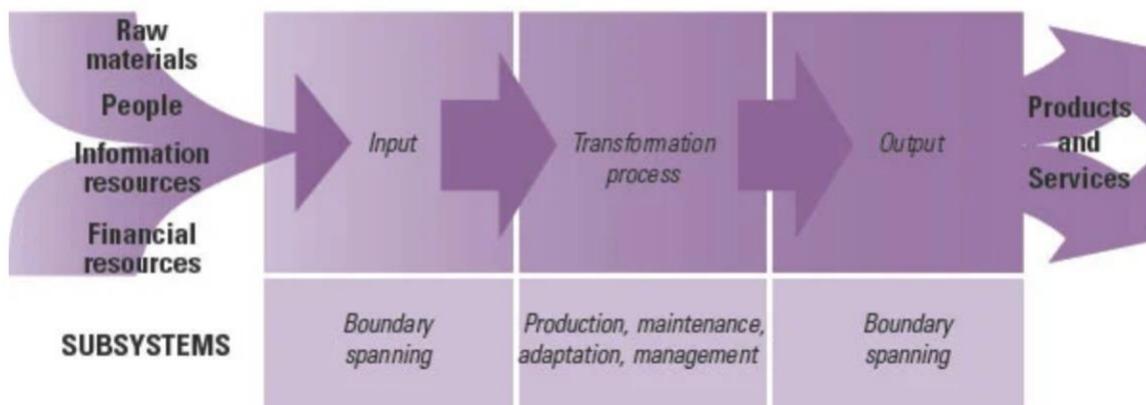
Closed System: completely self-sufficient

Open System: must interact with the environment to survive, it both consumes resources and exports resources to the environment.

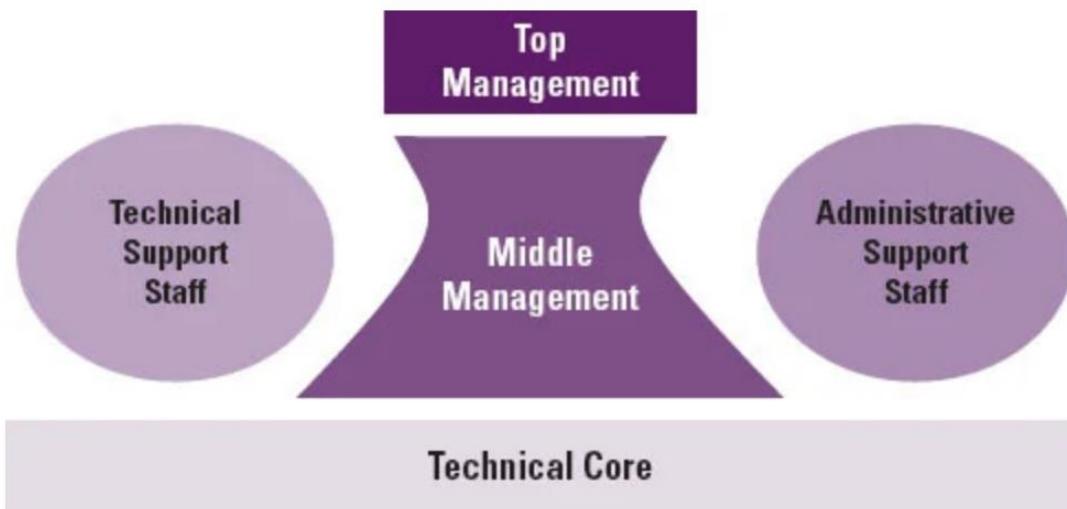
Open System Model



Subsystems perform the specific functions required for organizational survival.
ENVIRONMENT



Mintzberg's Organizational Configurations



Technical core – Basic work of the org. It performs the production subsystem function and produces the product and service outputs of the organization.

Top management – Direction, strategy, goals

Middle management – Implementation and coordination

Technical support – Helps the org with adaptation to the environment.

Administrative support – Smooth operation and upkeep of the org

Dimensions of Organizational Design

Structural Dimensions

- provide labels to describe the internal characteristics of an organization. They create a basis for measuring and comparing organizations.
- Specialization – Subdivision of tasks
- Hierarchy of authority – Who reports to whom.
- Centralization – Authority level
- Personnel ratios – Deployment of people to various functions and departments
- Formalization – Written documentation

Contextual Dimensions

- characterize the whole organization, including its size, technology, culture, environment, and goals and strategy. They describe the organizational setting that influences and shapes the structural dimensions.
- Goals and strategy
- The environment
- Size
- Culture
- Technology

EXHIBIT 1.7 Interacting Contextual and Structural Dimensions of Organizational Design



Performance and Effectiveness Outcomes

- Efficiency: the amount of resources used to achieve the organization's goals
- Effectiveness: the degree to which an organization achieves its goals
- Stakeholder approach: balance the interests among various stakeholders
- The environment

Contemporary Organizational Design

- Chaos theory: relationships in complex, adaptive systems—including organizations—are nonlinear and made up of numerous interconnections and divergent choices that create unintended effects and render the universe unpredictable.
 - o Org should be viewed as a natural system
- Learning organizations
 - o promotes communication and collaboration so that everyone is engaged in identifying and solving problems, enabling the organization to continuously experiment, improve, and increase its capability

Principle of Fit



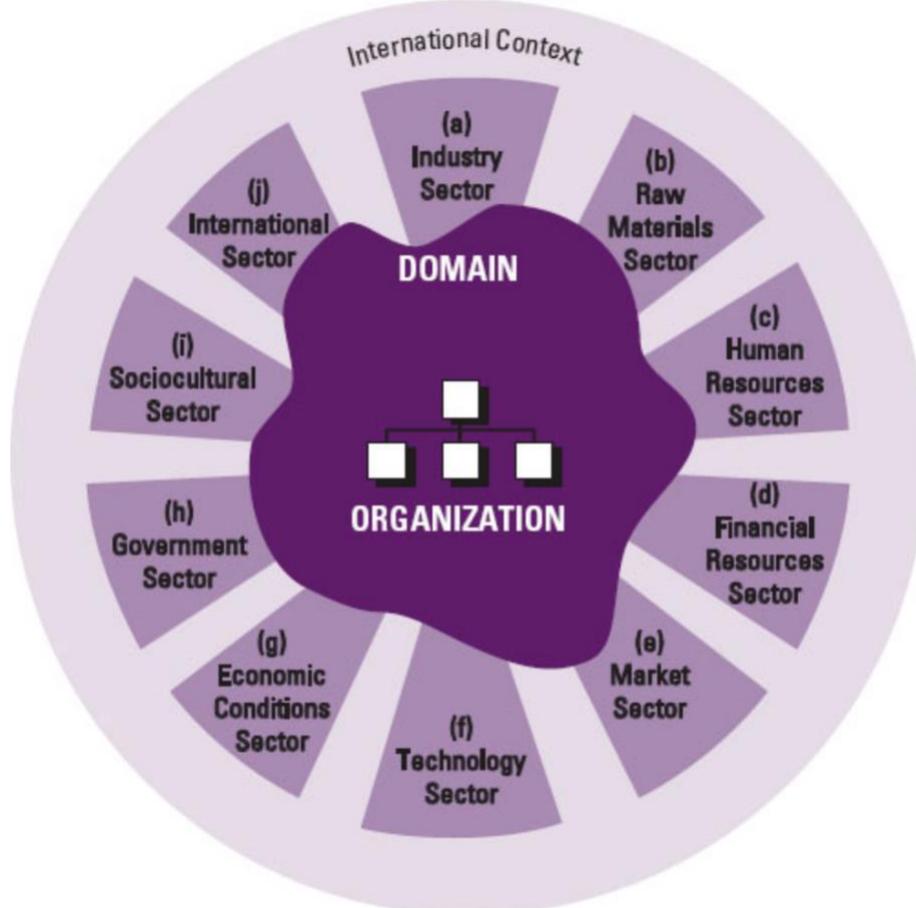
Chapter 2- The External Environment

The Environment

- all elements outside the boundary of the organization that have the potential to affect the organization
- **general environment**
 - o sectors that might not have a direct impact on the daily operations of a firm but will indirectly influence it.
 - o Government sector
 - o Sociocultural sector
 - o Technology sector
 - o Financial resources sector
 - o Economic conditions sector
- **task (specific) environment**
 - o sectors with which the organization interacts directly and that have a direct impact on the organization's ability to achieve its goals.
 - o Industry sectors
 - o Raw material sectors
 - o Market sectors
 - o Human resource sectors
 - o International sectors
- **International context**
 - o All domestic sectors can be affected
 - o Tesla manufactures in China and ships to North America

10 Environmental Sectors

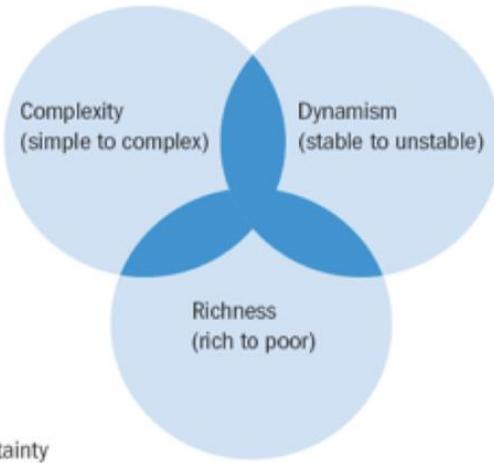
- the org's niche within the environment



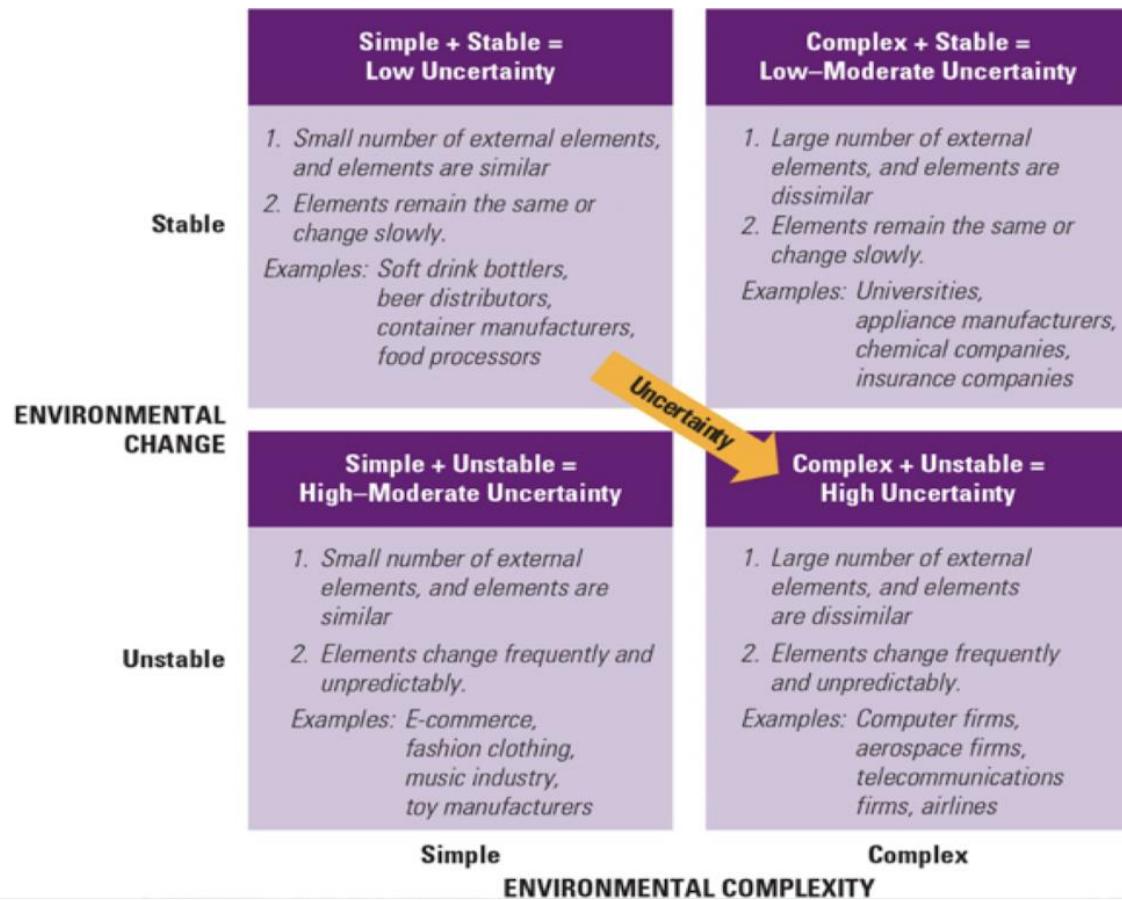
- a. industry sector
 - a. competitors, industry size and competitiveness, related issues
- b. raw materials sector
 - a. suppliers, manufacturers, real estate, services
- c. human resources sector
 - a. labour market, employment agencies, universities, training schools, employees in other companies
- d. financial resources sector
 - a. stock markets, banks, savings and loans, private investors
- e. market sector
 - a. customers, clients, potential users of products and services
- f. technology sector
 - a. techniques of production, science, computers, information technology
- g. economic conditions sector
 - a. recession, unemployment rate, inflation rate, rate of investment, economics, growth
- h. government sector
 - a. city, state, federal laws and regulations, taxes, services, court system, political processes
- i. sociocultural sector
 - a. age, values, beliefs, education, religion, work ethic, consumer and green movements
- j. international sector
 - a. competition from and acquisition by foreign firms, entry into overseas markets, foreign customs, regulations, exchange rates

2x2 Model of Environmental Uncertainty

- Two dimensions
 - o Simple–Complex dimension
 - Number of different factors/forces
 - o Stable–Unstable dimension
 - Rate of change or degree of predictability of change



Level of uncertainty

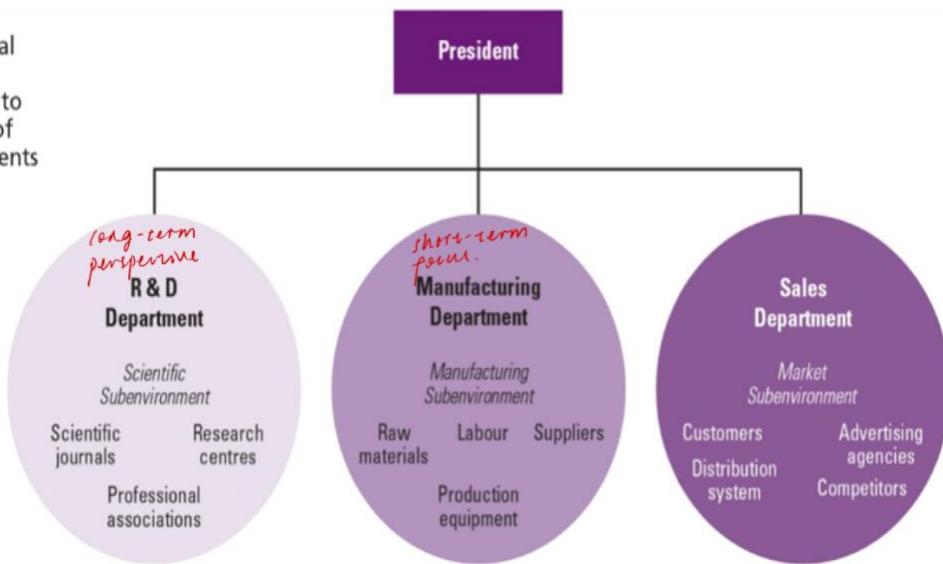


Organization-environment fit

- Organizations need the right fit between internal structure and the external environment.
 - o Positions and Departments
 - o **Buffering and Boundary Spanning**
 - Buffering: absorb uncertainty from the environment and notice the differences
 - Order might get canceled.
 - Boundary Spanning: detect and bring in information; send information into the environment
 - A group of specialists detecting environmental uncertainties and convey the information to internals
 - R&D department

Methods of Adapting to Environmental Uncertainty

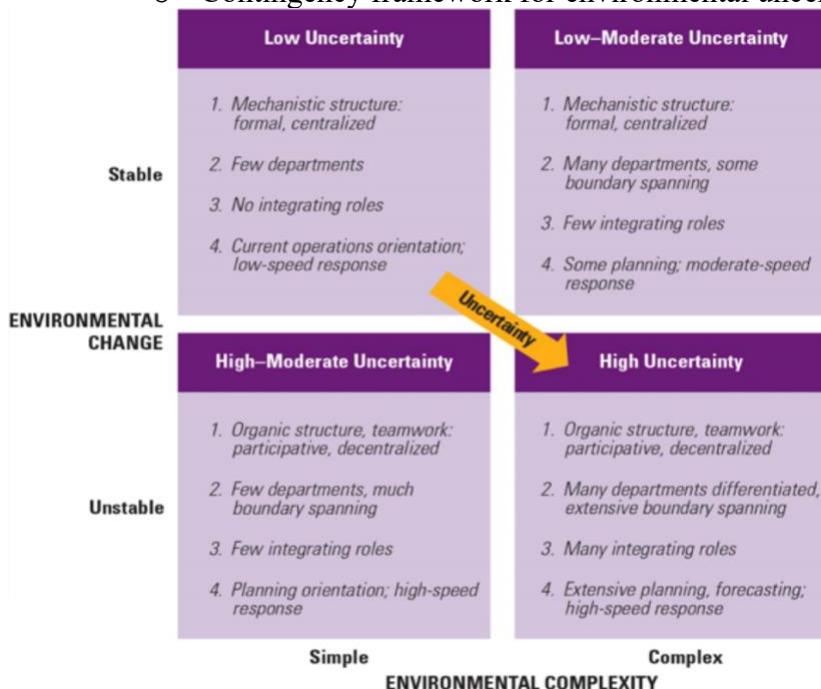
- Differentiation and Integration
 - o Differentiation is the differences in cognitive and emotional orientation among managers
 - o Integration is the quality of collaboration among departments
 - o Organizational departments differentiate to meet needs of sub-environments



- Differences in goals and orientations among organizational departments

| CHARACTERISTIC | R&D DEPARTMENT | MANUFACTURING DEPARTMENT | MARKETING DEPARTMENT |
|---------------------------|---------------------------|--------------------------|-----------------------|
| Goals | New developments, quality | Efficient production | Customer satisfaction |
| Time horizon | Long | Short | Short |
| Interpersonal orientation | Mostly task | Task | Social |
| Formality of structure | Low | High | High |

- Organic versus Mechanistic Management Processes
 - Mechanistic is formal and centralized
 - Organic is informal and decentralized
 - Contingency framework for environmental uncertainty and organizational responses



- o Mechanistic and organic forms

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

- Planning, Forecasting, and Responsiveness

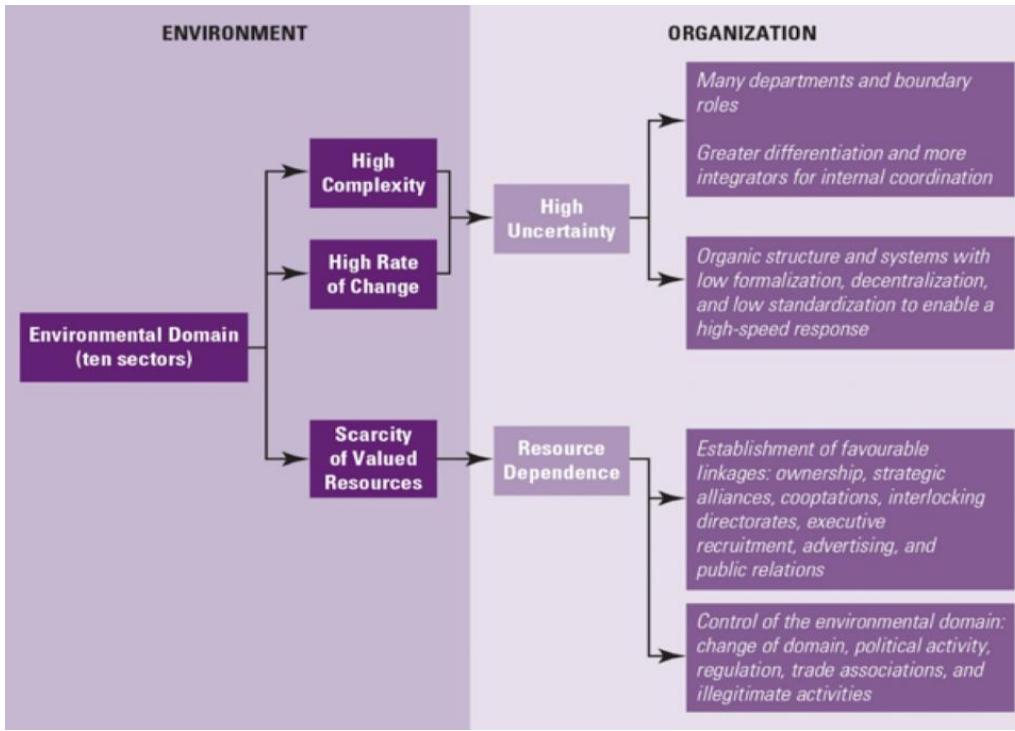
Resource dependence

- when an organization depends on the environment but strive to acquire control over resources to minimize their dependence.
- Organizations are vulnerable if resources are controlled by other organizations.

Controlling environmental resources

- Establish interorganizational linkages with key elements in the environment
 - o Ownership (direct, indirect investment)
 - o Formal strategic alliances (contracts)
 - o Cooptation, interlocking directorates
 - **Cooptation**
 - when leaders from important sectors in the environment are made part of the org
 - **Interlocking directorate**
 - a member of the board of directors of one company sits on the board of directors of another company
 - o Executive recruitment
 - Information sharing to reach mutual consensus
 - o Advertising and public relations
- Shape the environmental domain
 - o Change of domain
 - o Political activity, regulation
 - o Trade associations
 - o Illegitimate activities

Relationship between environmental characteristics and organizational actions



Chapter 3- Strategy, Organizational Design, and Effectiveness

Organizational goals

- Reason for existence and the outcomes it seeks to achieve

Official goals = Mission Statement

- What is the purpose of the organization?
- formally stated definition of business scope and outcomes the organization is trying to achieve
- typically define business operations and may focus on values, markets, and customers that distinguish the organization.
- What makes a good mission?
 - o Brief, no mention of financial goals, identify values/beliefs
 - o Define purpose and unique identity
 - o Highlight distinctive competency/strength
 - o Focus on stakeholders and the means to satisfy them

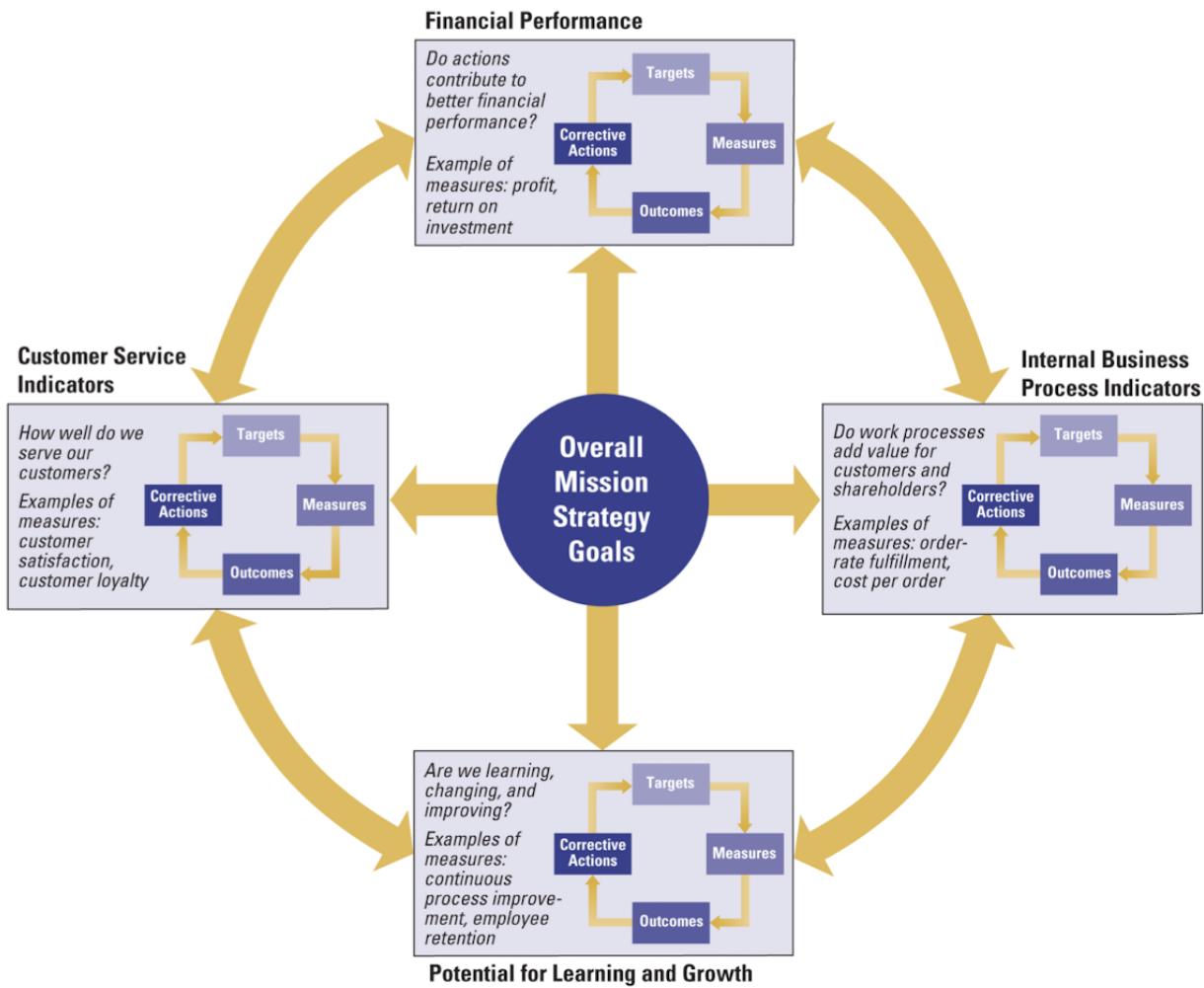
Operative goals

- What do employees work toward?
- describe specific measurable outcomes and are often concerned with the short run
- identify for every subsystem of the organization
- typically pertain to primary tasks an organization must perform

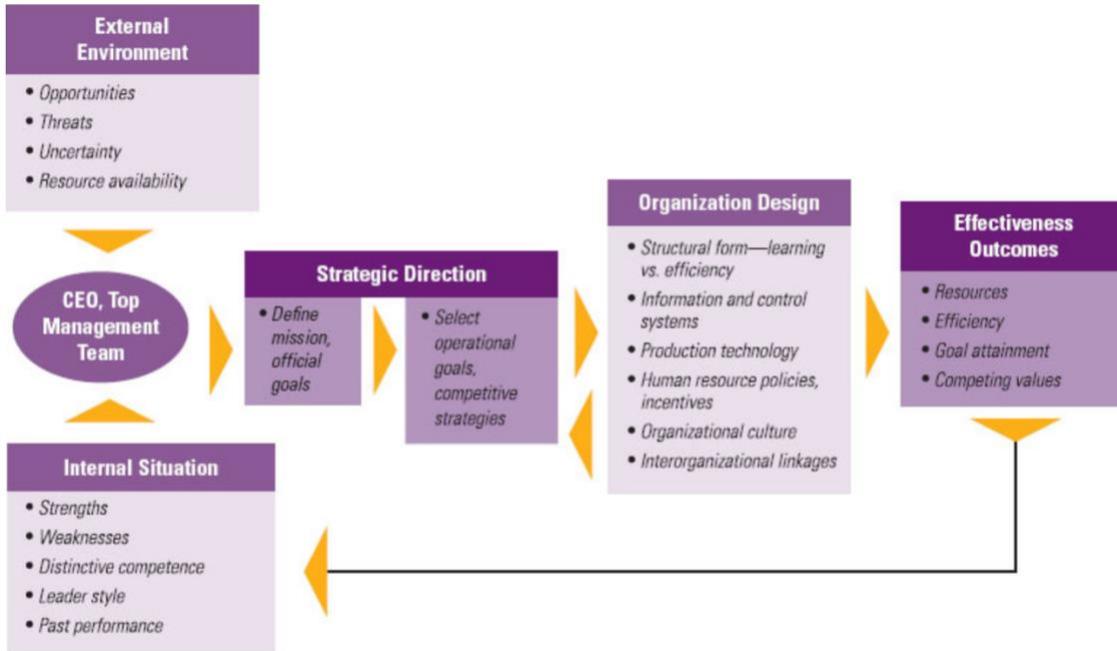


The Balanced Scorecard

- a comprehensive management control system that balances traditional financial measures with operational measures relating to an organization's critical success factors.



Role of Strategic Direction in Organizational Design



Strategy

- a plan for interacting with the competitive environment to achieve organizational goals

- your plan concerning how you are going to hit your goals

Porter's Competitive Strategies

- two dimensions

- o what type of advantage to pursue (competitive advantage)
- o The scope of your product and service (competitive scope)



Miles & Snow's Strategies

Managers seek to formulate strategies that will be congruent with the external environment

- Environment
 - o dynamic (growing) vs. Stable (retrenching)
- Four options
 - o Prospector – Innovate, take risks, seek opportunities, grow
 - Learning orientation; flexible, fluid, decentralized structure, strong capability in research, values creativity, risk-taking, and innovation
 - o Defender – Internal efficiency and product reliability
 - Efficiency orientation; centralized authority and tight cost control, emphasis on production efficiency, low overhead, close supervision, little employee empowerment
 - o Analyzer – Innovate but maintain stability
 - Balances efficiency and learning, tight cost control with flexibility and adaptability, efficient production for stable product lines, emphasis on creativity, research, risk-taking for innovation
 - o Reactor – React to threats and opportunities
 - No clear organizational approach, design characteristics may shift abruptly depending on current needs

Strategy - Internal Organizational Design and Effectiveness

Low-cost vs Differentiation

Strategy: Differentiation

Organizational Design:

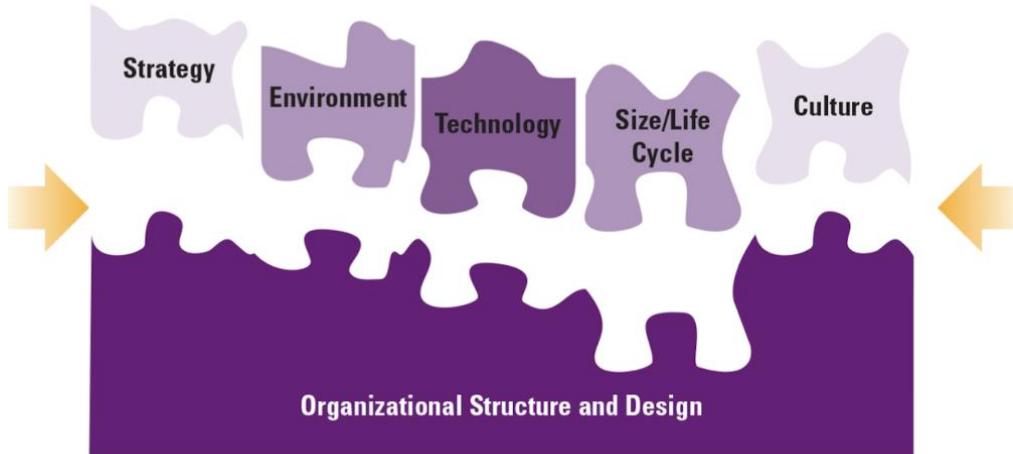
- Learning orientation; acts in a flexible, loosely knit way, with strong horizontal coordination
- Strong capability in research
- Values and builds in mechanisms for customer intimacy
- Rewards employee creativity, risk taking, and innovation

Strategy: Low-Cost Leadership

Organizational Design:

- Efficiency orientation; strong central authority; tight cost control, with frequent, detailed control reports
- Standard operating procedures
- Highly efficient procurement and distribution systems
- Close supervision; routine tasks; limited employee empowerment

Contingency Factors Affecting Organizational Design



The Right Mix of Design Characteristics Fits the Contingency Factors

Chapter 4 - Fundamentals of Organizational Structure

As a company grows (simple to complex), organizations need to

- Form formal reporting relationships
- Group individuals and resources to organizational tasks
- Design systems to support communication, coordination, integration

Organizational Structure

- The division of labour as well as the patterns of coordination, communication, workflow, and formal power that direct organizational activities

Elements of Structure

- Formal Reporting Relationships
 - o Levels of hierarchy
 - o Span of control (how many people directly report to you)
- Grouping
 - o Departments within the organization
 - o Within departments
- Systems for:
 - o Communication
 - o Coordination
 - o Integration

Functional and Divisional Structures

- Function
 - o A subunit, composed of a group of people, with similar skills or knowledge, or tool to **perform their jobs**
 - o It sometimes results in hierarchy overload
- Division
 - o A subunit that consists of a collection of functions or departments that **share responsibility**
 - o Produce a particular good or service
 - o Geographical

Departmentalization (Functions)

- Required work activities examples
 - o HR, purchasing, production
- Reporting relationships
 - o Fitting departments together

Organizational Chart

- Specify how employees and their activities are grouped together
- A fundamental strategy for coordinating organizational activities
 - o Establishes the chain of command
 - o Encourages specific people and work units to coordinate through informal communications.

Organizational Roles

- A set of task-related behaviors of a person by the position

Organizational structure

- based on a system of interlocking roles; the relationship of one role to another is defined by task-related behaviors

Authority

- The power to hold people accountable for their actions and to make decisions concerning the use of organizational resources

Control

- The ability to coordinate and motivate people to work in the organization's interests

Information-processing Perspective on Structure

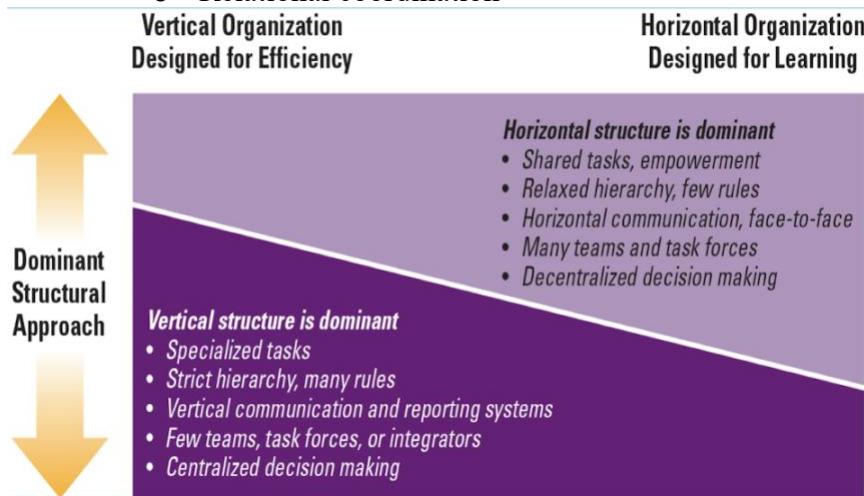
- This perspective argues that an organization should be designed to provide both vertical and horizontal information flow as necessary to accomplish the organization's overall goal.
 - o Structure is more than the org chart!
 - o Information linkages help coordinate tasks
 - o Horizontal promotes learning/innovation
 - o Vertical promotes control/efficiency

Vertical Information Linkage

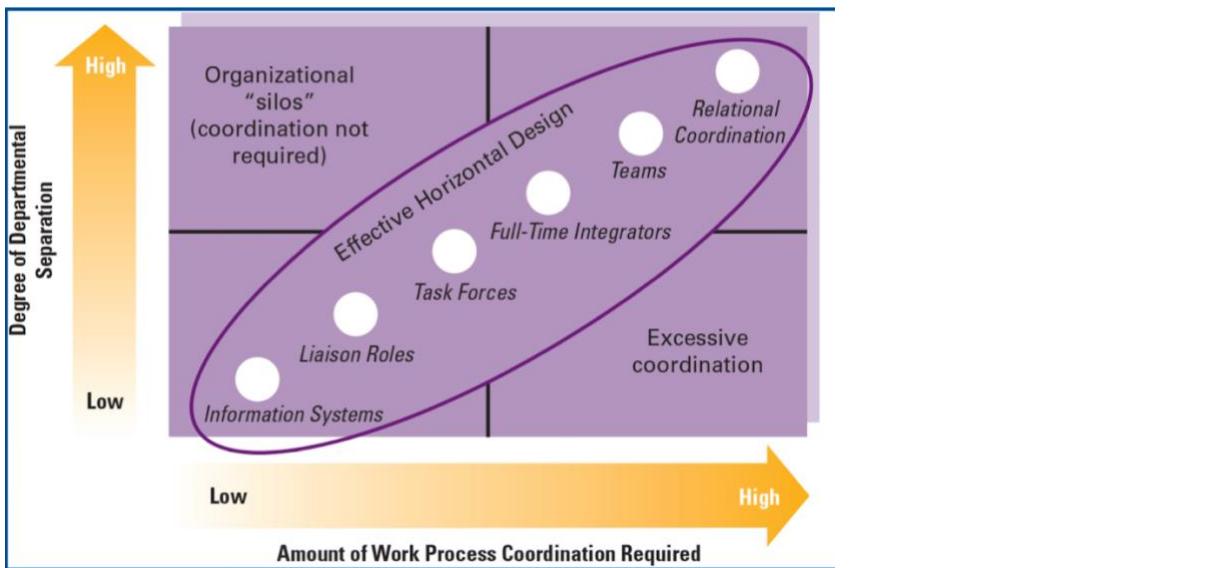
- Hierarchical referral
- Rules and plans
- Vertical information systems

Horizontal Information Linkage

- Information systems
 - o Direct contact (allow informal discussion)
 - Managers meet face to face to coordinate activities
 - o Task forces
 - Managers meet in **temporary** committees to coordinate cross-functional activities
- Full-time integrator
 - o Teams
 - Managers meet regularly in **permanent** committees to coordinate activities
 - o Relational coordination



Ladder of Mechanisms for Horizontal Linkage and Coordination



| Integration Mechanism (In Order of Increasing Complexity) | Description | Example (e.g., in Johnson & Johnson) |
|---|--|--|
| Hierarchy of authority | A ranking of employees integrates by specifying who reports to whom. | Salesperson reports to Diaper Division sales manager. |
| Direct contact | Managers meet face to face to coordinate activities. | Diaper Division sales and manufacturing managers meet to discuss scheduling. |
| Liaison role | A specific manager is given responsibility for coordinating with managers from other subunits on behalf of his or her subunit. | A person from each of J&J's production, marketing, and research and development departments is given responsibility for coordinating with the other departments. |
| Task force | Managers meet in temporary committees to coordinate cross-functional activities. | A committee is formed to find new ways to recycle diapers. |
| Team | Managers meet regularly in permanent committees to coordinate activities. | A permanent J&J committee is established to promote new-product development in the Diaper Division. |
| Integrating role | A new role is established to coordinate the activities of two or more functions or divisions. | One manager takes responsibility for coordinating Diaper and Baby Soap divisions to enhance their marketing activities. |
| Integrating department | A new department is created to coordinate the activities of functions or divisions. | A team of managers is created to take responsibility for coordinating J&J's centralization program to allow divisions to share skills and resources. |

Departmental Grouping Options

- Functional

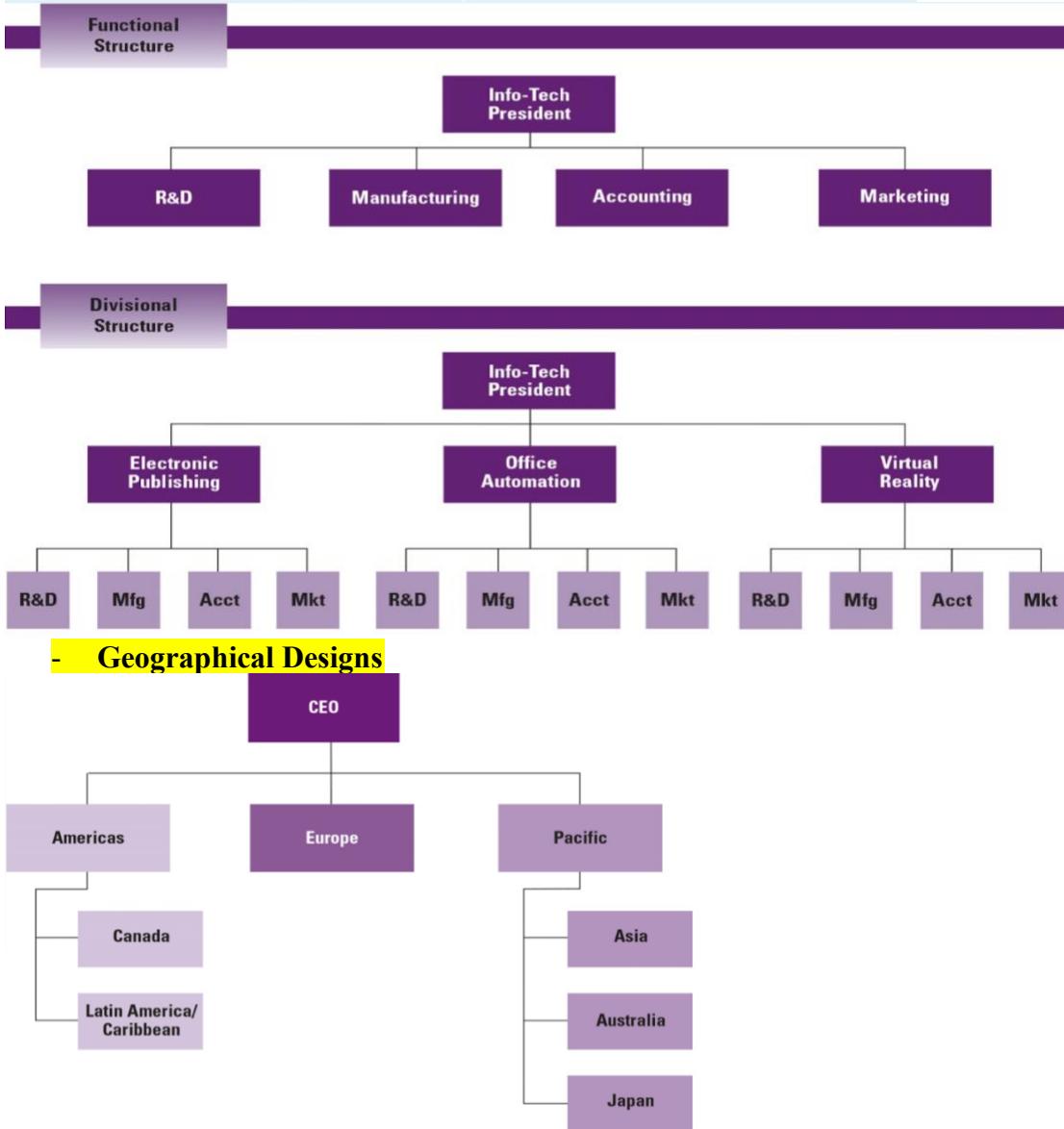
- Activities (people) grouped by common functions
- Functional structure with horizontal linkages shifts toward flatter

| STRENGTHS | WEAKNESSES |
|---|---|
| <ol style="list-style-type: none"> 1. Allows economies of scale within functional departments 2. Enables in-depth knowledge and skill development 3. Enables organization to accomplish functional goals 4. Is best with only one or a few products | <ol style="list-style-type: none"> 1. Slow response time to environmental changes 2. May cause decisions to pile up, hierarchy overload 3. Leads to poor horizontal coordination among departments 4. Results in less innovation 5. Involves restricted view of organizational goals |

- Divisional

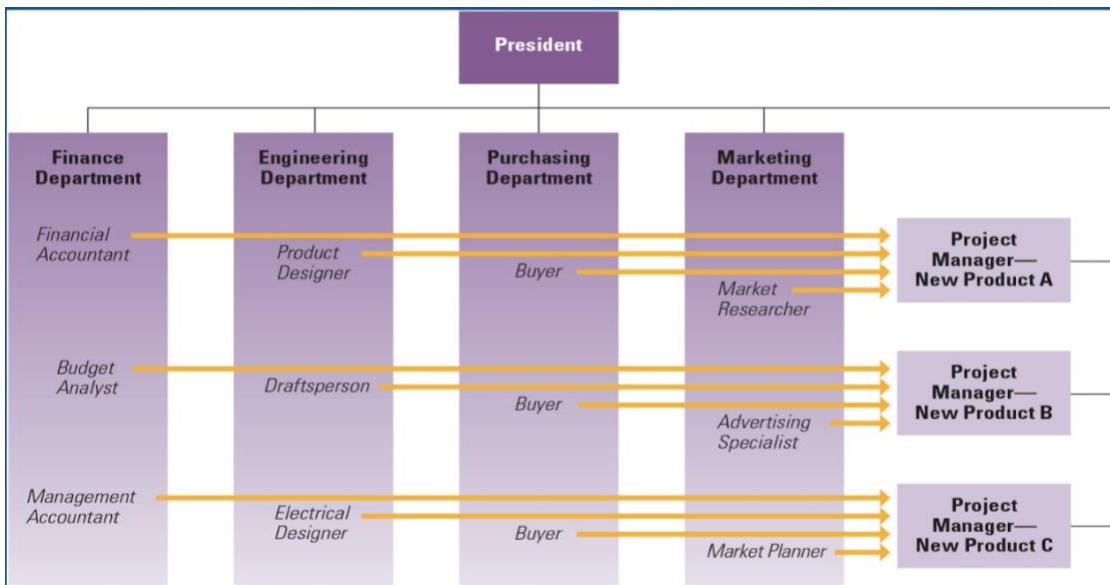
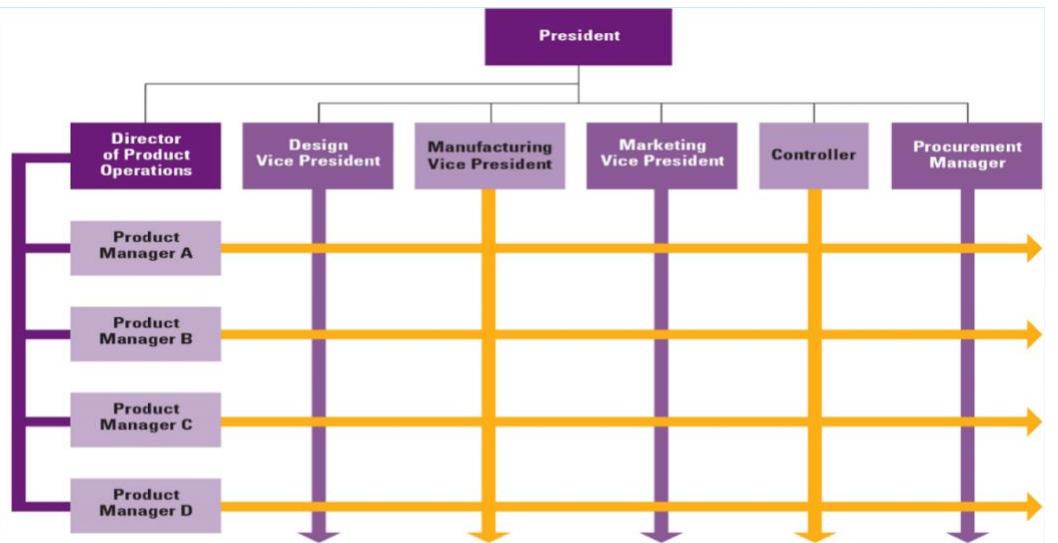
- Activities (people) grouped by product structure or strategic business units

| STRENGTHS | WEAKNESSES |
|--|---|
| <ol style="list-style-type: none"> 1. Suited to fast change in unstable environment 2. Leads to customer satisfaction because product responsibility and contact points are clear 3. Involves high coordination across functions 4. Allows units to adapt to differences in products, regions, customers 5. Best in large organizations with several products 6. Decentralizes decision making | <ol style="list-style-type: none"> 1. Eliminates economies of scale in functional departments 2. Leads to poor coordination across product lines 3. Eliminates in-depth competence and technical specialization 4. Makes integration and standardization across product lines difficult |



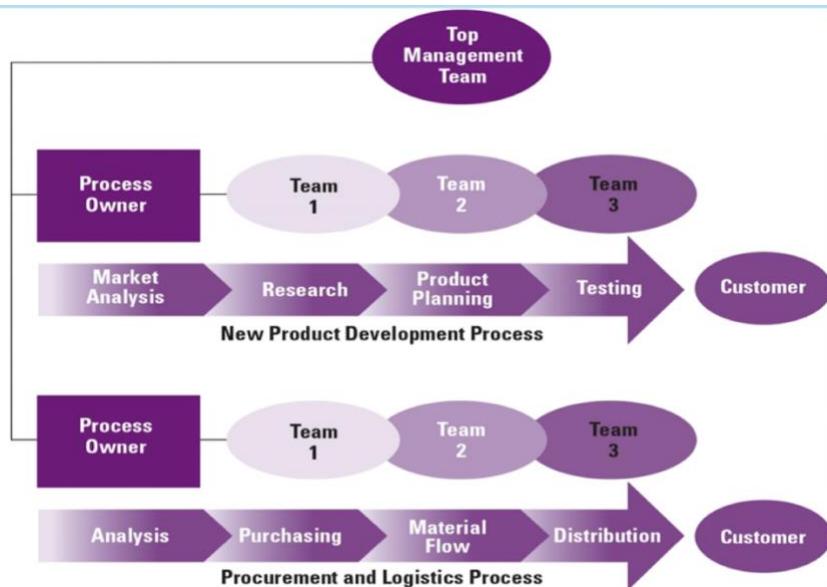
- Multifocused/matrix

- An integration of functional, divisional, and geographical structures with horizontal linkage mechanisms
- Where lines intersect are teams of people that report to two or more bosses
- Challenge is that potential conflicts will increase; increased complexities



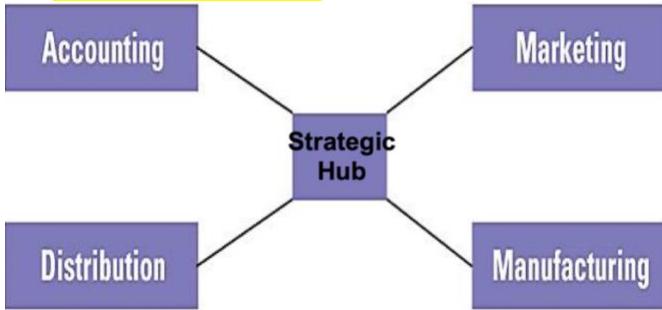
| STRENGTHS | WEAKNESSES |
|--|---|
| <ol style="list-style-type: none"> 1. Achieves coordination necessary to meet dual demands from customers 2. Flexible sharing of human resources across products 3. Suited to complex decisions and frequent changes in unstable environment 4. Provides opportunity for both functional and product skill development 5. Best in medium-sized organizations with multiple products | <ol style="list-style-type: none"> 1. Causes participants to experience dual authority, which can be frustrating and confusing 2. Means participants need good interpersonal skills and extensive training 3. Is time consuming; involves frequent meetings and conflict-resolution sessions 4. Will not work unless participants understand it and adopt collegial rather than vertical-type relationships 5. Requires great effort to maintain power balance |

- Horizontal



| STRENGTHS | WEAKNESSES |
|---|--|
| <ol style="list-style-type: none"> Promotes flexibility and rapid response to changes in customer needs Directs the attention of everyone toward the production and delivery of value to the customer Each employee has a broader view of organizational goals Promotes a focus on teamwork and collaboration Improves quality of life for employees by offering them the opportunity to share responsibility, make decisions, and be accountable for outcomes | <ol style="list-style-type: none"> Determining core processes is difficult and time consuming Requires changes in culture, job design, management philosophy, and information and reward systems Traditional managers may balk when they have to give up power and authority Requires significant training of employees to work effectively in a horizontal team environment Can limit in-depth skill development |

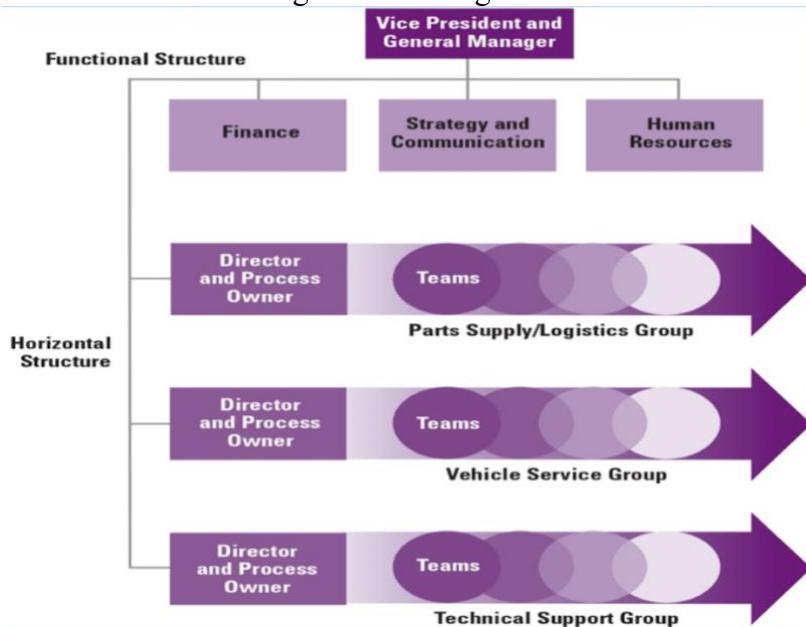
- Virtual network



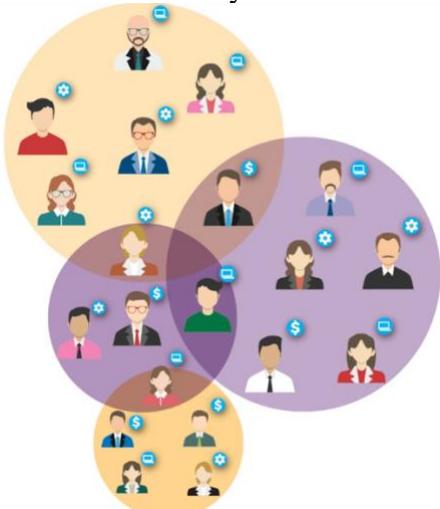
| STRENGTHS | WEAKNESSES |
|---|---|
| <ol style="list-style-type: none"> Enables even small organizations to obtain talent and resources worldwide Gives a company immediate scale and reach without huge investments in factories, equipment, or distribution facilities Enables the organization to be highly flexible and responsive to changing needs Reduces administrative overhead costs | <ol style="list-style-type: none"> Managers do not have hands-on control over many activities and employees Requires a great deal of time to manage relationships and potential conflicts with contract partners There is a risk of organizational failure if a partner fails to deliver or goes out of business Employee loyalty and organizational culture might be weak because employees feel they can be replaced by contract services |

- Hybrid Structure

- Combines characteristics of various approaches tailored to specific strategic needs. Most companies combine functional, divisional, geographical, horizontal, or network structures to take advantage of the strengths of various structures and to avoid some of the weaknesses.



- Holacracy team structure
 - A system of self-management individuals and teams



| STRENGTHS | WEAKNESSES |
|---|--|
| <ol style="list-style-type: none"> Promotes a focus on teamwork and collaboration Promotes rapid, innovative responses to customer needs Each employee has a broader view of the organization's purpose Decisions are made close to the work Improves employee growth via sharing responsibility, making decisions, and being accountable for outcomes | <ol style="list-style-type: none"> Determining individual and team responsibilities is time consuming Requires changes in management philosophy and culture Traditional managers may balk when they have to give up power and authority Requires significant training of employees in social skills Can limit in-depth skill development in a specific function |

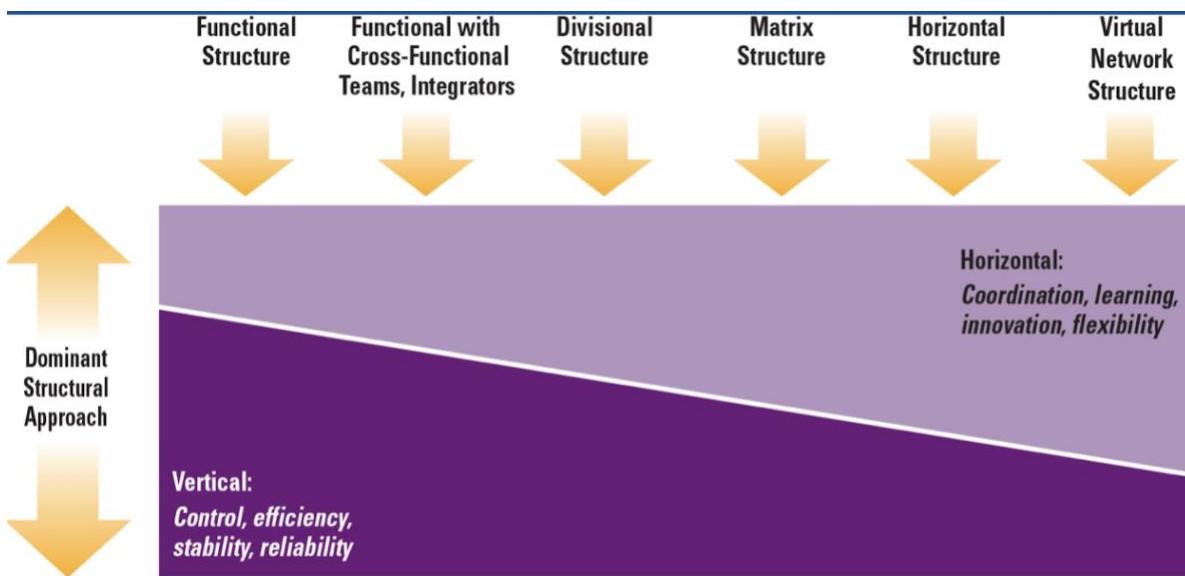
Applications of Structural Design

- Situations and needs
 - Design follows purpose

- Structural alignment

- o Balance vertical control and

Functional -> cross-functional -> divisional -> matrix -> horizontal -> virtual network



Symptoms of structural deficiency

- Decision making is layered or lacking in quality
- Lack of innovative response to changes
- Employee performance declines and goals are not met
- Too much conflict is evident

Chapter 5 - Designing Organizations for Social and Environmental Purpose

**** MC only ****

Dual-Purpose Organization

Hybrid organization

- pursues both profit and social missions within a single organization.

Corporate social responsibility (CSR)

- management's efforts to make choices and take actions that contribute to the welfare and interest of all organizational stakeholders.

Social mission/corporate social responsibility

- Reducing carbon footprints
- Improving labor policies
- Participating in fairtrade
- Diversity, equity, and inclusion
- Charitable global giving
- Community and virtual volunteering
- Corporate policies that benefit the environment
- Socially and environmentally conscious investments

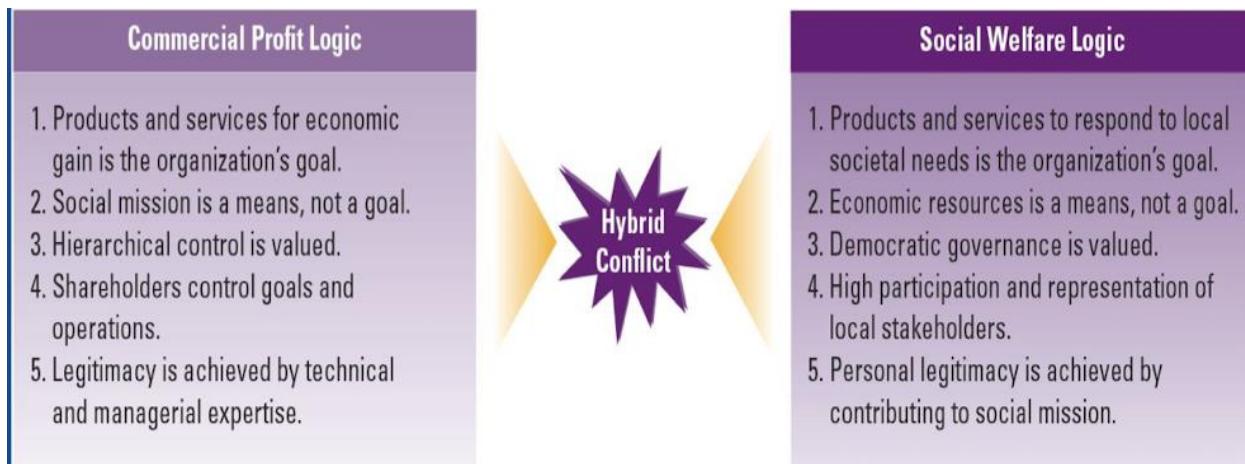
Designing the Dual-Purpose Organization

Mission drift

- giving less importance to their social mission and more important to generating revenue and profit

Logic

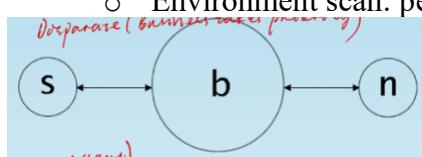
- a person's basic assumptions, values, and beliefs that should guide his/her organization's behavior
- Commercial Logic: sell products and services for economic gain or profit
- Social Welfare Logic: sell products and services as a mechanism for meeting societal need



Relationship between Business, Society, and Nature (B, S, & N)

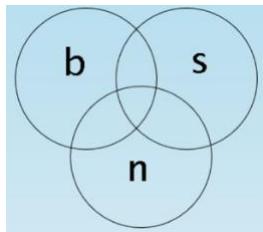
- Disparate view

- o B takes priority, profitability is the most important
- o S & N considered if align with B's interests
- o Environment scan: perceive narrow range of issues



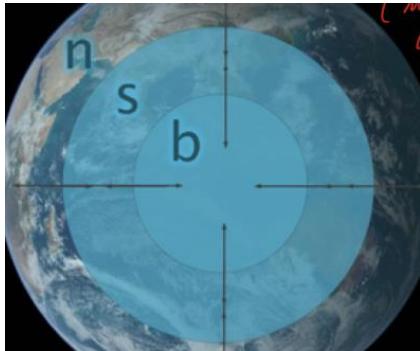
- **Intertwined view**

- o B, S, & N are equally important & interconnected.
- o See multiple connected and conflicting issues among B, S, & N
- o Environment scan: attend to broad variety of issues



- **Embedded view**

- o Nature takes priority, followed by society, business last
- o Business is nested within society, which is nested within nature
- o Social mission is considered based on its own value, profit isn't that important
- o Environment scan: attend to broad variety of issues



Different forces for CSR

- Pressure to be financially viable and socially responsible has pushed both for-profit and non-profit organizations to create social and financial value as part of their core business.
- Companies can now be measured on their performance along environmental, social, and governance (ESG) dimensions.

Approaches and models for CSR

- **The triple bottom line (3P)**



- **The green movement and sustainability**
 - o Meeting the current and future needs of stakeholders while preserving the environment and society so that future generations can meet their needs too
- **Conscious capitalism (shared value approach)**
 - o Organizational policies and practices that both enhance the economic success of a company and advance the economic and social conditions of the communities
- **Serving organizational stakeholders**
 - o Looking at what significant organizational stakeholders want from the org
- **Serving the bottom/base of the pyramid (BOP)**

| Annual per Capita Income* | Tiers | Population in Millions |
|---------------------------|-------|------------------------|
| More than \$20,000 | 1 | 75–100 |
| \$15,000–\$20,000 | 2 & 3 | 1,500–1,750 |
| Less than \$1,500 | 4 | 4,000 |

*Based on purchasing power parity in US\$

Does doing good pay?

- Researchers have found that people prefer to work for companies that demonstrate a high level of ethical behaviour and social responsibility.
- Many customers would switch brands to do business with ethical and socially responsible companies
- Studies have generally found a positive relationship between socially responsible behaviour and a firm's financial performance.
- Potential trade-offs exist between a firm's financial performance and performance on ESG-type dimensions
- Improving one may involve a cost to the other

Designing a structure for executing a sustainability program

- A successful implementation of a sustainability or CSR program depends heavily on:
 - o Engaging employees
 - o Engaging outside stakeholders
 - o Engaging a system of accountability that includes metrics and rewards
- Various structures and techniques can be used for organizing people who hold opposing mindsets and values about an organization's purpose:
 - o Knowing when to use an integrated structure versus separate departments
 - o Hiring employees with a balanced mindset
 - o Set clear goals and measure effectiveness
 - o Collaborate with like-minded organizations
 - o Keep the social mission alive in the minds of employees
 - o Choosing the correct legal framework

United Nations Sustainable Development Goals

| GOALS | DESCRIPTION OF GOALS |
|---|--|
| 1. No Poverty | End poverty in all forms everywhere. |
| 2. Zero Hunger | End hunger, achieve food security and improved nutrition, and promote sustainable agriculture. |
| 3. Good Health and Well-being | Ensure healthy lives and promote well-being for all at all ages. |
| 4. Quality Education | Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. |
| 5. Gender Equality | Achieve gender equality and empowerment for all women and girls. |
| 6. Clean Water and Sanitation | Ensure availability and sustainable management of water and sanitation for all. |
| 7. Affordable and Clean Energy | Ensure access to affordable, reliable, sustainable, and modern energy for all. |
| 8. Decent Work and Economic Growth | Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all. |
| 9. Industry, Innovation, and Infrastructure | Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. |
| 10. Reduced Inequalities | Reduce inequality within and among countries. |
| 11. Sustainable Cities and Communities | Make cities and human settlements inclusive, safe, resilient, and sustainable. |
| 12. Responsible Consumption and Production | Ensure sustainable consumption and production patterns. |
| 13. Climate Action | Take urgent action to combat climate change and its impact. |
| 14. Life Below Water | Conserve and sustainably use the oceans, seas, and marine resources for sustainable development. |
| 15. Life on Land | Sustainably manage forests, combat desertification, and halt and reverse land degradation; halt biodiversity loss. |
| 16. Peace, Justice, and Strong Institutions | Promote just, peaceful, and inclusive societies. |
| 17. Partnership for Goals | Revitalize the global partnership for sustainable development. |

Chapter 6 - Interorganizational Relationships

** important **

Interorganizational relationships

- relatively enduring resource transactions, flows, and linkages that occur among two or more organizations.

Organizational ecosystems

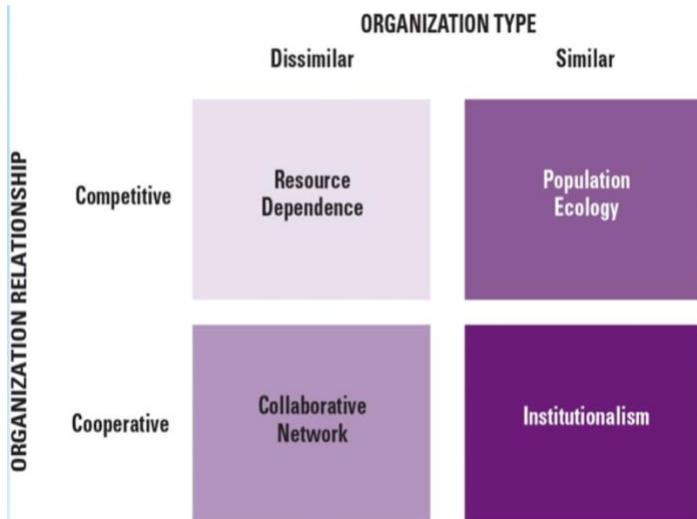
- a system formed by the interaction of a community of organizations and their environment

Recent trend

- Companies have always been dependent on other organizations for supplies, materials, and information.
- The next stage of organizational evolution is horizontal relationships across organizations.
- Organizations need to co-evolve with others to survive
 - o Build relationships in many ways such as appointing preferred suppliers, establishing agreements, business partnering, joint ventures, or even mergers and acquisitions.

Interorganizational strategies

- Resource dependence theory (competitive vs. dissimilar)
 - o McDonalds & Sushi; they are substitutes
- Collaborative networks (cooperative vs. dissimilar)
 - o McDonalds & Walmart partnerships
- Population ecology (competitive vs. similar)
 - o Uber & Lyft, they are competitors
- Institutionalism (cooperative vs. similar)
 - o Universities & middle schools



Resource Dependence Theory

- The goal of an organization is to minimize its dependence on other organizations for the supply of scarce resources in its environment
 - o Exert influence over other organizations to obtain resources
 - o Respond to the needs and demands of the other organizations in its environment
- **Resource Strategies**
 - o Adapt or alter interdependent relationships
 - o Cooperation, interlocking directorships (BoC includes the BoC of supplier companies)
 - o Trade associations, trade agreements, or merger
- **Power Strategies**

- Large companies and small suppliers
 - Toyota has 200+ suppliers, making sure none of them has too much power
- Supply-chain relationships
- Information sharing and standardization

Collaborative Networks

- Allow themselves to be dependent on others to increase values
- Why collaboration?
 - Share risks
 - Innovation, problem solving, performance
 - Entering global markets
 - Safety net
- From adversaries to partners
 - A change in mind-set
 - From independence to interdependence and trust

| TRADITIONAL ORIENTATION: ADVERSARIAL | NEW ORIENTATION: PARTNERSHIP |
|---|--|
| Low dependence Suspicion, competition, arm's length Detailed performance measures, closely monitored Price, efficacy, own profits Limited information and feedback Legal resolution of conflict Minimal involvement and up-front investment, separate resources Short-term contracts Contract limiting the relationship | High dependence Trust, addition of value to both sides, high commitment Loose performance measures, problems discussed Equity, fair dealing, both profit Electronic linkages to share key information, problem feedback, and discussion Mechanisms for close coordination, people on-site Involvement in partner's product design and production, shared resources Long-term contracts Business assistance beyond the contract |

Population Ecology Model

- Focus on diversity and adaptation within a population of organizations
- Struggle for existence
 - Organizations and populations of organizations are engaged in a competitive struggle over resources
 - Each organizational form is fighting for survival

Population Ecology

- Explain the emergence of new organizations to fit a niche market
- Why large organizations may become distinct
 - Individual organizational adaptation is severely limited compared to the changes demanded by the environment
 - Innovation and change in the population depend on the births of new forms and new organizations rather than the existing ones

Population

- A set of organizations engaged in similar patterns of resource utilization and outcomes

Organizational form

- Technology, structure, products, goals, personnel

Organizational niche

- Domain of unique environmental resources and needs

Process of Ecological Change: variation -> selection, retention, strategies for survival



Institution Theory

- Describes how organizations survive and succeed through congruence between an organization and its environment
- Institutional environments offer authoritative guidelines for what a firm should behave
- Organizations strive for legitimacy by trying to meet perceived expectations from the environment

Institutionalism

- Institutional environments
 - o Composed of norms and values from stakeholders
- **Legitimacy**
 - o Defined as the general perspective that an organization's actions are desirable, proper and appropriate
- **Institutional similarity** (isomorphism)
 - o The emerge of common structures and approaches among organizations in the same field
 - o Organizations look to their peers for cues to appropriate behavior
 - o An isomorphism is a similarity of the processes or structure of one organization to those of another, be it the result of imitation or independent development under similar constraints.

Three core mechanisms (mimetic, coercive, normative)

| | mimetic | coercive | normative |
|----------------------------|--|------------------------------------|---|
| reasons to become similar: | Starbucks, Tim's, McDonalds all have free Wi-Fi | uncertainty | cocks usually have similar standards dependence |
| events: | innovation visibility | political law, rules, sanctions | professionalism— certification, accreditation |
| social basis: | culturally supported | legal | moral |
| example: | benchmarking | pollution controls | accounting standards |

Changing Role of Management

- Think about horizontal relationships across organizations
- Control towards autonomy
- Independence toward interdependence and trust

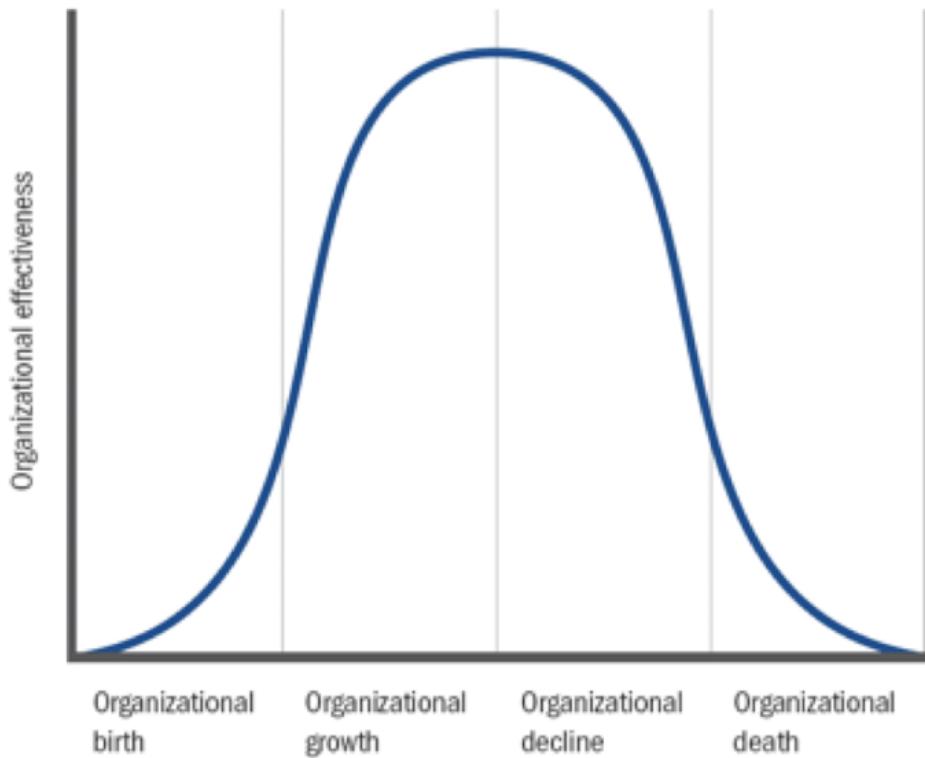
Chapter 8 - Organization Size, Life Cycle, and Decline

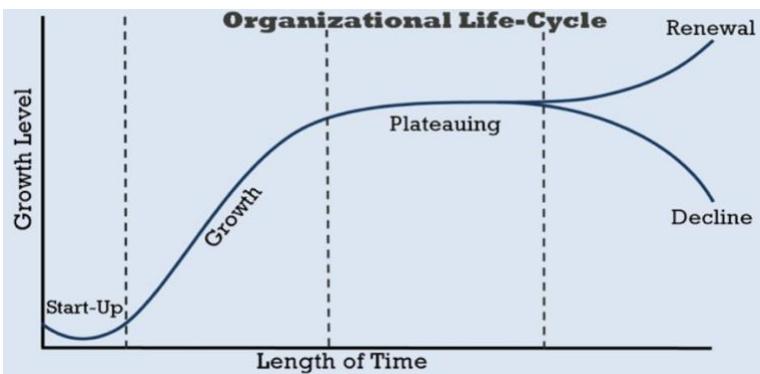
Dilemmas of different sizes of the organizations

- Small
 - o Flexible, responsive, fast
 - o Regional reach
 - o Flat structure, organic
 - o Simple
 - o Niche finding
 - o entrepreneurs
- Large
 - o Huge resources and economies of scale
 - o Standardized, mechanistic
 - o Global reach
 - o Vertical hierarchy, mechanistic
 - o Complex
 - o Stable market
 - o Employee longevity, raises and promotions.
- Big/small hybrid
 - o Size does not have to be add odds with organizational speed and flexibility
 - o Design that combines resources of a large organization with simplicity and flexibility of a small one
 - o Apple, Walmart, Amazon

Growth model and decline model

- o Nortel Network (1895-2011), Apple (1976-present), Research in Motion (1984-present), Facebook (2004-present)

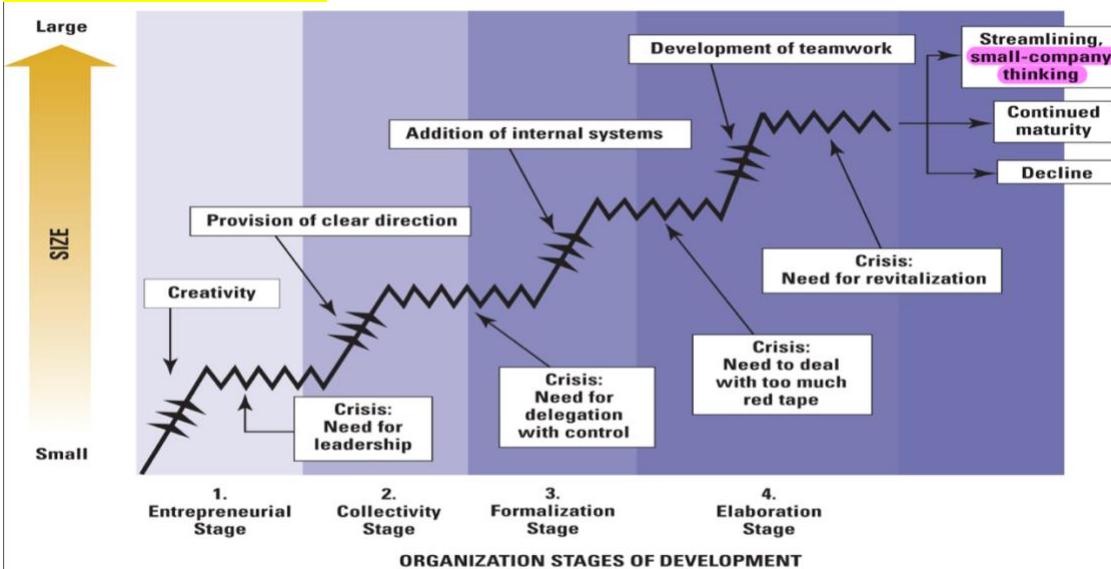




Why do we care?

- An issue significant to people and society
 - o The founding of an organization
 - Entrepreneurs take advantage of opportunities to use their skills and competences to create value
 - o A large amount of new businesses
 - 100k are born in Canada each year
 - 500k get started in the US each month
- A dangerous life cycle stage
 - o The dangers associated with being the first in a new environment
 - o A new organization is fragile as lacking formal structure
- High mortality (death) rate
 - o 80% fail in first 18 months
 - o Another 50% fail in their first 5 years
- Bankruptcy of large companies is a disaster
 - o Nortel Network (1895 – 2011)
 - o Lehman Brothers (1850 – 2008)
- Predictable life stages
 - o Each has its challenges and opportunities
 - Decline does not mean die
 - Recover and continue to grow
- Make things happen

Organizational Life Cycle

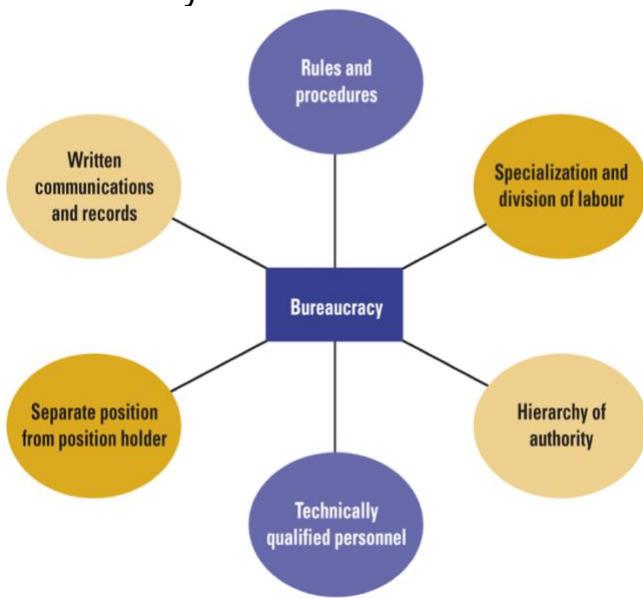


| CHARACTERISTIC | 1. ENTREPRENEURIAL NONBUREAUCRATIC | 2. COLLECTIVITY PRE-BUREAUCRATIC | 3. FORMALIZATION BUREAUCRATIC | 4. ELABORATION VERY BUREAUCRATIC |
|----------------------------|--|---|--|---|
| | | | | |
| Structure | Informal, one-person show | Mostly informal, some procedures | Formal procedures, division of labour, new specialties added | Teamwork within bureaucracy, small-company thinking |
| Products or services | Single product or service | Major product or service, with variations | Line of products or services | Multiple product or service lines |
| Reward and control systems | Personal, paternalistic | Personal, contribution to success | Impersonal, formalized systems | Extensive, tailored to product and department |
| Innovation | By owner-manager | By employees and managers | By separate innovation group | By institutionalized R&D department |
| Goal | Survival | Growth | Internal stability, market expansion | Reputation, complete organization |
| Top management style | Individualistic, entrepreneurial | Charismatic, direction-giving | Delegation with control | Team approach, attack bureaucracy |

Organizational Control Strategies

- Bureaucracy control (rules standards, hierarchy, legitimate authority)
 - o A threat to basic personal liberties
 - o The most efficient possible system of organizing
- Market control (prices, competition, exchange relationship)
 - o Price competition is used to evaluate the output and productivity of an organization
 - o Subunits or divisions
- Clan control (tradition, shared values and beliefs, trust)
 - o The use of organizational culture, shared values, traditions, and beliefs to control behaviour

Bureaucracy



The principles of Bureaucratic structure

- Rules and procedures: organizational activities to be performed in a predictable, routine manner
- Specialized duties: each employee has a clear task to perform
- Hierarchy of authority: a sensible mechanism for supervision and control
- Technical competence: selection (hiring) are based on **qualification**

- Separation of the position from the position holder: individuals did not own or have an inherent right to the job
- Written records: an organizational memory and continuity over time

Limitations of bureaucracy

- Obsolescence of Action
- Goal Displacement
- Inducements to Loyalty
- Stress on Depersonalization
- Sense of Common Destiny

Organizational Decline and Death

- Organizational decline
 - o An organization's size and resource base decreases
- May occur because organizations **grow too much**
 - o The catalyst of growth in one phase becomes the crisis that the organization needs to resolve before it can grow and move into the next stage.
 - o Management behaviours that lead to success in one stage start to cause problems for the next stage
 - o Each stage requires a completely new approach

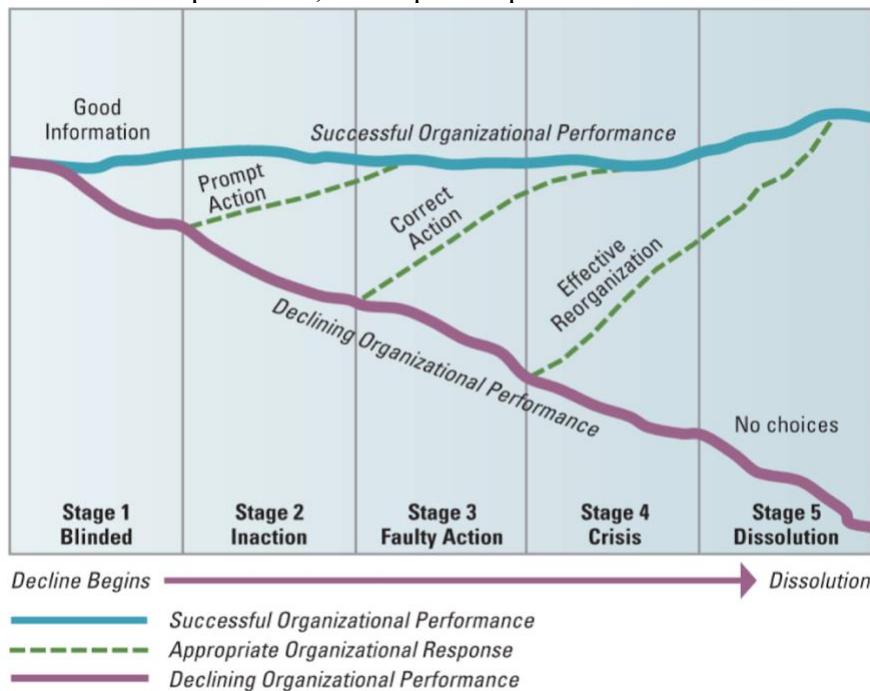
Organizational Decline - Causes

- **Organizational atrophy**
 - o Atrophy occurs when organizations grow older and become inefficient and overly bureaucratized.
 - o follows a long period of success
 - o takes success for granted,
 - o attached to practices and structures that worked in the past
 - o fails to adapt to changes in the environment
- **Vulnerability**
 - o Over time, organizations become weaker
 - o Often happens to small organizations
 - An organization fails to anticipate, recognize, avoid, neutralize, or adapt to external or internal pressures that threaten its long-term survival
 - o Cannot adapt their procedures to fit changes in the environment
 - o Natural selection is a competitive process
- **Environmental decline or competition**
 - o Affect an organization's ability to obtain scarce resources, thereby leading to decline
 - o Makes it difficult for top management to anticipate the need for change and to manage the way organizations change and adapt to the environment
- **A combination**

Model of Decline Stages

- Blinded stage
 - o Excess personnel, cumbersome procedures, or lack of harmony
 - o Solution: develop effective scanning and control systems
- Inaction stage
 - o Denial occurs despite signs of deteriorating performance, "creative accounting"
 - o Solution: acknowledge decline and take prompt action to realign the org with environment
- Faulty action stage
 - o Facing serious problems, indicators of poor performance cannot be ignored

- Retrenchment, including downsizing personnel, reduce employee uncertainty
- Crisis stage
 - The organization is facing a panic at this moment
 - The only solution is major reorganization
- Dissolution stage
 - The stage of decline is irreversible, suffering losses of market and reputation, the loss of its best personnel, and capital depletion



Downsizing Implementation

- Communicate more, not less
- Provide support to displaced workers such as training, severance, and outplacement activities
- Help the survivors deal with survivor guilt

Chapter 9- Organizational Culture and Ethics

Part One

Culture (informal goals)

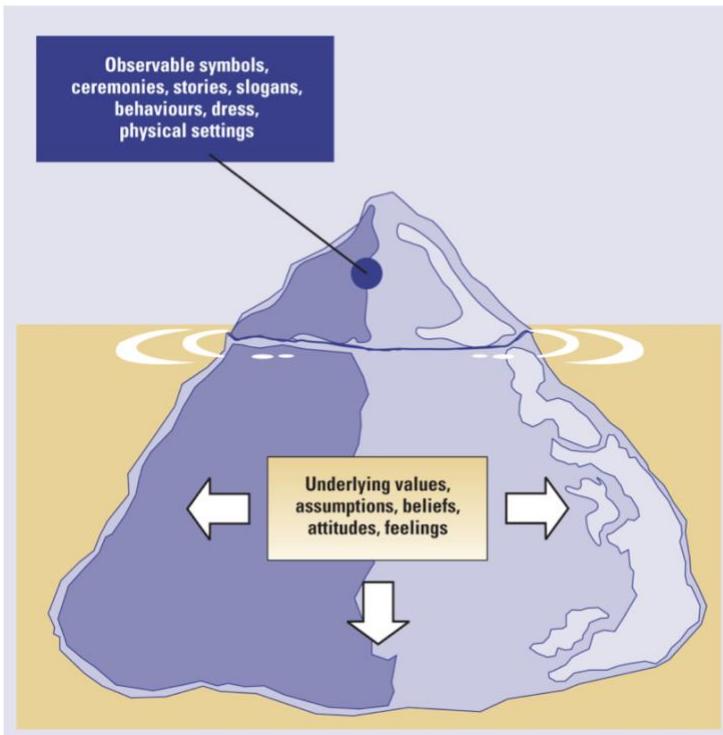
- Values, norms, beliefs, unwritten guidelines
- The basic pattern of shared values and assumptions shared within the organization

Interpreting Culture (artifacts)

- Rites and ceremonies
 - o The elaborate, planned activities that make up a special event and are often conducted for the benefit of an audience
- Stories
 - o Narratives based on true events that are frequently shared among organizational employees and told to new employees to inform them about an organization
- Symbols
 - o Something that represents another thing
- Language
 - o Slogan, metaphor, or other form of language to convey special meaning to employees

| TYPES OF RITE | EXAMPLE | SOCIAL CONSEQUENCES |
|--------------------|--|---|
| <i>Passage</i> | Induction and basic training, Canadian military | Facilitate transition of persons into social roles and statuses that are new for them |
| <i>Enhancement</i> | Annual awards night | Enhance social identities and increase status of employees |
| <i>Renewal</i> | Organization development activities | Refurbish social structures and improve organization functioning |
| <i>Integration</i> | Office holiday party | Encourage and revive common feelings that bind members together and commit them to the organization |

Levels of Organizational Culture



Organizational Culture Typology

Two dimensions

- To what degree the environment requires flexibility or stability
- To what degree the organizational strategic focus and strength are internal or external
- **Adaptability culture**
 - o The adaptability culture is characterized by strategic focus on the external environment through flexibility and change to meet customer needs. The culture encourages entrepreneurial values, norms, and beliefs that support the capacity of the organization to detect, interpret, and translate signals from the environment into new behaviour responses.
- **Mission culture**
 - o The mission culture is characterized by emphasis on a clear vision of the organization's purpose and on the achievement of goals, such as sales growth, profitability, or market share, to help achieve the purpose.
- **Clan culture**
 - o The clan culture has a primary focus on the involvement and participation of the organization's members and on rapidly changing expectations from the external environment.
- **Bureaucratic culture**
 - o The bureaucratic culture has an internal focus and a consistency orientation for a stable environment. This organization has a culture that supports a methodical approach to operating.



Strategic Review for Achieving Congruence

- Do the operations support the achievement of the goals?
- Do the goals support the achievement of the strategy?
- Does the strategy support the attainment of the mission?
- Do the organizational culture support the achievement of the goals?
- Are we working on the right problem? Are new perspectives and lines of research required?

Part Two

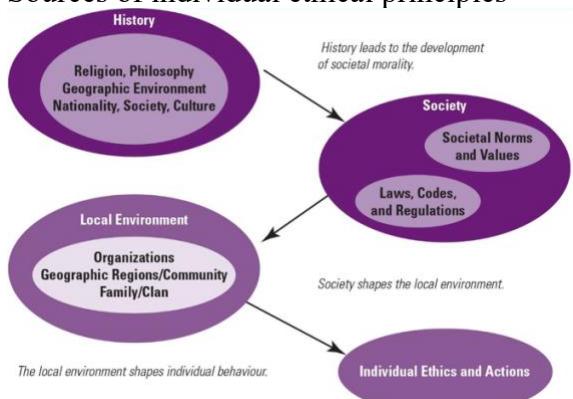
Ethics

- Moral principles or beliefs about what is right or wrong
- Systematic thinking about the moral consequences of decisions
- Moral consequences
 - o Potential to harm stakeholders

Ethics and the Law

- Laws specify what people and organizations can and cannot do
- Laws specify sanctions and punishments when laws are broken
- Ethics are relative
 - o No absolute or unvarying standards exist to determine how people should behave

Sources of individual ethical principles



Sources of ethical values in organizations



Why do people act unethically?

- Gain
- Role conflict
- Competition
- Personality
- Organizational & industry culture

Ethical values and social responsibility

- Does it pay to be good?
 - o Small positive relationship
 - Ethics and social responsibility -> financial results

Ethical dilemma

- The quandary people experience when they must decide whether or not they should act in a way that benefits someone else, even if it harms others and isn't in their own interest

Chapter 11: Innovation and Change

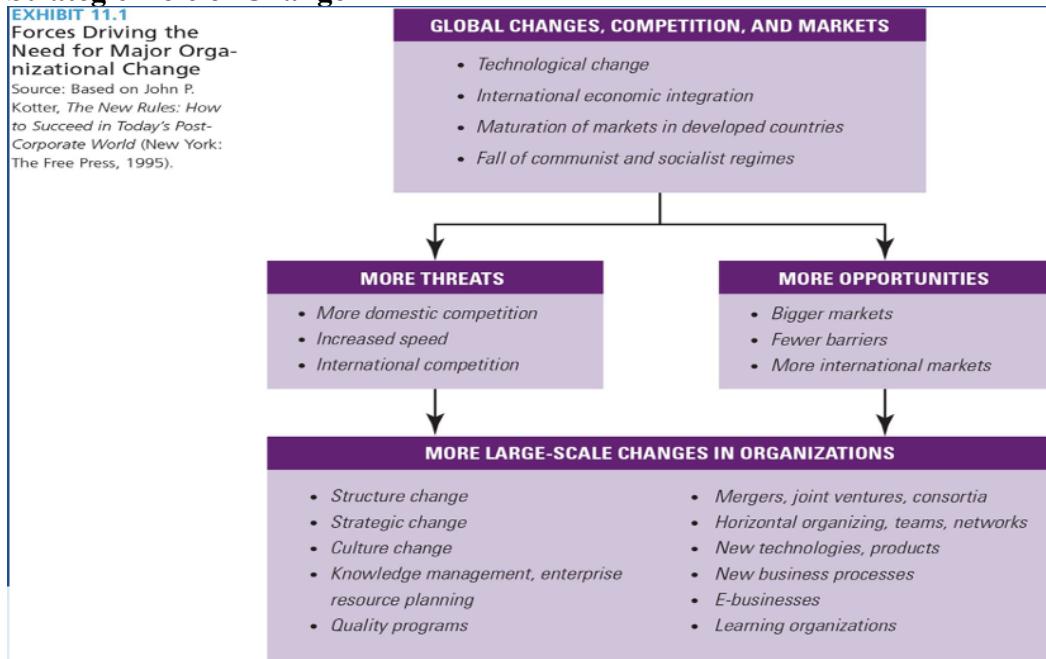
Organizational Change

- The process by which organizations move from their present state to some desired future state to increase their effectiveness
 - o Goal is to find improved ways of using resources and capabilities in order to increase an organization's ability to create value

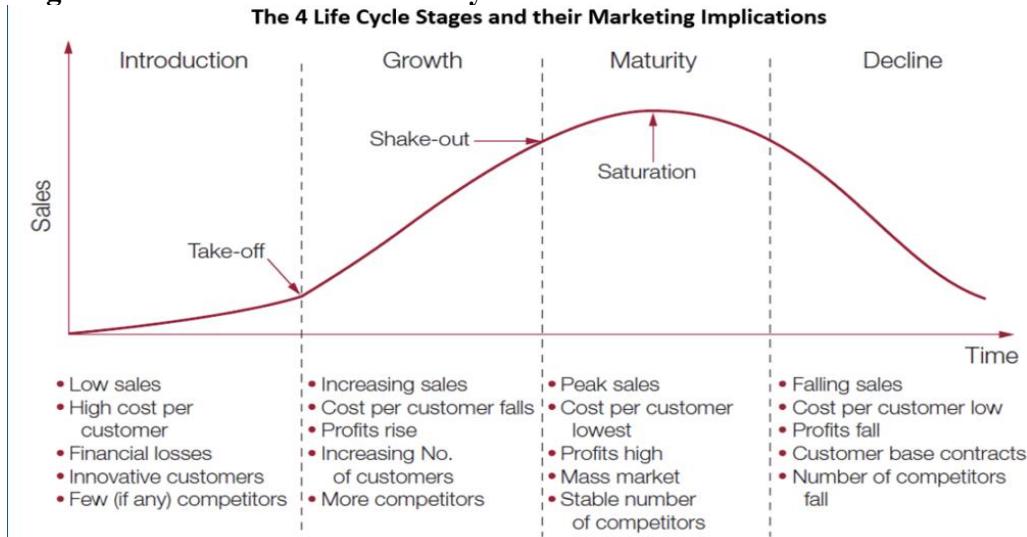
Why change? Innovate or perish

- The snake which cannot cast its skin has to die. As well the minds which are prevented from changing their opinions; they cease to be mind
- Life is a series of natural and spontaneous changes. don't resist them; that only creates sorrow. Let reality be reality. Let things flow naturally forward in whatever way they like
- Change will not come if we wait for some other person, or if we wait for some other time. We are the ones we've been waiting for. We are the change that we seek.

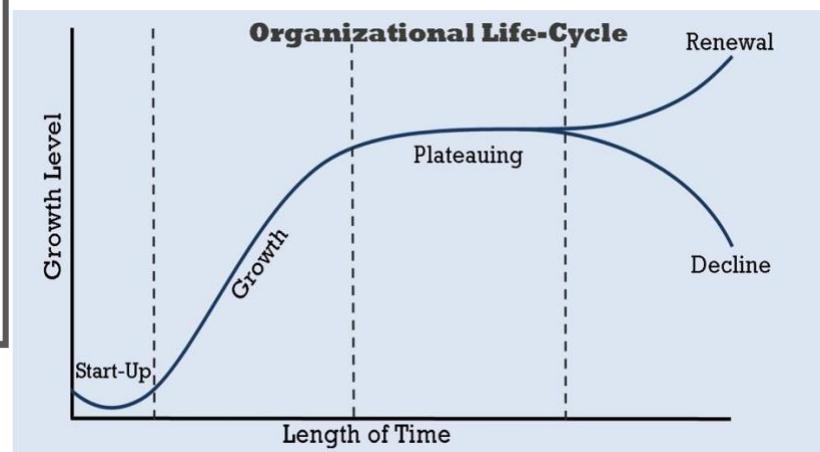
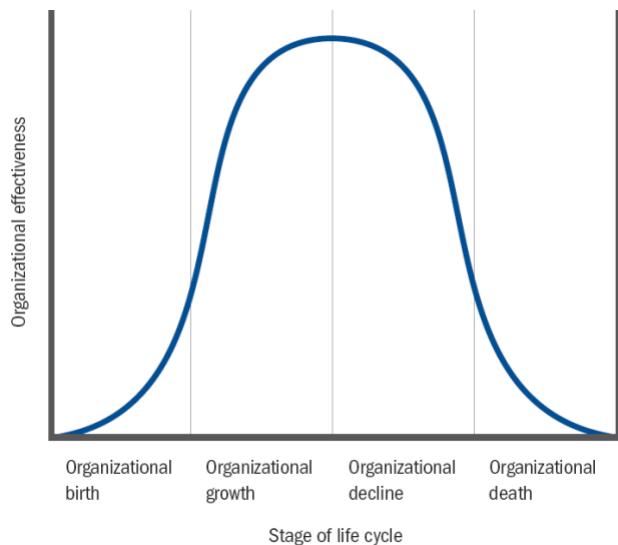
Strategic Role of Change



Organizational vs. Product Life Cycle



How long can a company live?



Strategic Forms of Change

- Product and service changes
- Strategy and structure changes
- Culture changes
- Technology changes

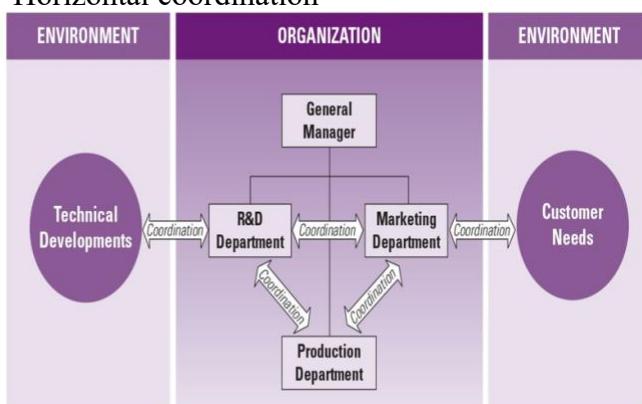
Product/Service Change

- The challenge
 - o Creating a successful product
- The requirements
 - o Understanding customer needs
 - o Paying attention to marketing
 - o Making uses of outside technology and advice
 - o Top management support
- The solution
 - o Horizontal coordination Model

Horizontal Coordination model

- o Specialization (skills in departments)
- o Boundary spanning (links to organizational environment)
 - Marketing department
 - R&D department
- o Horizontal coordination

EXHIBIT 11.9
Horizontal
Coordination Model
for New Product
Innovations



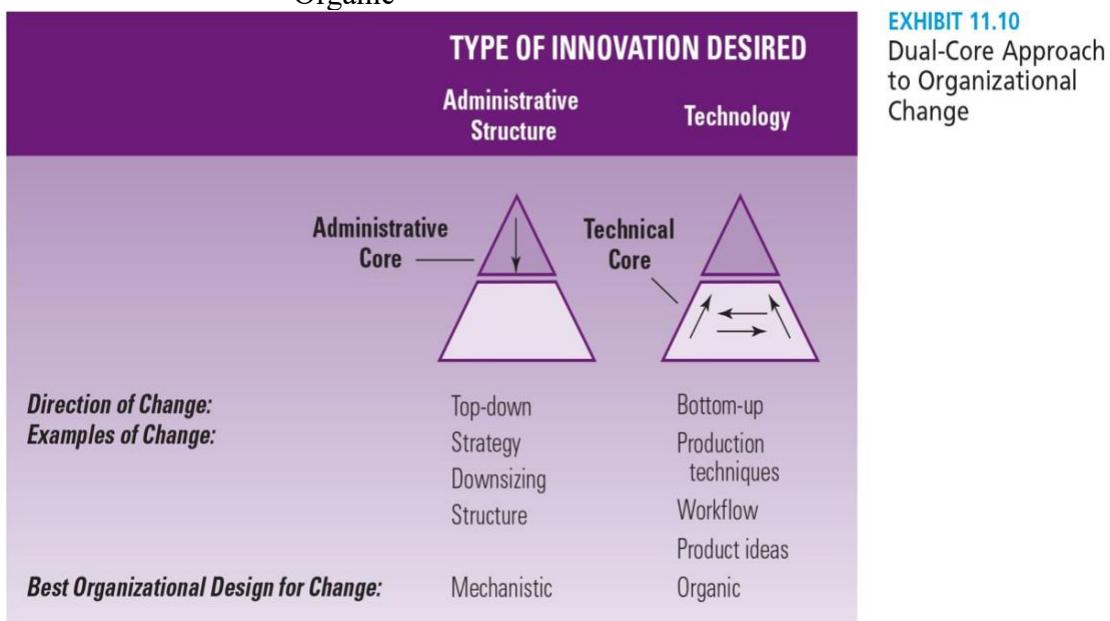


Strategy/Structure Change

- The Situation:
 - Occasionally organizations will want to change strategy, structure, goals, policies, etc.
- The Challenge:
 - How do you get everyone on board for these big changes?
- The Solution:
 - The Dual-Core Approach
 - Administrative core
 - Technical core

The Dual-Core Approach

- Organizational design for implementing administrative change
- Administrative core
- Technical core
 - Mechanistic
 - Organic



Culture Change

- The Challenge:
 - How do you modify the beliefs, values and behaviours of a group of people?
- The Solutions:
 - Organizational Development initiatives
 - Use behaviour modification (e.g., role models, reward/punishment)
 - Change the symbols, rituals and stories
 - Leverage HR systems (e.g., selection, training, performance management, rewards and incentives)
- Organizational Development:
 - Attempts fundamental changes to improve organizational adaptability, problem solving, etc.
 - Large Group Interventions
 - Team Building
 - Interdepartmental Activities

Technology Change

- The Conundrum:
 - The conditions that promote new ideas are not the best conditions for implementing the ideas.
- The Challenge:
 - How can organizations design themselves to achieve both innovation and efficiency?
- The Solution:
 - The Ambidextrous Organization
 - To be both organic and mechanistic
 - Structures and management processes that push innovation

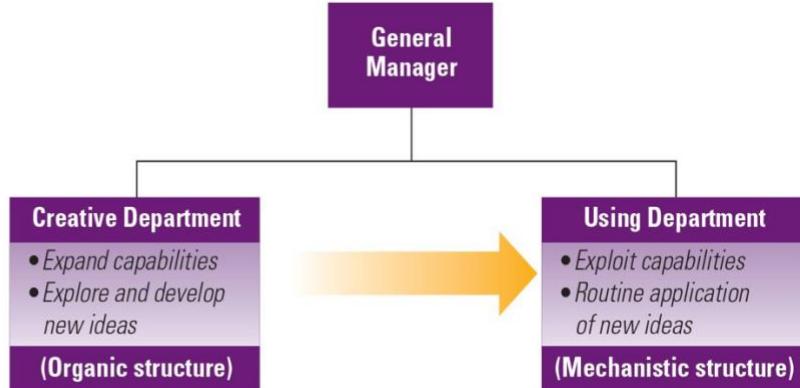
Ways to Create an Ambidextrous Org

- Switching structures
 - Create an organic structure
- Corporate entrepreneurship
 - Promote entrepreneurial spirit
- Separate creative departments
 - Departments for innovation, idea incubator
- Venture teams
 - A small company within the organization

Ambidextrous Approach

EXHIBIT 11.7

Division of Labour
in the Ambidextrous
Organization



Barriers to Change

- Excessive focus on cost
- Failure to perceive benefits

- Lack of coordination and cooperation
- Uncertainty avoidance
- Fear of loss (power, status, position)

Leading Change

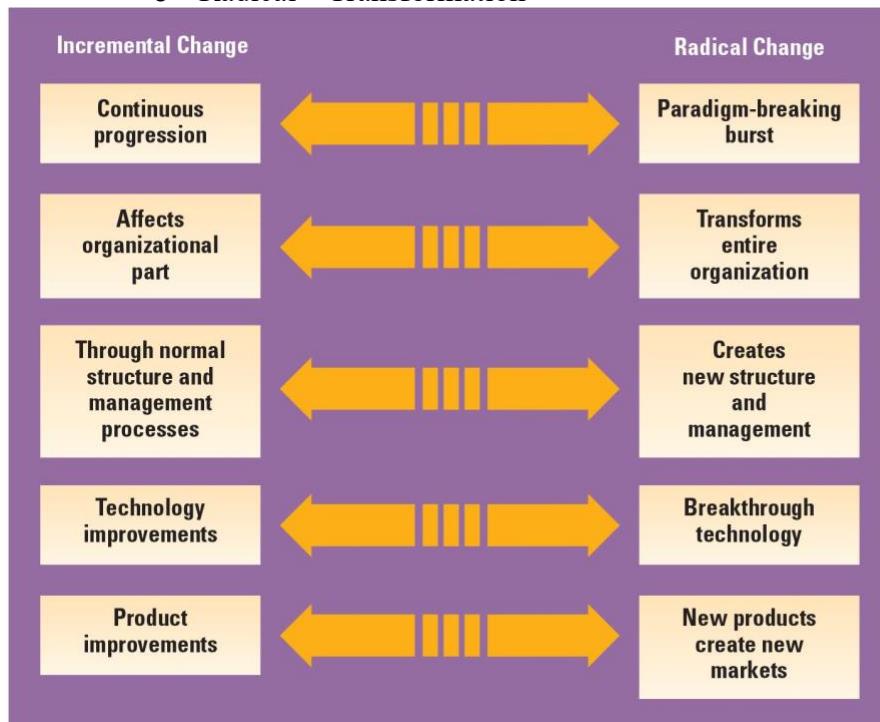
- establish sense of urgency
- Establish a coalition to guide change
- Create a vision/strategy for change
- Find an idea that fits the need
- Develop plans to overcome resistance to change
- Create change teams
- Foster idea champions

Four Forms of Change

- Technology
 - Ambidextrous organization
 - New ways of working, changes in production process, operations, more efficient production
- Products and Services
 - Horizontal coordination model
 - Changes in outputs (new product lines)
- Strategy and Structure
 - Mechanistic org design (dual-core approach)
 - Administrative changes (changes in structure, policies, rewards)
- Culture
 - Organization development interventions
 - Changes in values, attitudes, behaviours

Incremental versus Radical Change

- Incremental – Continual progression
- Radical – Transformation



Source: Based on Alan D. Meyer, James B. Goes, and Geoffrey R. Brooks, "Organizations in Disequilibrium: Environmental Jolts and Industry Revolutions," in George Huber and William H. Glick, eds., *Organizational Change and Redesign* (New York: Oxford University Press, 1992), 66–111, and Harry S. Dent, Jr., "Growth through New Product Development," *Small Business Reports* (November 1990), 30–40.

Racial Innovation (Change)

- New products or operating systems that incorporate quantum technological improvement
- Quantum technological change
 - A fundamental shift in technology that revolutionizes products or the way they are produced
- These can cause major changes in the environment

Forces for and Resistances to Change

| Forces for Change | Resistances to Change |
|--------------------|---|
| Competitive Forces | Organizational Level <ul style="list-style-type: none">• Structure• Culture• Strategy |
| Economic Forces | |
| Political Forces | Functional Level <ul style="list-style-type: none">• Differences in Subunit Orientation• Power and Conflict |
| Global Forces | |
| Demographic Forces | |
| Social Forces | Group Level <ul style="list-style-type: none">• Norms• Cohesiveness• Groupthink |
| Ethical Forces | Individual Level <ul style="list-style-type: none">• Cognitive Biases• Uncertainty and Insecurity• Selective Perception and Retention• Habit |

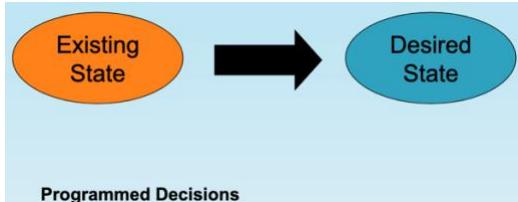
Chapter 13: Decision-Making Processes

Decision-making: a process to develop commitment and solve problems

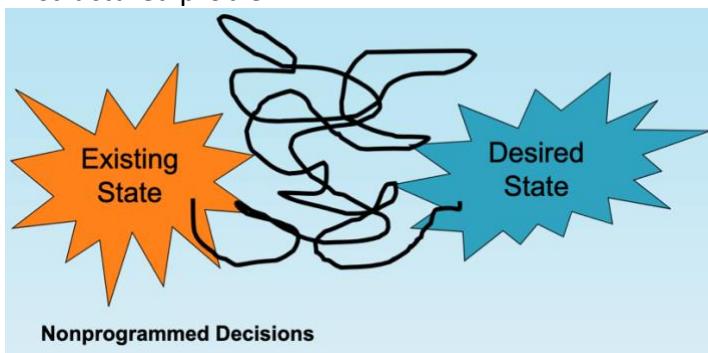
Problem: The discrepancy between existing state and desired state

Two types of problems

- Well-structured problem



- Ill-structured problem



Organizational decision making

- the process of
 - o responding to a problem
 - o to create value for organizational stakeholders

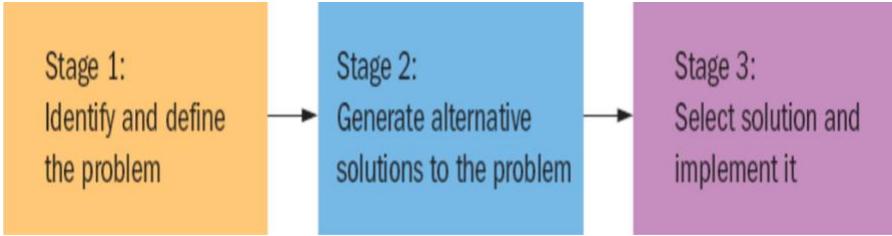
Decision Making in Today's Environment



Three stages in organizational decision making

- problem identification stage
- alternative creation stage

- problem solution stage



Five models

- management science approach (rational approach)
- Carnegie model (go beyond rational model)
- incremental model (go beyond rational model)
- the combined model (contingency framework)
- garbage can model (the learning organization)

management science approach

- use of statistics to identify relevant variables
- build models to achieve maximization
- removed human elements
- good tool for decisions where variables can be identified and measured
- very successful for military problems

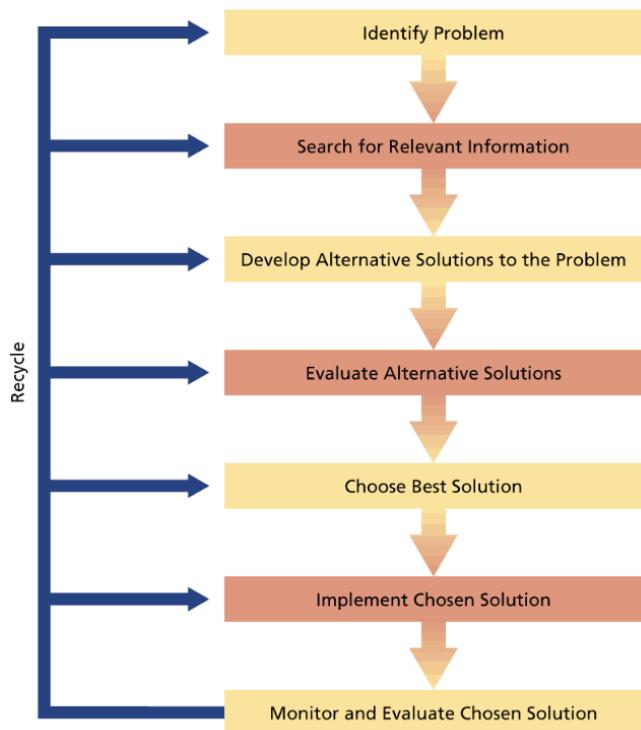
criticisms of the assumptions

- decision makers
 - o economic man
- information availability
 - o decision makers have all the information they need
- maximization
 - o decision makers can make the best decision
- value free
 - o decision makers agree about what needs to be done

perfect rationality

- completely informed
- perfectly logical
- oriented towards economic gain

decision making process



Individual decision making

- bounded rationality perspective
 - o try to act rationally
 - o limited capacity to acquire & process information
 - cognitive biases
 - emotions and mood
 - o political considerations
 - o time constraint
 - o rational approach not always realistic

cognitive biases

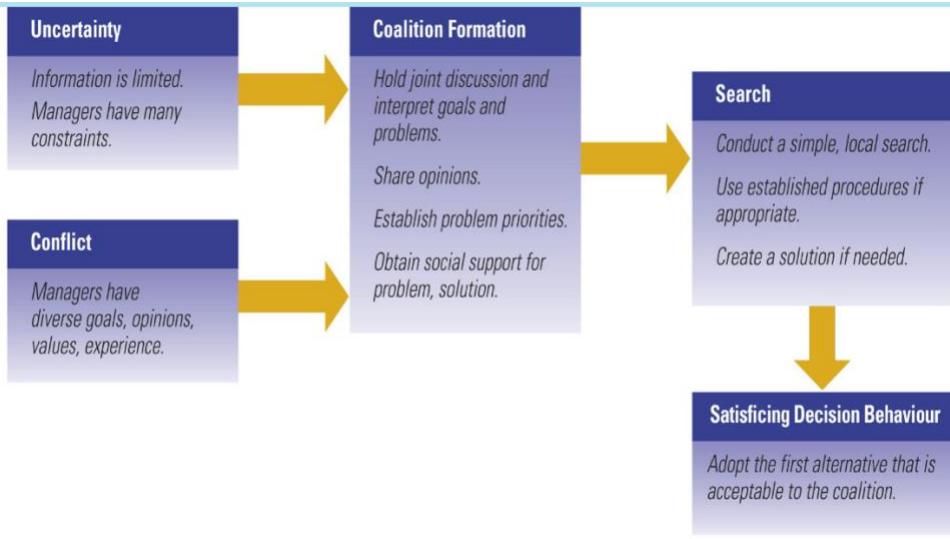
- being influenced by initial impressions
- seeing what you want to see
- being influenced by emotions
- being overconfident
- escalating commitment
- fearing failure or loss
- being influenced by the group

Carnegie Model

- a new set of more realistic assumptions
 - o bounded rationality
 - a limited capacity to process information
 - o organizational coalitions
 - decision makers have different values and preferences

- problem identification and solution
 - as a result of compromise, bargaining, and accommodation between coalitions
- satisficing
 - limited information searched to identify problems and alternative solutions
- a view of decision making that takes the unstructured process to the extreme
 - decision making becomes a garbage can in which problems, solutions, and people all mix and contend for organizational action
 - selection of an alternative depends on which person's or group's definition of the current situation holds sway

choice processes in the Carnegie model



Rational model vs. Carnegie Model

| Rational Model | Carnegie Model |
|--|---|
| Information is available | Limited information is available |
| Decision making is costless | Decision making is costly (e.g., managerial costs, information costs) |
| Decision making is "value free" | Decision making is affected by the preferences and values of decision makers |
| The full range of possible alternatives is generated | A limited range of alternatives is generated |
| Solution is chosen by unanimous agreement | Solution is chosen by compromise, bargaining, and accommodation between organizational coalitions |
| Solution chosen is best for the organization | Solution chosen is satisfactory for the organization |

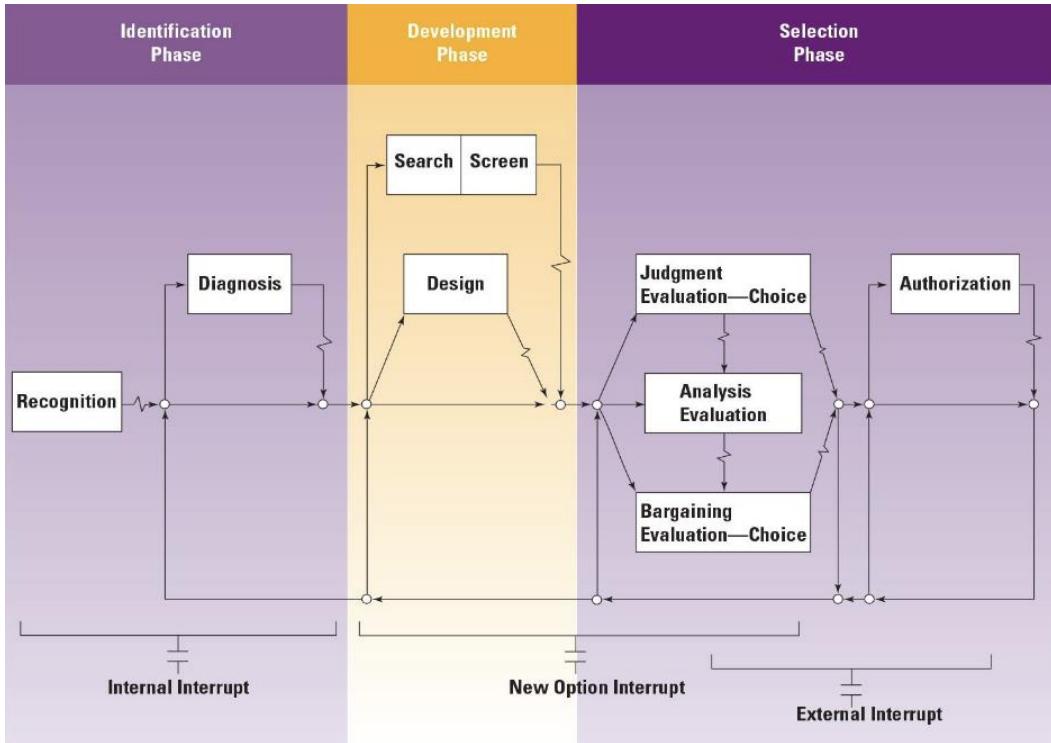
Incremental decision process model

- identification phase
- development phase
- selection phase
- dynamic factors

Incremental model

- managers select alternative courses of action that are only slightly (incrementally) different from those used in the past
 - perceived to lessen the chances of making a mistake

- called the science of “muddling through”
- they correct or avoid mistakes through a succession of incremental changes



Combining Carnegie & Incremental

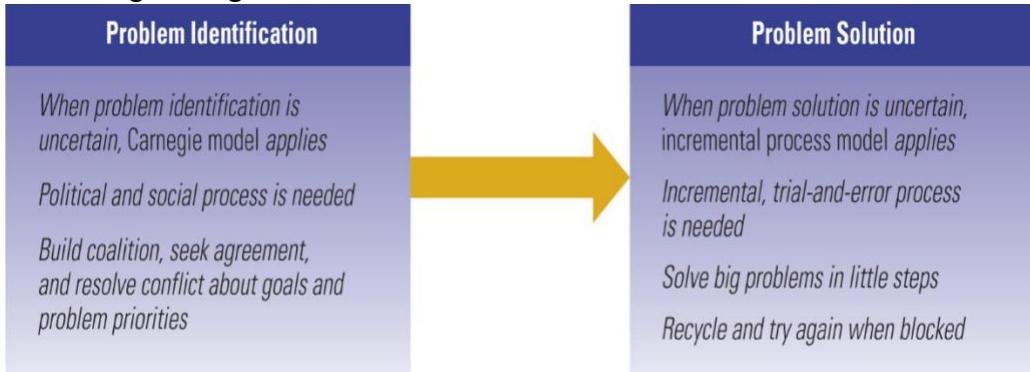
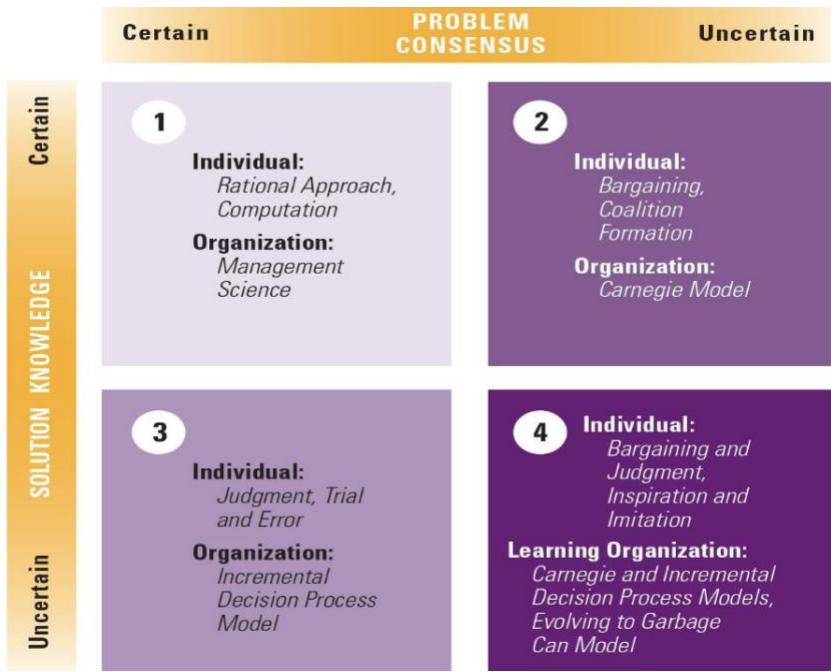


EXHIBIT 11.6

Decision Process When Problem Identification and Problem Solution Are Uncertain

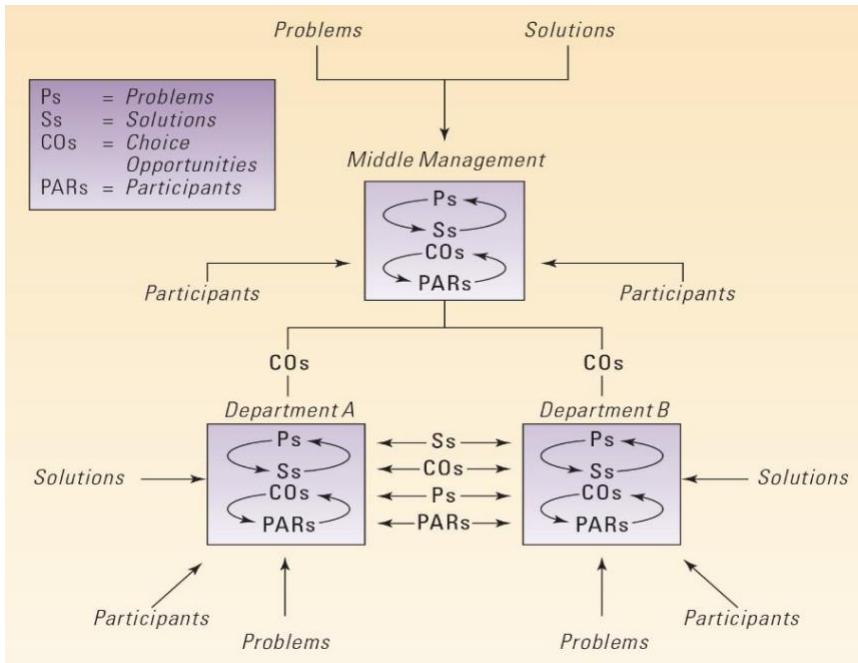
Make a choice between models

- contingency decision-making framework
 - problem consensus
 - certain or uncertain
 - solution knowledge
 - certain or uncertain



Garbage can model

- pattern or flow of multiple decisions
- think of the whole organization
- explain decision making in an organized anarchy
- highly uncertain conditions
- organized anarchy
 - o problematic preferences
 - o unclear, poorly understood technology
 - o turnover
- streams of events instead of defined problems and solutions
 - o problems
 - o potential solutions
 - o participants
 - o choice opportunities
- decision makers are as likely to start decision making from the solution side as the problem side
- create decision-making opportunities that they can solve with ready-made solutions based on their competencies and skills
- different coalitions may champion different alternatives



Consequences of garbage can model

- solutions may be proposed even when problems do not exist
- choices are made without solving problems
- problems may persist without solving problems
- problems may persist without being solved
- a few problems are solved