**Jones: Chapter 2 – Basic Challenges of Organizational Design**

**Differentiation**
- **differentiation** = process by which an organization allocates people and resources to organizational tasks and establishes the task and authority relationships that allow the organization to achieve its goals → process of establishing and controlling the division of labor/the degree of specialization
  - necessary because of increased complexity with growth

**Organizational roles**
- **organizational role** = set of task-related behaviors required of a person by his or her position in an organization → identifiable tasks and responsibilities allow for accountability
  - organization structure is based on interlocking roles
- **authority** = power to hold people accountable for their actions and to make decisions concerning the use of organizational resources → results from differentiation into individual organizational roles
- **control** = ability to coordinate and motivate people to work in the organization’s interests

**Subunits: Functions and Divisions**
- **function** = subunit composed of a group of people, working together, who possess similar skills or use the same kind of knowledge, tools or techniques to perform their jobs → as organizations grow, they differentiate into 5 different kinds of functions:
  - **support functions** – facilitate control of relations with environment and stakeholders (purchasing, sales & marketing, public relations, legal affairs)
  - **production functions** – manage and improve efficiency of conversion process (production operations, production control, quality control)
  - **maintenance functions** – keep operations up (personnel, engineering, janitorial services)
  - **adaptive functions** – allow to adjust to changes in environment (R&D, marketing research, long-range planning)
  - **managerial functions** – facilitate control and coordination of activities within and among dep.
- **division** = subunit that consists of a collection of functions or departments that share responsibility for producing a particular good or service
- **self-contained division** = division that has its own set of necessary support functions
- number of different functions and divisions is a measure of complexity (or the degree of differentiation)

**Vertical and Horizontal differentiation**
- **organizational chart**: shows end result of organizational differentiation – has a vertical and a horizontal dimension
- **hierarchy** = classification of people according to authority and rank
- **vertical differentiation** = way an organization designs its hierarchy of authority and creates reporting relationships to link organizational roles and subunits (distribution of authority between levels)
- **horizontal differentiation** = way an organization groups organizational tasks into roles and roles into subunits (functions and divisions) – establishes division of labor and allows for specialization

**Balancing Differentiation and Integration**
- **subunit orientation** = tendency to view one’s role in the organization strictly form the perspective of the time frame, goals, and interpersonal orientations of one’s subunit → horizontal differentiation has worked, but hinders cross-functional/divisional learning and coordination – integration has to be promoted by promoting cooperation, coordination and communication (increasingly electronically)

**Integration and Integrating mechanisms**
- **integration** = process of coordinating various tasks, functions and divisions so that they work together and not at cross-purposes → managers often fail to use the appropriate mechanisms
  - **hierarchy of authority** (simplest) – ranking or employees integrates by specifying who reports to whom
  - **direct contact** – managers meet face to face to coordinate activities (important as on same level have no authority about each other – for disputes common superior is important)
Tasks 1-2

Week 1

- **liaison roles** – specific manager is given responsibility for coordinating with managers from other subunits on behalf of his or her subunit
- **task force** = temporary committee set up to handle a specific problem – managers from different functions meet in temporary committees to coordinate cross-functional activity (usually chaired by independent senior manager)
- **team** - managers meet regularly in permanent committees to coordinate activities (ineffective when problems change but team membership remains unchanged)
- **integrating role** (or even department) = full-time position (or new department) established specifically to improve communications between divisions/functions (purpose is to promote sharing of information and knowledge – people in integrating roles are often senior managers)

**Differentiation versus Integration**

- design issue is to establish a level of integration that matches the organization’s level of differentiation but over-differentiation or over-integration are extremely costly, thus managers have to find the right balance
- 1) differentiate to develop the core competences that give a competitive advantage + 2) carefully integrate to allow cooperation and build up the core competences

**Balancing Centralization and Decentralization**

- existence of a hierarchy of authority sometimes leads to a decline in responsibility and risk taking which slows down decision making and results in inflexibility centralization/decentralization question (problem of how much authority to delegate to each level)

**Centralization versus Decentralization of Authority**

- centralization = organizational setup whereby the authority to make important decisions is retained by managers at the top of the hierarchy better coordination & focus on organizational goals, but top management gets entangled in day-to-day activities and thus loose long-term outlook
- decentralization = organizational setup whereby the authority to make important decisions about organizational resources and to initiate new projects is delegated to managers at all levels in the hierarchy promotes flexibility, responsiveness, risk taking and innovation, might motivate, but loss of control of decision-making process, managers may follow own goals at expense of organization’s
design challenge is to find a balance; ideal is one where long-term strategy planning is at the hands of top management and short-term flexibility and innovation stems from lower-level managers

**Balancing Standardization and Mutual Adjustment**

- challenge is to find the right mix between standardization (rules and standard communications) and mutual adjustment – then some actions are predictable and basic goals are achieved while innovativeness and creativity is not limited
- in general at higher levels more mutual adjustment is necessary
- standardization = conformity to specific models or examples – defined by sets of rules and norms – that are considered proper in a given situation (too much may stifle innovation, creativity and lead to inflexibility) – make people actions predictable
  - **formalization** = use of written rules and procedures (employees are accountable for following the rules) high degree implies centralization of authority
  - **socialization** = process by which organizational members learn the norms of an organization and internalize these unwritten rules of conduct
    - **norms** = standards or styles of behavior that are considered acceptable or typical for a group of people (often not beneficial to the company, and very hard to change)
    - changing formal rules can also be cumbersome, because they may be internalized and become internalized norms
- mutual adjustment = compromise that emerges when decision making and coordination are evolutionary processes and people use their judgment rather than standardized rules to address a problem (only so can new and better ways of achieving organizational goals be discovered)

**Coordinating the Formal and Informal Organizations**

- formal structure as depicted by the organizational chart is not the only thing managers have to care about, informal social structure affects behavior in ways that may differ from way managers intended and many of the rule and norms emerge out of informal interaction – managers need to understand how the informal organization works
- when making organizational changes, the informal structure has to be regarded, as altering formal structure may disrupt the informal norms that make the organization work right balance has to be found
- each organizational role has a certain status and confers power and prestige within the organization – both from a formal and an informal perspective
- formal structure is the main mechanism of control, but informal structure can also be used

**Mechanistic and Organic Organizational Structures**

- 2 concepts to address way in which management’s responses to the challenges collectively influence how an organizational structure works
  - **mechanistic structures** – designed to induce people to behave in a predictable, accountable way choices leading to a mechanistic structure:
    - 1) individual specialization; 2) simple integrating mechanisms, hierarchy is used; 3) centralization, most communication is vertical; 4) high standardization; 5) status-conscious informal organization best suited for stable unchanging environment
  - **organic structures** – promote flexibility, so people initiate change and can adapt quickly to changing conditions choices leading to a mechanistic structure:
    - 1) joint specialization; loosely defined roles; 2) complex integrating mechanisms; 3) decentralization; 4) mutual adjustment; 5) expertise-conscious informal organization best suited for changing environments, both the formal and informal structures of authority change rapidly in response to changing internal conditions

- **contingency approach to organizational design** = management approach in which the design of an organization’s structure must match the sources of uncertainty facing an organization – organic and mechanistic organizations are ends of a spectrum
- ideally, an increasingly influential view is, that most successful organizations are those that achieve a balance between the 2, being mechanistic and organic at the same time

**Jones: Chapter 3 – Designing Organizational structure: Authority and Control**

**Top Managers and Organizational Authority** see figure 3.1 page 88

- **authority** = power to hold people accountable for their actions and to directly influence what they do and how they do it shareholders have ultimate authority over organization resources
- board of directors = means of shareholder to exercise control over the company – board delegates to manages the legal authority and responsibility to use the organization’s resources to create value and meet goals; has the most authority in a company
- **trusteeship** = position of the board of directors, the chair of the board of directors, the executive and the salary committee have a position of trusteeship; they act as trustees to protect the interests of shareholders and other stakeholders
  - executive committee: consists of most important directors + top managers – responsibility to monitor and evaluate manager’s use of resources
  - salary committee: sets salaries and terms of employment for managers
- **corporate-level management** = inside stakeholder group that has ultimate responsibility for setting company goals and objectives, for allocating organizational resources to achieve objectives and for designing the organization’s structure (CEO, president, vice presidents)

**The Chief Executive Officer**

- **CEO** = person ultimately responsible for setting organizational strategy, though reporting to the board, he is in reality the most powerful person (often member of the board and even chair person)
- CEO influences organizational effectiveness and decision making in 5 (mostly indirect ways – by the people he appoints, the structure and culture he creates):
  - is responsible for setting organization’s goals and designing its structure
  - selects key executives (thus determines values, norms and culture that emerge – culture determines the way organization members approach problems and make decisions)
  - determines top management’s rewards and incentives (sets motivations)
  - controls allocation of scarce resources among functional areas or divisions (influences direction of future value creation activities)
actions and reputation have major impact on stakeholders’ view of the organization and its ability to attract resources from its environment

The Top-Management Team
- **president** = if next in line for the CEO’ job called the chief operating officer (COO) – CEO and CEO typically share principal responsibility for managing the business, normally the CEO has primary responsibility for managing relationship with external stakeholders and planning long-term strategic objectives; president has primary responsibility for managing organization’s internal operations
- **executive vice presidents** = responsibility for overseeing and managing company’s most significant line and staff responsibilities
- **line role** = manager who has direct responsibility for the production of goods and services
- **staff role** = manager who is in charge of a specific organizational function such as sales or R&D – are only advisory, have no direct production responsibilities
- **top-management team** = group of managers who report to the CEO and president and help the CEO set the company’s strategy and its long-term goals and objectives

Other managers
- **senior vice presidents** = reports directly to member of top-management, can be both line or staff function
- **vice presidents** = report to senior vice president
- **divisional managers** (only existent when separate business divisions exist) = managers who set strategy not for the organization as a whole but for the division that they head and oversee its performance – typically report to member of top-management
- **functional managers** = managers who are responsible for developing core competences in the organization’s various department (functional skills and capabilities) – report to general or divisional manager

Authority: How and Why Vertical Differentiation Occurs
- what determines the shape or an organization’s hierarchy (the number of levels of authority) – shape of hierarchy and balance between centralization/decentralization of decision making establish the extent of vertical differentiation in an organization

The emergence of the hierarchy
- hierarchy emerges when the organization experiences problems in coordinating and motivating (division of labor and specialization lead to difficulties in assessing performance and appraisal) → (1) increase in number of managers to monitor, evaluate and reward; (2) increase levels in managerial hierarchy → increases vertical differentiation and gives organization direct, face-to-face control over its members
- **tall organization** = an organization in which the hierarchy has many levels relative to the size of the organization (3000 people in organization – likely to have 7 levels)
- **flat organization** = an organization that has few levels in its hierarchy relative to its size

Size and Height Limitations
- research suggests that the increase in the size of the managerial component in an organization is less than proportional to the increase in size of the organization as it grows + also the also the number of levels does flatten → this is due to significant problems with the use of tall hierarchies (the decision directly affects organizational effectiveness)
  - **communication problems**: 1) as chain length increases communication takes longer, decision making slows; 2) information gets distorted as it flows up and down through many levels, it may be manipulated or only selectively passed on, both results in loss of control → communication problems get progressively worse as the number of hierarchical levels increases
  - **motivation problems**: as number of levels increases, relative difference in authority possessed by managers at each levels decreases as does their level of responsibility – studies have shown that the more authority and responsibility a person has, the more motivating is the person’s org. role
  - **bureaucratic costs**: the greater the number of managers and hierarchical levels the greater the bureaucratic costs – the costs associated with running and operating an organization (restructuring and downsizing efforts are used to streamline hierarchies and lay off managers and workers to reduce bureaucratic costs)

The Parkinson’s Law Problem
- Parkinson’s Law = “work expands so as to fill the time available” – managers seek to increase the number of subordinates, as the number of subordinates and levels grows monitoring and controlling effort rises and work is created

The Ideal Number of Hierarchical Levels: The Minimum Chain of Command
- principle of minimum chain of command = an organization should choose the minimum number of hierarchical levels consistent with its goals and the environment in which it operates – managers should be evaluated on ability to control organizational activities with smallest number of manager possible
- only reason for a tall structure is when a high level of direct control or personal supervision over subordinates is needed (technology and task structures may make tall structure the preferred choice)

Span of Control
- span of control = number of subordinates a manager directly manages → most important factor limiting the span is inability to supervise increasing numbers of subordinates adequately, as an arithmetic increase in number of subordinates is accompanied by an exponential increase in numbers of subordinate relationships the managers has to manage
- ability to directly supervise is limited by:
  - complexity of tasks: the more complex and dissimilar the subordinate’s tasks, the smaller the managers span of control needs to be (contrary routine and similar)
  - interrelatedness of tasks: the more closely tasks are interrelated, coordination and control are greater challenges for the manager as he has to manage more relations

Control: Factors Affecting the Shape of the Hierarchy
- when there are limits to direct personal supervision, organizations have to find other ways – typically first the level of horizontal differentiation is increased
- all decisions on the following 3 methods affect one another and thus must be made simultaneously
- organization structure evolves and has to be managed constantly

Horizontal differentiation
- horizontal differentiation leads to the emergence of specialized subunits (divisions or functions) of which each has its own hierarchy; even within a function or department can horizontal differentiation occur (e.g. in R&D into project teams)
- increasing horizontal differentiation increases vertical differentiation, many problems of tall hierarchies are avoided, but may cause additional coordination and motivation problems which can be counted by wise choices concerning centralization, standardization and influence of informal organization

Centralization
- decentralization alone may not eliminate need for many hierarchical levels though but reduces amount of direct supervision needed within a subunit and can allow even tall structures to be flexible in its responses

Standardization
- control can be gained through standardization (making activities predictable) and the number of managers and extra levels of hierarchy is reduced
- rules and SOPs substitute for direct supervision – span of control is increased, delegation made easier

The Principles of Bureaucratic Structure
- bureaucracy = form of organizational structure in which people can be held fully accountable for their actions because they are required to act in accordance with well-specified and agreed-upon rules and SOPs
- 6 bureaucratic principles that underlie effective organizational structure (Max Weber): (first 2 establish the organizational role; next 3 specify how process of differentiation should be controlled)
  1.) A bureaucracy is founded on the concept of rational-legal authority.
     - rational-legal authority = authority a person possesses because of his position → a bureaucracy is impersonal the design is based on the needs of the task not the person; obedience arises out of the level of authority
  2.) Organizational roles are held on the basis of technical competence, not because of social status, kinship or heredity. (is in reality however very difficult)
3.) A role’s task responsibility (= horizontal differentiation) and decision-making authority (= vertical differentiation) and its relationship to other roles in the organization should be clearly specified. → people know their power over others and know what is expected of them
   - role conflict = 2 or more people have different views of what another person should do and thus make conflicting demands
   - role ambiguity = person’s tasks or authority are not clearly defined and thus becomes afraid to act on and take responsibility for anything

4.) The organization of roles in a bureaucracy is such that each lower office in the hierarchy is under the control and supervision of a higher office. → rights to appeal to higher levels

5.) Rules, SOPs and norms should be used to control the behavior and the relationship between roles in an organization. → increase efficiency by specifying best way; clarify expectations and prevent misunderstandings over responsibility and use of power; enhance integration and coordination and allow for joint performance of a task

6.) Administrative acts decisions and rules should be formulated and put in writing. → organizational memory allows for training and accountability
   - bureaucratic structure is advantageous by increasing efficiency of interactions, by reducing transaction costs, reducing costs of monitoring and costs of enforcement and evaluation of employee’s performance; it separates position from person and creates stability which allows for a long-run view
   - bureaucratic structure is problematic when over time managers fail to properly control the development of the organizational hierarchy → tall, centralized, slow, unresponsive and costly designs – but failure does not lie in design buy with the people who run the organization
   - bureaucratic structure is not intrinsically bad or inefficient!

Restructuring the Organization

- restructuring = process by which managers change task and authority relationships to improve organizational effectiveness
- downsizing = process by which managers streamline the organizational hierarchy and lay off managers and workers to reduce bureaucratic costs → recently concerns about overly downsizing (resulting in hollow or anorexic organizations) have emerged, argument is that short-term gains lead to long-term losses because of lost opportunities; there always need to be a level of surplus managers who have time to find new operating methods and new opportunities
- empowerment = process of giving employees throughout an organization the authority to make important decisions and to be responsible for their outcomes – reduced need of personal supervision
  - problem of managers is to combine best aspects of bureaucratic structure and empowered work groups – essentially the right blend of mechanistic and organic structure
- self-managed teams = work groups consisting of people who are jointly responsible for ensuring that the team accomplishes its goals and who lead themselves - reduced need of personal supervision
- contingent workers = workers who are employed for temporary periods by an organization and who receive no indirect benefits such as health insurance or pensions – cost less but coordination and motivation problems may arise with inability to develop core competences in their functions

Jones: Chapter 4 – Designing Organizational Structure:

Specialization and Coordination

- chapter addresses issue of how to group and coordinate tasks to create a division of labor that gives an organization

Functional Structure

- functional structure = design that groups people together on the basis of their common expertise and experience or because they use the same resources – basis of horizontal differentiation – grouping is made to increase effectiveness; as functions specialize, skills and abilities improve and core competences emerge
- organizations become more complex as they grow: develop more functions but also more specialization within each function

Advantages of functional structure

- provides learning environment and thus increases efficiency - increases store of skills and abilities
- supervision of peers – reduces need for direct supervision by managers
- development of norms and values & commitment which may result in a core competence
Control problems in functional structure

- Initially all organizations are organized by function as it allows to manage an increase in specialization and the division of labor most effectively.
- But problems arise as the organization produces more and more products, becomes geographically diverse, faces increasing competition for customers, control problems impede the organization’s ability to coordinate activities.
  - Communication problems — arise because of increasing subunit orientation (integrating mechanisms needed).
  - Measurement problems — to exercise control evaluation measure have to be available, increasing complexity leads to difficulties isolating each group’s contribution to the product development and the organization may not make best use of its resources.
  - Location problem — geographic spread demands an information system that can balance the need to centralized decision-making authority with the need to decentralize authority to regional operations.
  - Customer problems — as range of quality of goods/services increases different customer groups are attracted which might be difficult to cater within a functional structure.
  - Strategic problems — long-term strategic planning may be at risk when involved in solving communication and integration problems.

Reengineering Functional Structure to Solve Control Problems

- Reengineering = fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance such as cost, quality, service and speed.
  - Focus on business processes assesses ability of people and groups to act in cross-functional ways to serve customers — existing arrangements of tasks, roles and work activities are ignored.
    - Increases functional integration to increase control of activities (e.g. in materials management now usually all 3 functional activities in the process are put inside one function — purchasing, production control, distribution).

3 guidelines for performing reengineering successfully

- Organize around outcomes, not tasks (and avoid transfers between functions).
- Have those who use the output of the process perform the process (or have them control it).
- Decentralize decision making to the point where the decision is made.

From Functional Structure to Divisional Structure

- Functional structure is feasible with 1) small number of similar products, 2) one or few locations, 3) one general type of customer — when organizations grow in the other direction, a structure is needed that will give more control — its design is based on 3 design choices (move towards a complex structure normally involves changes in all 3 characteristics):
  - Increasing vertical differentiation (increasing number of levels in hierarchy; deciding how much decision-making authority to centralize; deciding how much to use rules, SOPs and norms).
  - Increasing horizontal differentiation (overlaying functional grouping with some other kind of subgrouping).
  - Increasing integration between subunits.

Divisional Structure I: Three Kinds of Product Structure

- Product structure = divisional structure in which products (goods or services) are grouped into separate divisions, according to their similarities or differences.
    - Next decision is how to coordinate the support functions — 2 possibilities; centralize at top to serve all product divisions, or create multiple sets, one for each product division.

- Product division structure = divisional structure in which a centralized set of support functions service the needs of a number of different product lines (works with broadly similar products aimed at same market).
  - Role of product division manager adds a level to the organizational hierarchy and increases vertical differentiation.

- Multidivisional structure = structure in which support functions are placed in self-contained divisions (different products or different markets/industries).
  - Uses 2 innovations to overcome control problems and increase vertical differentiation and integration.
    - Self-contained division = division that has its own set of support functions and controls its own value creation activities.
      - Allows a company to operate in many different businesses, each with its own divisional structure.
corporate headquarters staff = corporate managers who are responsible for overseeing the activities of the divisional managers heading up the different divisions, functionally organized and performing an integrating role

advantages: 1) increased organizational effectiveness (better division of labor); 2) increased control through corporate office and means to compare performance and intervene; 3) profitable growth – when divisions are operated as profit centers, most valuable investments can be determined / monitoring role of corporate managers allows for growth without suffering problems of communication or information overload; 4) internal labor market

disadvantages: 1) managing the corporate-divisional relationship – how much authority to centralize not to lose long-term view; 2) coordination problems between divisions – which might compete for resources; 3) transfer pricing; 4) bureaucratic costs – extensive duplication takes place; 5) communication problems – multidimensional structures produce the tallest of all structures

transfer price = price at which one division sells a product or information about innovations to another division

Product team structure
- product team structure (essentially a cross between product division structure and multidivisional structure) = divisional structure in which specialists form the support functions are combined into product development teams that specialize in the needs of a particular kind of product
- each team is essentially a self-contained division headed by a product team manager who supervises all operational activities, though the vice-presidents of the functions at the top of the organization retain overall functional control, nevertheless decision-making authority for each product is decentralized to the team
- integration is increased through close collaboration and involvement with all aspects of product development

Divisional Structure II: Geographic Structure
- geographic divisional structure = divisional structure in which divisions are organized according to the requirements of the different locations in which an organization operates → response when problems are a function of geography
- allows some functions to be centralized while others are decentralized to a regional level

Divisional Structure III: Market Structure
- market structure = divisional structure in which functional skills and activities are aligned with the needs of different customer groups – marketing becomes basis of establishing divisions and thus an ability to quickly respond to changes results

Matrix Structure
- matrix structure = structure that groups people and resources in 2 ways simultaneously: by function and by product → organization structure is flat, having minimal hierarchical levels and decentralized authority; members report to heads of respective functions but work is determined by cross-functional product teams under leadership of a product manager (who directly supervises) → two-boss employees
  - two-boss employees = employees who report to 2 superiors – the product team manager and the functional manager → role and authority relationships are deliberately vague, but promote mutual adjustment and are integrative mechanisms
  - differs form product teams structure in that they have 2 instead of 1 boss and that in a matrix them membership is not fixed

advantages of a matrix structure → is essentially organic: 1) reduction of functional barriers to overcome problem of subunit orientation (increasing learning and flexibility); 2) opens communication between functional specialists; 3) enables organization to maximize its use of skilled professionals, who move from product to product as needed; 4) functional (more quality) and product (more cost) focus promotes concern for both cost and quality

disadvantages of a matrix structure: 1) lacks advantages of bureaucratic structure; 2) role ambiguity and conflict may not be wanted 3) conflict between functions and product teams over use of resources (power struggles); 4) vacuum of authority and responsibility leads to creation of informal bureaucracy
- matrix structures need to be managed carefully and are appropriate in situation in which a high level of coordination between functional experts is needed because of the need of quick responses → many organizations have chosen for product teams instead
Multidivisional Matrix Structure

- *multidivisional matrix structure* = structure that provides for more integration between corporate and divisional managers and between divisional managers – a matrix structure at the at the top of the organization
- allows senior vice presidents at corporate level to send corporate-level specialists to each division to perform and in-depth analysis and to devise a functional action plan for all divisions – allows for better sharing of knowledge between and among divisional and corporate level → many large international companies that operate globally use this structure

Network Structure and the Boundaryless Organization

- *network structure* = cluster of different organizations whose actions are coordinated by contracts and agreements rather than through a formal hierarchy of authority → often become very complex as many of the value creation activities are outsourced
- *outsourcing* = moving of a value creation activity that was done inside an organization to the outside, where it is done by another company
- *advantages of network structures*: 1) lower production costs; 2) avoidance of costs of operating a complex organizational structure; 3) allows organization to act in organic way; 4) partners can be replaced; 5) allows to gain access to low-cost foreign sources of inputs and expertise
- *disadvantages of network structures*: 1) coordination problems with complex problems; 2) difficult to obtain ongoing learning that builds core competences; 3) trust and reliability issues
- *boundaryless organization* = organization composed of people linked by electronic means and are not formal members of the organization but come and go as needed

Robbins: Chapter 13 – Foundations of Organization Structure

Organization structure

- *organization structure* = defines how job tasks are formally divided, grouped and coordinated → 6 key elements managers need to address when designing organization structure:
- *work specialization (division of labor)* = degree to which tasks in the organization are subdivided into separate jobs
  - efficiency gains through repetition, not waisting resources and encouraging creation of special inventions and machinery
  - human diseconomies from specialization arise at some point – then productivity fostered by enlarging scope of job activities
- *departmentalization* = basis by which jobs are grouped together → 2 general trends: 1) customer departmentalization has grown in popularity; 2) rigid functional dep. is being complemented by cross-departmental teams
  - functional – obtaining economies of scale by putting common skills into common units
  - product – increased accountability for product performance
  - geography – used when customers are scattered over large area
  - process – each department specializes in one phase of the production – offers a basis for the homogeneous categorization of activities
  - customer – along common problems and needs
- *chain of command* = unbroken line of authority that extends from top to bottom and clarifies who reports to whom – of less importance today with empowerment of employees, information abundance, self-managed and cross-functional teams and new structural designs
  - authority = rights inherent in a managerial position to give orders and expect the orders to be obeyed
  - unity-of-command principle = person should have one and only one superior to whom he or she is directly responsible (no conflicting demands possible)
- *span of control* = determines number of levels and manages an organization has → trend is to wider span – which needs employees training (know their jobs and know they can turn to colleagues)
  - advantages of narrow spans: close supervision, leadership and support
  - disadvantages of narrow spans: 1) expensive; 2) make vertical communication complex, slow down decision making and isolate top management; 3) encourage overly tight supervision and discourage employee autonomy
centralization = degree to which decision making is concentrated at a single point in the organization (concept includes only formal authority) → trend to decentralization
  o top management decisions made with little or no input lower-level personnel → centralized
  o decentralized organization can act more quickly, more people provide input & employees feel less alienated from decision makers
formalization = degree to which jobs within the organization are standardized
  o high degrees of standardization result in consistent and uniform output; explicit job descriptions, rules and procedures result in less input the employee has into his work and eliminates possible alternative behaviors and removes need to consider alternatives

Common Organizational Designs

- simple structure – characterized more by what it is not; has low degree of departmentalization, wide spans of control and little formalization, usually 2 or 3 vertical levels and a loose body of employees and one individual in whom the decision-making authority is centralized → flexible, inexpensive and clear accountability
  o useful for small businesses and is preferred structure in times of temporary crisis, but not suited for larger organization as creates information overload at top and is risky as everything depends on one person
- bureaucracy – characterized by highly routine operating tasks achieved through specialization, very formalized rules and regulations, tasks are grouped into functional departments, centralized authority, narrow spans of control, decision making that follow chain of command → out of fashion, but specialization and high formalization still popular
  o advantages: economies of scale, minimum duplication, low-cost middle-management (pervasiveness of rules and regulations substitutes for managerial discretion)
  o disadvantages: creates subunit conflicts; obsessive concern with following rules
- matrix structure = combines functional and product departmentalization – functional focuses on quality, product on deadlines and budgets
  o breaks unity-of-command concept
  o advantages: 1) facilitates coordination when organization has multiple complex and interdependent activities; 2) speeds up communication; 3) reduces tendencies to follow own goals; 4) facilitates efficient allocation of specialists
  o disadvantages: 1) power struggles; 2) stress in form of role conflict and role ambiguity

New Options

- team structure = teams are used as central coordination device → breaks down departmental barriers and decentralized decision-making (small companies: can define entire organization; large companies: often complements what is typically a bureaucracy)
- virtual organization = small core organization that outsources major business functions thus it can concentrate on what it is best at → highly centralized with little or no departmentalization in a network of relationships, but highly flexible as all functions that can be done better or cheaper outside are contracted to an outsider
- boundaryless organization = goal is to eliminate vertical and horizontal boundaries and to break external barriers between the company and its customers and suppliers (blur distinction between organization and another one) – seeks to eliminate chain of command, has limitless spans of control and replaces departments with empowered teams (cross-functional teams)

Why do Structures differ?

- 2 extremes:
  o mechanistic models = synonymous with bureaucracy in that it has extensive departmentalization, high formalization, a limited information network and little participation by lower-level members in decision making
  o organic model = synonymous with boundaryless organization, in it is flat, uses cross-hierarchical and cross-functional team, has low formalization, possesses a comprehensive information network, involves high participation in decision making
- forces that affect the choice:
  o strategy – structure should follow strategy as it is a means to help management achieve its objectives → 3 strategy dimensions
    ▪ innovation strategy → demands flexibility of organic structure
- **cost-minimization strategy** - control costs, refrain from incurring unnecessary innovation or marketing expenses and cut prices \( \rightarrow \) needs stability of mechanistic structure
- **imitation strategy** – tries to capitalize on best of both previous, seeks to minimize risk and maximize opportunity for profit by following after competitors have demonstrated that the market is there \( \rightarrow \) demands combination of the 2 structures
  - **organization size** – affects structure at a decreasing rate, impact of size becomes less important as an organization expands
  - **technology** = how an organization transfers inputs into outputs – organization structures adapt to their technology
    - high degree of routineness is associated with taller and more departmentalized structures
    - high degree of routineness is associated with high degree of formalization
  - **environmental uncertainty** – uncertainty is a threat to effectiveness thus management will try to minimize it, one way is through adjustments to org. structure
    - the more dynamic and uncertain the environment, the greater the need for flexibility and vice versa

### Organization Structure and Employee Behavior

- organization structure has profound effects on its members, but individual differences play a great role
- **work specialization:** contributes to higher productivity at expense of job satisfaction, but people differ – for quite some people specialization and routine give security and thus satisfaction \( \rightarrow \) negative behavioral outcomes from high specialization are most likely to surface in professional jobs occupied by individuals with high needs for personal growth and diversity
- **span of control:** probably safe to conclude that there is no evidence to support a relationship – but individual counts, some want to be left alone others prefer close supervision
  - **centralization:** organizations that are less centralized have a greater amount of participative decision making which relates positively to job satisfaction (strongest with employees with low self-esteem)

### Organigraphs: Drawing How Companies Really Work

- **organization charts** show names and titles but little else about the company; they fail to about products, processes, customers and sometimes even the line of business
- **organigraphs** – new form of depicting what an organization is, why it exists and how it works by depicting critical interaction among people – **relationships and processes**, products and information \( \rightarrow \) are not only pictures but maps that allow to reveal opportunities and understand the need for different managerial mind-sets throughout the company

### The basic forms of organizing

- **set** = items loosely coupled as a collection, a group or a portfolio – usually share common resources but otherwise are on their own
- **chain** = linear connections that promote standardization and thus enhance reliability and systematize the many complex processes that constitute business, but cannot describe all activities and relationships
- **hub** = coordination center – any physical or conceptual point at which people, things or information move – movement to and from it (can be a building, a machine, a manager – e.g. a personal financial advisor at a bank)
- **web** = network where different nodes connect in all kinds of ways (grids with no center allowing for opendended communication and continuous movement of people and ideas)

### Organigraphs in action

- there is no right organigraph as there are no strict rules, but it requires imagination and an open mind for the creation of a customized picture of the company (might also include shapes besides the basic forms as long as they convey meaning)
- suggest which activities ought to be retained inside and which might be candidates for outsourcing

### A nest of organizational forms

- relationships can be nested within each other (e.g. hubs within hubs within sets)

### Competencies as hubs
- core competences (knowledge, skills, resources) can be seen as the hub of the organization to which all activities relate → helps illustrate the company’s character

**Putting management in its place**

- Each organization form suggests a different philosophy of managing
- **conglomerate**: managers oversee operations and allocate resources
- **sets**: suggest managers stay away from the action
- **chain**: puts boss above each link, pretends to empower
- **hub**: management appears in the center, around which activities revolve – whoever is in the center becomes manager (but from there it is not control but coordination); brings together people who are intrinsically empowered; can explode or implode if managed incorrectly; has definite beginning and end
- **web**: good management acts throughout the web – where real work happens – whoever draws things together becomes a de facto manager; may lead everywhere (this might leave you flexible or frustrated)
→ Recognize management for what it has to be: the servant of the organization not its purpose.
What is technology?

- **technology** = combination of skills, knowledge, abilities, techniques, materials, machines, computers, tools and other equipment that people use to *convert* or change raw materials into valuable goods and services (inputs, conversion, output) → *exists at 3 levels*:
  - individual level – skills and knowledge of individual
  - functional (or departmental) – procedures and techniques that groups work out to perform work
  - organizational level – way inputs are converted into outputs

- **mass production** = organizational technology that uses conveyor belts and a standardized progressive assembly process to manufacture goods

- **craftswork** = technology that involves groups of skilled workers who interact closely to produce custom-designed products

Technology and Organizational Effectiveness

- technology is present in all organizational activities and an important source of competitive advantage:
  - input stage: technology (skills, procedures, techniques) help handle relationships with outside stakeholders
  - conversion stage: technology (combination of machines, techniques, work procedures) transforms inputs to outputs
  - output stage: technology helps effectively dispose finished goods to external stakeholders

- organizations use technology to become more efficient, innovative and able to meet needs and desires of stakeholders → different technologies affect organization’s choice of structure (to maximize effectiveness)
  - external resource approach: use technology to increase ability to manage and control external stakeholders
  - internal systems approach: use technology to increase success of attempts to innovate
  - technical approach = uses technology to improve efficiency and lower costs while enhancing quality and reliability

- **3 theories:**
  - Woodward: how technology affects choice of structure
  - Perrow: way in which complexity of tasks affects structure
  - Thompson: effect of task interdependence on structure

Technical Complexity: The Theory of Joan Woodward

- **programmed technology** = technology in which the procedures for converting inputs into outputs can be specified in advance so that tasks can be standardized and the work process can be made predictable

- **technical complexity** = measure of the extent to which a production process can be programmed so that it can be controlled and made predictable

- Woodward says that technical complexity is the important dimension that differentiates technologies
  - **high technical complexity** – conversion process can be programmed in advance and fully automated
  - **low technical complexity** - conversion process depends primarily on people and their skills/knowledge – maintaining high quality and consistency is difficult

- identifies 10 levels of technical complexity associated with 3 types of production technology (see next 3 headings)

Small-batch and unit technology

- results in one-of-a-kind, customized products or small quantities of precuts – allows wide range, flexibility and customization but is relatively expensive and advance programming is difficult as work process is unpredictable

- scores *lowest on dimension of technical complexity* as production process is guided by reflections of people that use the tools for what they want → ideally suited for new, complex products

Large-batch and mass production technology

- results in large volumes of standardized products – narrow product range, but standardized, programmable work processes which lead to a high degree of control of the production process and efficiency

- scores *high on technical complexity* as machines control the work process – usually associated with automated equipment, but if labor costs are low also performed by people

Continuous-process technology
- **highest technical complexity** – conversion process is almost entirely automated and mechanized, people generally only indirectly involved monitoring and ensuring efficient operation
- more technically efficient as it is more predictable and easier control
- when operated at full capacity has lowest production costs, as labor costs are only a small fraction
- generally organizations tend to increase use of machines, but there are exceptions where this is impossible or there is a market for products of small-batch companies even though production costs are high

**Technical complexity and organizational structure**

- Woodward found systematic differences in the technology-structure relationship as technical complexity increases, organizations become taller, span of control of the CEO widens, span of control of first-line supervisors expands, then narrows
- **small-batch technology**: impossibility of programming makes decentralized decision making and flat structure (3 levels) necessary to enable flexible and quick responses; needs mutual adjustment and face-to-face communications  ➔ **organic structure**
- mass production technology: possibility of programming and standardization allows for wider span of control of first-line managers who control through rules and procedures; decision making becomes centralized and the hierarchy taller (4 levels) as managers rely on vertical communication to control the work process  ➔ **mechanistic structure**
- **continuous process technology**: though process are predictable, monitoring and possibility of disaster requires tallest hierarchy with a diamond shape, the first-line supervisors have very limited control; nevertheless is mutual-adjustment the primary means of coordination in teams working out procedures for managing unexpected situation – flexible responses are necessary  ➔ **organic structure**

**The technological imperative**

- **technological imperative** = technology determines structure  ➔ concluded by Woodward, but others found that size is more important than technology in determining organization’s choice of structure
- general tendency that the more an organization’s technology is mechanized and automated, the more likely is the organization to have a highly centralized and standardized mechanistic structure – strong for small organization, for larger ones other factors that cause an organization to grow and differentiate may be more important

**Routine Tasks and Complex Tasks: The Theory of Charles Perrow**

- Pettow identified 2 dimensions underlying the difference between routine and nonroutine or complex tasks and technologies:
  - **task variability** = number of exceptions – new or unexpected situations – that a person encounters while performing a task (high – many new situations; low – highly standardized or repetitious task)
  - **task analyzability** = degree to which search activity is needed to solve a problem (the more analyzable a task the more routine as procedures have been worked out already or programmed in advance; with low analyzability people have to draw on their knowledge and judgement)
- the greater the number of exceptions that a worker encounters in the work process, the greater the amount of search behavior is required to find a solution to each exception, the more complex and less routine a task is
  - **routine** – little uncertainty about methods, little variety
  - **complex** – few established techniques, little certainty, great variety

**Four types of technology ➔ categorized technology used in organization/department/function**

- **routine manufacturing** – low task variability, high task analyzability (e.g. mass production)
- **craftwork** – low variability, low analyzability (every time techniques need to be adapted; small-batch technology)
- **engineering production** – high task variability, high analyzability (finding solutions is relatively easy because or well-understood standard procedures)
- **nonroutine research** – high task variability, low analyzability ➔ most complex and least routine as each new situation creates a need to expend resources to deal with it (e.g. high-tech research, top management)

**Technology and organizational structure ➔ see table 9.1, page 372**

- organization should move form a mechanistic to an organic structure as tasks become more complex and less routine; however this choice may no longer be appropriate for an organization seeking to maintain a competitive advantage in the global environment
- same design considerations apply to departmental or functional level – to be effective different technologies need different structures (e.g. R&D organic structure)
Task Interdependence: The Theory of James D. Thompson

- **task interdependence** = manner in which different organizational tasks are related to one another (low: people and departments are individually specialized, work separately and independently; high: people and departments are jointly specialized, depend on one another)

- Thompson identified 3 types of technology, each associated with a different form of task interdependence (see following 3 paragraphs)

**Mediating technology and pooled interdependence**

- **mediating technology** = technology characterized by a work process where input conversion and output activities can be performed independently of one another; is **based on pooled task interdependence**, each part of the organization contributes separately to the performance of the whole though depends on the collective effort; makes it easy to monitor, control and evaluate performance because output of each unit (person/department/organization) is observable and the same standards can be used to evaluate each
  - task interdependence is low as people do not directly rely on others
  - strategy for improving performance is to try to attract new sets of customers by increasing number of operating units or the number of products it offers
  - has been increasingly been used as costs of managing are low because control is achieved by standardization and formalization
  - computers allow operation also at different locations

**Long-linked technology and sequential interdependence**

- **long-linked technology** = technology characterized by a work process where input conversion and output activities must be performed in series; **based on sequential task interdependence**, actions of one person/department directly affect the actions of another requires careful coordination as errors become magnified at later stages, e.g. by programming the conversion process to standardize procedures or by using planning and scheduling to manage linkages
  - increased level of interdependence raises coordination costs, but benefits from specialization arise by simplifying tasks, limiting variability and increasing analyzability and by programming
  - **disadvantages**: employees do not become highly skilled; do not develop ability to improve skills
  - strategies to reduce need for coordination: **vertical integration** and **slack resources**
    - **slack resources** = extra or surplus resources that enhance an organization’s ability to deal with unexpected situations

**Intensive technology and reciprocal interdependence**

- **intensive technology** = technology characterized by a work process where input, conversion and output activities are inseparable; **based on reciprocal task interdependence** where the activities of all people and all departments are fully dependent on one another makes programming impossible as the selection, combination and order of the tasks’ application are determined by feedback from the object itself
  - technical complexity declines as ability of managers to control and predict lessens – tasks become more complex and nonroutine (e.g. hospital, basketball; R&D department)
  - requires high degree of coordination, mainly through mutual adjustment – product team and matrix structures are well suited
  - usually not voluntarily used, but forced by the nature of the output, wherever possible they try to reduce task interdependence to reduce costs
  - **specialism** = producing only a narrow range of output another means to control costs and use resources efficiently and have better control with intensive technology

**Analyzing Technology**

- analyze input-conversion-output process to identify skills, knowledge, tools machines central to it
- analyze technical complexity – can it be increased?
- analyze task variety and task analyzability
- analyze task interdependence (within and between departments)
- analyze and evaluate fit between technology and structure

**Technology and Culture**

- **socio-technical systems theory** = managers need to fit or “jointly optimize” the workings of an organization’s technical and social systems when changing task and role relationships, technical and social systems have to be gradually adjusted not to disrupt the culture and cohesiveness of a subunit (the structure of the work process affects how people and groups behave
Tasks 3, 4

Week 2

- more team-based systems promote development of values and norms that boost efficiency and product quality

Robins: Chapter 14 – Technology and Work Design

Technology in the workplace
- technology = how an organization transfers its inputs into outputs – now widely used to describe machinery and equipment that use sophisticated electronics and computers to produce those outputs:
  o new technology substitutes machinery for human labor

TQM and Continuous Improvement Processes
- total quality management (TQM) = philosophy driven by the constant attainment of customer satisfaction through continuous improvement of all organizational processes → seeks to achieve continuous (not one time) process improvements so variability is constantly reduced resulting in lower costs and higher quality:
  o employees can never rest on accomplishments; and tension may arise as there is no finish line in the race – stress and anxiety may be create; empowerment is essential as employees are prime source for improvement ideas

Reengineering Work Processes
- reengineering = process of rethinking and redesigning those processes by which the organization creates value and does work
- 3 key elements:
  - identify organization’s distinctive competencies – guides further decisions
  - assess core processes that clearly add value to the product that customers value
  - reorganize horizontally be process – focus on processes using cross-functional and self-managed teams; cut out levels of middle management as managers are not value-added
- distinct from TQM as it looks for radical performance changes, not as TQM incremental improvements; is also driven by top management (some argue this is its strength), TQM relies on participative decision making
- employees are affected in that many are losing their jobs, most vulnerable being staff support (middle managers) and clerical jobs in service industries
- jobs change in offering greater challenge, requiring wider range of skills, more interaction, increased responsibilities but also higher pay; nevertheless is the transition period though providing uncertainty, anxiety, destruction of social networks…

Flexible Manufacturing Systems
- flexible manufacturing systems = by integrating computer-aided design, engineering and manufacturing, mass customization can be achieved, repealing the laws of economies of scale → flexibility is a competitive advantage and increasingly necessary
- uses fewer employees, but those have greater variability of tasks and thus need higher skills – are given considerable decision-making discretion and typically organized into teams → organic structure

Worker Obsolescence
- new technology changes quickly and so do the demands of jobs and skills; repetitive tasks will continue to be automated, many jobs will be upgraded and people will have to cope with new jobs requiring different skills – this does not exclude managers (need good listening, coaching, motivation and team-support skills)

Work Design

Task Characteristics Theories
- seek to identify task characteristics of jobs, how they are combined to form different jobs and relationship to employee motivation, satisfaction and performance → 3 most important ones:
- requisite task attributes theory → predicted that employees would prefer jobs that were complex and challenging – would increase job satisfaction and result in lower absence rates:
  o job complexity: 1) variety; 2) autonomy; 3) responsibility; 4) knowledge and skill; 5) required social interaction; 6) optional social interaction
confirmed absenteeism prediction, but satisfaction was contingent to background of the employees (urban setting: low-complexity; rural: high-complexity)

- **job characteristics model (JCM):** job can be described in terms of 5 core job dimensions grouped into 3 critical psychological states - the more of the 3 psychological states are present, the greater will be motivation, performance, satisfaction and low absenteeism and turnover – moderated or adjusted by the strength of the individual’s growth need (desire for self-esteem, self-actualization) – still debated but in general supported
  - meaningfulness of the work: skill variety, task identity (identifiable piece of work), task significance
  - experienced responsibility for outcomes: autonomy
  - feedback: knowledge of the actual results

- **social information-processing (SIP) model:** employees adopt attitudes and behaviors in response to the social cues provided by others with whom they have contacts → managers should give as much attention to employees’ perceptions of their jobs as they give to the actual characteristics (ne are more likely to be receptive to social information)

### Work redesign options to management

- **job rotation (or cross-training) =** employees is rotated to another job at the same level that has similar skill requirements
  - advantages: more variety & more challenge increase motivation, wider skills give management flexibility in scheduling work, adapting changes and filling vacancies
  - disadvantages: high training costs, disruptions, lower productivity, demotivation of ambitious trainees

- **job enlargement =** expansion of jobs horizontally to increase number and variety of tasks – did little to instill challenge or meaningfulness to a worker’s activities

- **job enrichment =** vertical expansion of jobs → increases degree to which the worker controls the planning execution and evaluation of his or her work, allows to do a complete activity, increases freedom and independence, increases responsibility and provides feedback → can reduce absenteeism, turnover costs and increase satisfaction, but evidence on productivity is inconclusive, but there is always more conscientious use of resources and higher quality → how to do it:
  - combine tasks (→ skill variety, task identity)
  - establish client relationships (→ skill variety, autonomy, feedback)
  - expand jobs vertically (→ autonomy)
  - open feedback channels (→ feedback)

### Changing the way we look at jobs

- notation of “job” may become obsolete as the conditions that create a job are disappearing – in the fast-moving economy organizations can’t afford the inflexibility of traditional jobs

- **future:** part-time, temporary work, project teams, irregular ours, multiple employees, different sets of tasks done by one person → flexibility and autonomy instead of security and predictability → employees don’t look to job descriptions or a supervisor for direction but take cues for what they should do from the changing demands of the specific project they are working on

---

**Harzing: Chapter 3 – Organizational structure of multinational corporations**

**Environmental factors and their implications for organizations**

- technological change, knowledge-intensive products, product differentiation, mass-customization, internationalization of competition and markets...
- need adaptivity, flexibility, creativity and integration of functions → new, decentralized, organization structures
- achievable through learning organizations, business process reengineering, leveraging core competencies → managers have to become facilitators; culture and leadership will become more important

**Strategy-structure investigations – first generation model**

- **first generation model = strategy-structure fit** - multinational organizations typically adopt different structures at different stages of international expansion → general support, but many difficulties
- **4 growth strategies:** 1) expansion of volume; 2) geographic dispersion; 3) vertical integration; 4) product diversification
- 2 strategic variables as strong predictors of organizational structure: 1) **product diversity**; 2) **foreign sales**
  - international division = low product diversity, low foreign sales
  - product division structure = increasing product diversity
  - area division structure = increasing foreign sales
  - global/matrix structure = high product diversity; high foreign sales

**From strategy-structure to process – second-generation approaches**

- **second generation model** = dynamic nature of environmental demands made structural fit less relevant and harder to achieve → strategic and structural flexibility by focusing on managing people and processes; build the most viable and flexible strategic process rather than a well-coordinated plan and try to capture individual capabilities and motivate to respond to a complicated dynamic environment rather than designing the most elegant structure → emphasis on the management process (but nevertheless are not all form equally effective)
- description of organization in terms of a physiological model → **change is required across all 3 aspects in order to provide flexibility – all interact:**
  - anatomy = organizational structure; hierarchy and supporting structure → task forces and special committees as well as informal structures or non-line structure
  - physiology = procedures, systems and decision processes → formal and informal systems to handle and processing flows of information counter complexity and high degree of uncertainty
  - psychology = culture and management values – when shared management is easier (mission and strategic goals; visible and public gestures by top management; educate personnel)
    - to approaches to change: first attitudes, then relationships and processes and finally formal structure (Japanese/European way) or the other way round (American way)

**Beyond structural configurations: the transnational corporation**

- **first-generation models concentrated on being either:** nationally responsive (multinational org.), innovative – transfer of knowledge (international org.) or efficient (global org.)
  - multidomestic organizational model = decentralized federation – highly responsive to differences in national markets (thus area design) → mainly financial flows between subsidiaries and headquarter; loose, simple controls with strategic decisions decentralized (needs trust – personal relationships)
  - international organizational model = coordinated federating – transferring knowledge and expertise to countries that are less advanced – mainly knowledge flows; formal system controls
  - global organizational model = centralized hub (more or less product division structure) allows for economies of scale and scope → mainly flows of goods, tight but simple controls as all key strategic decisions made centrally
- **second-generation models have to embrace all 3:**
  - transnational corporation = meets demands of local responsiveness, global efficiency and transfer of learning simultaneously → a network structure which continuously makes selective choices when it comes to structuring the company
  - key characteristics: 1) multiple centers – expertise is spread; 2) subsidiary managers are given a strategic role; 3) no overriding organizational dimension – no easily identifiable organizational structure; 4) different degrees of linkage between organizational units; 5) integration is achieved through normative control – culture; 6) information about the whole is contained in each part; 7) thinking is present in whole organization; 8) coalitions with other companies and other actors; 9) radical problem orientation

**Analyzing multinationals: the longitudinal structure/process framework**

- multiple markets, product lines and functions → task of structuring and managing a range of interfaces between multiple organizational dimensions: what matters is the processes, systems and capabilities
- **first generation:** 1) geographic management: responsiveness; 2) business management: efficiency; 3) functional management: learning
- **transition to second-generation models depends on 3 interrelated characteristics of the organization:**
  - administrative heritage – key concept in understanding and becoming aware of a company’s one-dimensional bias – is at same time barrier and initiating factor
  - history of internationalization – organizational learning, especially important is period when expansion took place and the region it took place in
  - attitude of top management – (ethnocentric, polycentric, geocentric approaches)

**Design parameters of 2nd generation models**
complexity of organizational structure should match degree of complexity of environment – apply simpler structure when adequate → some design parameters:
  o **structural and formal coordination mechanisms**: centralization, formalization, specialization
  o **systems and tools** (administrative mechanisms): data management mechanisms, manager’s management systems, conflict resolution mechanisms
  o **cultural transformation** (socialization/normative integration) – important is internalization of values

### Managing Across Borders

- **Bartlett and Ghoshal**: conducted in-depth study on and developed a typology of organizations operating in the international business environment and also identified the management practices needed → 4 organizational forms: 1) multinational, 2) global, 3) international, 4) transnational – arguing the last one being the most effective and efficient in the future (as shift from volume to value production can be observed)
- different types of organizational structure evolve as a function of 2 key determinants:
  o need for firms to match their capabilities to the strategic demands of the business (key factors being: local responsiveness, global efficiency, transfer of knowledge) → vary based on 1) configuration of assets and capabilities; 2) role of overseas operations; 3) development and diffusion of knowledge:
    ▪ **multinational companies** = build a strong local presence through sensitivity and responsiveness to national differences (decentralized federation) → decentralized, nationally self-sufficient, exploit local opportunities, develop and retain knowledge locally
    ▪ **global companies** = build cost advantages through centralized global-scaled operations (centralized hub) → centralized and globally scaled, overseas operations implement parent strategies, develop and retain knowledge at headquarters
    ▪ **international companies** = exploit parent company knowledge and capabilities through worldwide diffusion and adaptation (coordinated federation) → some functions centralized, others decentralized; adapting and leveraging parent company competences, develop knowledge at parent level and transfer it to regional level
  o company’s administrative heritage – its existing organizational attributes and ways of doing things; can both be a major asset and a significant liability as it resists change
  o **transnational corporation** = globally competitive through multinational flexibility and worldwide learning → dispersed, interdependent and specialized; differentiated contributions by national units; develop and share knowledge jointly

### Findings:
- must used form is multinational, least used the transnational
- support for multinational being different form global and international in decentralization and self-sufficiency as well as local exploitation of opportunities; only weak support for difference in retention of knowledge within each unit
- support for global to be different from multinational and international in all 3 aspects
- support for international being different from multinational and global weak, except for sources of core competencies centralized is strong
- only weak, if any support for difference of transnational corporations relative to all 3 others → may be attributed to fact that it resembles all at the same time; is not clearly defined; sample was not sufficiently large…

### The leader of the Future

- leadership is changing in that the new role can be defined more as helping people face reality and to mobilize them to make change – thus leadership generates resistance and pain
- **leader s do:**
  o **see**: helps people see and face reality; what values the firm stands for, what the skills and talents are and what the future holds, but also gaps in all 3 respects – but only mobilize and provide direction
  o **listen**: leaders must listen, not give answers
  o **leaders fail** if they do not keep their subordinates in the “productive discomfort zone” – they have to tackle ripe issues and let others prepare and ripe other issues; they also fail if they don’t realize
their degree of authority, the fewer they have, the more they should bring the issue up front not themselves as they become vulnerable otherwise

- *leaders stay alive* through creating sanctuaries and partners
Robins: Chapter 10: Leadership and Creating Trust

What is leadership?
- *leadership* = ability to influence a group toward the achievement of goals – source may be formal or from within a group (nonsanctioned leadership) – nonsanctioned leadership is as important or more than formal influence as a position does not assure a person will be able to lead effectively

Trait Theories
- impossible to find consistent personality traits in individuals that are leaders (thus we cannot identify leaders), however we can identify traits consistently associated with leadership on which leaders differ from nonleaders:
  - drive and ambition
  - desire to lead and influence others
  - honesty and integrity
  - self-confidence
  - intelligence
  - in-depth technical knowledge related to their area of responsibility
- nevertheless are they not sufficient for explaining leadership as they ignore situational factors, they just make it more likely that an individual will be an effective leader

Behavioral Theories
- try to find unique ways effective leaders behave – if critical behavioral determinants would turn up, people could be trained to be leaders
- Ohio State Studies: identify 2 categories of leader behavior that substantially account for most of the leadership behavior described by employees → leaders high in both tend to achieve positive outcomes (performance and satisfaction), but situational factors need to be taken into account
  - initiating structure = extent to which a leader is likely to define and structure his role and those of employees in the search for goal attainment
  - consideration = extent to which a person is likely to have job relationships characterized by mutual trust, respect for employees’ ideas and regard for their feelings
- University of Michigan Studies: locate behavioral characteristics that appear to relate to measures of performance in 2 dimensions; those with employee-orientation in their behavior were associated with higher group productivity and highest job satisfaction
  - employee-oriented = emphasizing interpersonal relations
  - production-oriented = emphasize technical or task aspects of jobs – employees are means to an end
- managerial grid = grid with 9 possible positions along each axis based on management styles “concern for people” and “concern for production” → concluded that managers would perform best at 9,9 position
- in all the behavioral theories had little success in identifying consistent relationships between patterns of leadership behavior and group performance, they missed consideration of situational factors

Contingency theories
- try to isolate the critical situational factors that affect leadership effectiveness

Fiedler Model
- Fiedler leadership model = proposes that effective group performance depends on the proper match between the leader’s style of interacting with his employees and the degree to which the situation gives control and influence to the leader – is an outgrowth of trait theory, but also isolates situations and relating personality measure to situational classification and predicts leadership effectiveness as a function of the 2
- basic leadership style (relationship oriented versus task-oriented) is measured by least-preferred co-worker (LPC) questionnaire – assumption is that it is fixed
- situational factors: 1) leader-member relations – degree of confidence, trust, respect in leader; 2) task structure – degree to which job assignments of employees are structured or unstructured; 3) position power – influence leader has over power variables → 8 different situations
  - favorable situation: good leader-member relations, highly structured job, strong position power – more control or influence
- task-oriented leaders are performing well in situations that are very favorable or very unfavorable; relationship-oriented leaders in moderately favorable situations
- 2 ways to improve leader effectiveness: 1) select appropriate leader; 2) change the situation to fit the leader
- conflicting results, additional variables are probably needed

Path-Goal Theory
- path-goal theory = leader’s job is to assist his followers in attaining their goals and to provide direction or support or both needed → effective leaders clarify the path to help followers achieve the goals and make this easier; evidence is generally encouraging
- behavior is acceptable if it is source of satisfaction; is motivational if it makes satisfaction contingent to effective performance and provides coaching, guidance, support and rewards that are necessary
- 4 leadership styles: 1) directive leader – lets employees know what is expected and gives specific guidance; 2) supportive leader – shows concern for needs of employees; 3) participative leader – consults; 4) achievement-oriented leader – sets challenging goals and has high expectancy → leaders are flexible in taking on the roles contingent to the situation
- 2 classes of situational variables: 1) environment (task structure, formal authority system, work group); 2) subordinate (locus of control, experience, perceived ability) → leader should complement the contingency variables and compensate for things lacking

Leader-Participation Model
- leader-participation model = relates leadership behavior and participation in decision making – leader behavior must adjust to reflect task structure
  - 5 alternative leadership styles (decisions made completely by managers – sharing the problem with group and developing consensus decision
  - 12 contingency variables (see page 142)
  - too complex for management use, but has empirical support

Gender as a Contingency Variable
- similarities in leadership styles between men and women tend to outweigh differences – those who achieve formal leadership positions tend to be more alike than different
- women prefer a democratic leadership style, whereas men feel more comfortable with a directive style (but group norms and masculine stereotypes override personal preferences), nevertheless seem women be more suited for new management styles that require (listening, motivating and providing support)

Trait Theories Updated
- transactional leaders = guide or motivate their followers in the direction of established goals by clarifying role and task requirements
- transformational leaders (charismatic leaders) = inspire followers to transcend their own self-interest for the good of the organization; capable of having profound and extraordinary effects on his her followers by raising the sense of the importance and value of their tasks → evidence that productivity and satisfaction is increased but more research needed
  - 5 characteristics: 1) self-confidence; 2) vision; 3) strong convictions in that vision; 4) extraordinary behavior; 5) image as a change agent
- visionary leadership = ability to create and articulate a realistic, credible, attractive vision of the future for an organization or organizational unit that grows out of and improves upon the present which if properly selected and implemented has an energizing effect → key properties: value centered, realizable, superior imagery and articulation
  - 3 management qualities needed: 1) ability to explain vision to others; 2) expression of vision also in leader’s behavior; 3) ability to extend vision to different leadership contexts
- team leadership – increasingly leadership takes place within a team context, thus managers have to learn to become effective team leaders by learning skills such as patience to share information, trust others, give up authority, know when to intervene and when to leave team alone
  - key responsibilities: 1) managing the team’s external boundary; 2) facilitate team process → translate into 4 specific roles: 1) liaison with external constituencies; 2) trouble-shooters; 3) conflict managers; 4) coaches

Is leadership always relevant
leadership is merely another independent variable in explaining organizational behavior – individual (experience, training), job (routine) and organizational (formalized goals, rigid rules…) variables can act as substitutes for leadership, e.g. gating the formal leader’s ability to exert either positive or negative influence

Trust and Leadership

- **trust** = positive expectation that another will not – through words, actions, or decisions – act opportunistically (key elements are familiarity – trust needs time to build up - and risk – trust is a willingness to take risk as trust provides opportunity for disappointment)

- **key dimensions of trust**: 1) **integrity** – honesty and truthfulness; 2) **competence** – technical and interpersonal knowledge and skills; 3) **consistency** – reliability and predictability, good judgment in handling situations (especially important for managers); 4) **loyalty** – willingness to protect and save face for another person; 5) **openness**

- trust appears to be a primary attribute associated with leadership – trust and trust-worthiness modulate the leader’s access to knowledge and cooperation, most important being honesty

3 types of trust

- **deterrence-based trust** = most fragile relationship based on fear of reprisal if the trust is violated, base for most new relationships
  - parties do what they say because they fear the consequences, however will work only to the degree that punishment is possible, consequences are clear and punishment is actually imposed – potential loss of future interaction with other party must outweigh profit potential that comes form violating expectations

- **knowledge-based trust** = based on behavioral predictability that comes from a history of interaction – most organizational relationships root on it (e.g. most manager-employee relationships)
  - even predictability of untrustworthyness enhances trust
  - trust is not necessarily broken by inconsistent behavior, forgiving is very well possible

- **identification-based trust** = exists because parties understand each other’s intentions and appreciate the other’s wants and desires – mutual understanding is developed to the point that each can effectively act for the other with minimal controls and existence of unquestioned loyalty (type of trust managers ideally seek in teams, but hardly ever find)

**How do you build up trust?**

- 1) practice openness; 2) be fair; 3) speak your feelings; 4) tell the truth; 5) show consistency; 6) fulfill your promises; 7) maintain confidences; 8) demonstrate competence
Robins: Chapter 16 – Organizational Culture

Defining Organizational culture

- **organizational culture** = system of shared meaning held by members that distinguishes the organization from other organizations → set of key characteristics that the organization values: 7 principles that in aggregate capture the essence of an organization’s culture:
  - innovation and risk taking
  - attention to detail
  - outcome orientation (outcome versus process orientation)
  - people orientation
  - team orientation
  - aggressiveness (competitiveness versus easygoing)
  - stability (status quo versus growth)
  → all on a continuum; entire picture becomes basis for feelings of shared understanding, how things are done, and how members are supposed to behave

- **organizational culture is descriptive** (tells how employees perceive the 7 characteristics), thus distinct from job satisfaction which is evaluative (measures affective responses to the work environment)

- organizational culture is dominant culture in that the core values are shared by a majority of the organization’s members → this makes it such a potent device for guiding and shaping behavior

- subcultures tend to develop in large organizations (defined by department or geography), but the core values are essentially retained

- **strong culture** = core values being both intensely held (high commitment) and widely shared → greater influence on behavior of members – cohesiveness, loyalty and commitment result in lower employee turnover

What does culture do?

- **functions of organizational culture**: 1) boundary defining role (organization – others); 2) conveys sense of identity; 3) facilitates generation of commitment; 4) enhances social system stability; 5) sense-making and control mechanism – guides and shapes attitudes and behavior (increases its consistency → of particular importance – culture defines the rules of the game)

- influence of culture on behavior is beneficial for employer (consistency + commitment) and for employee (reduces ambiguity); but culture is a liability when the shared values do not agree with those that will further the organization’s effectiveness

Creating and sustaining culture

- **culture begins**: largely based on what has been done before and degree of success with it → founder is ultimate source (small size facilitated imposition of vision on other members), culture results form his biases towards how to do things and how to behave and what the original members learned subsequently form experience

- **keeping culture alive**: practices act to maintain culture by exposing employees to a set of similar experiences; it is reinforced through the selection process, performance evaluation criteria, reward practices, training, career development activities, promotion procedures → ensure those hired fit with culture, reward those supporting it, penalizing those who challenge it
  - **selection**: not only knowledge, skills and abilities to perform the job count, but also proper match of individual perceptions and values and organization culture – this is often basis for final decision and ensures that hired people have common values and organization culture is sustained (also gives applicants information about the organization)
  - **top-management**: actions of top management (what they say, how they behave) have major impact on culture – they establish norms that filter down through the organization
  - **socialization** = adaptation process of new employees to the organization’s culture – most critical stage is at the time of entry when employee has to be molded to become an employee in “good standing”, but it is a continual process which helps to sustain culture → 3 stages, which impact on productivity, commitment and turnover:
    - **prearrival stage** = learning that occurs before a new member joins the organization and which goes beyond the specific job (e.g. at school) – success in application depends on correct anticipation of expectations
encounter = employee sees what organization is really like and confronts likelihood that expectations and reality diverge – if so socialization must detach them from previous assumptions

metamorphosis = long-lasting changes take place – any problems discovered during the encounter stage must be worked out → different ways of socialization – see Exhibit 16.3, page 243

→ is complete when new members have become comfortable with the organization and their job, have internalized, understand and accept the norms, understand the system how they will be evaluated, what is expected… - are accepted, valued and trusted by peers and management

How employees learn culture

- stories = anchor the present in the past and provide explanations and legitimacy for current practices

- rituals = repetitive sequences of activities that express and reinforce the key values of the organization, what goals are most important, which people are important and which are expendable (e.g. college faculty members undergo a lengthy ritual in quest for permanent employment: tenure)

- material symbols = convey to employees who is important, degree of egalitarianism desired by top management and kinds of behavior that are appropriate (e.g. décor, employees’ attire, size of offices, elegance of furnishings, executive perks, employee lounges, reserved dining facilities, reserved parking spaces, transportation means, chauffeurs…)

- language = new employees are frequently overwhelmed with acronyms and jargon (unique terms to describe equipment, offices, key personnel…) but once learned this terminology acts as a common denominator that unites members of a given culture or subculture

Managing cultural change

- as culture is a stable characteristic, it is difficult to change and a number of forces continually operate to maintain a given culture (e.g. written statements on organization’s mission, philosophy; design of physical spaces; dominant leadership style; historic selection criteria…) → change is most likely to take when most or all 4 conditions exist: 1) dramatic crisis exists or is created; 2) turnover in leadership – outside CEO conveys message that change is forthcoming; 3) young and small organization; 4) weak culture

Creating an ethical culture

- content and strength of organizational culture influence an organization’s ethical climate and ethical behavior of its members

- if culture is strong and supports high ethical standards, its should have a very powerful and positive influence on employee behavior (high ethical standards – high in risk tolerance, low to moderate in aggressiveness, focuses on means and outcomes)

- how to create a more ethical culture: 1) be a visible role model; 2) communicate ethical expectations; 3) provide ethical training; 4) visibly reward ethical acts and punish unethical ones; 5) provide protective mechanisms (so employees can report w/o fear of reprimand)

Organizational culture versus national culture

- organizational culture does have a great influence on the behavior of people, but national culture has even more – nevertheless do the companies seek the right fit in their hiring stage

Organizational culture and the paradox of diversity

- organizations hire diverse individuals because of the different strengths they bring in, yet these diverse behaviors and strengths are likely to diminish in strong cultures as people try to fit in → managers have to find right balance in accepting organization’s dominant values and encourage acceptance of difference

Hofstede: Chapter 8 – Culture’s and Organizations:

- organization culture = collective programming of the mind which distinguishes the members of one organization from another → strong and directed culture can lessen need for formalization, as people know what is expected

  is: 1) holistic (in sum more than parts); 2) historically determined; 3) related to the things anthropologists study (rituals, symbols); 4) socially constructed; 5) soft; 6) difficult to change

  strong organizational cultures arouse positive feelings in some people (e.g. Nordic Countries, US) and negative ones in others (e.g. France)
Differences between organizational and national cultures

- **national level cultural differences** reside mostly in values, less in practice (comparing otherwise similar people) \( \rightarrow \) values are acquired in early youth mainly in the family
- **occupational culture level differences** suggest that entering an occupational field means the acquisition of both values and practices \( \rightarrow \) socialization takes place in university and school
- **organizational level cultural differences** reside mostly in practices, less in values \( \rightarrow \) socialization takes place at workplace

\( \rightarrow \) contradictory to popular literature which insists that shared values represent the core of a corporate culture
\( \rightarrow \) values of founders and key leaders undoubtedly shape organizational cultures but the way these cultures affect ordinary members is through shared practices – values enter the organization through the hiring process

A qualitative-quantitative study of organizational cultures: the IRIC project

- **IBM studies** were cross-national and lead to the 4 dimensions of national cultures: 1) power distance; 2) individualism-collectivism; 3) masculinity-femininity; 4) uncertainty avoidance \( \rightarrow \) dimensions of values
- **IRIC project**: both qualitative (case study based) and quantitative studies of cross-organizational nature – in Denmark and the Netherlands lead to 6 new dimensions of practices, not of values:
  - **Process oriented versus result oriented**
    - process-oriented \( \rightarrow \) avoiding risks and making limited effort in job (can also be desirable, e.g. pharmaceutical production)
    - result oriented \( \rightarrow \) comfortable in unfamiliar situations, maximal effort
    - culture strength was assumed to be measured by homogeneity of answers on key questions by all survey respondents – was significantly correlated with result orientation
  - **Employee oriented versus job oriented**
    - Employee orientation \( \rightarrow \) personal problems are taken into account, organization takes responsibility for employee welfare, decisions made by groups/committees
    - Job oriented \( \rightarrow \) organization is interested in work, not person, individual decision making
      \( \rightarrow \) compare to managerial grid – while individuals may well be job and employee oriented, organizational cultures tend to favor one
  - **Parochial versus professional** (correlated with education)
    - Parochial = employees derive identity largely from organization – don’t look into future
    - Professional = people identify with their type of job – private life is their own business
  - **Open system versus closed system** (seems to be also associated with nationality; describes communication climate)
    - Open system – open to newcomers and outsiders, who feel welcome and need few days
    - Closed system – new employees need more than a year to feel home – closed and secretive
  - **Loose control versus tight control**
    - Loose control – feel no one thinks of cost, meeting times, make jokes
    - Tight control – associated with strict unwritten codes
  - **Normative versus pragmatic** (customer orientation)
    - Normative = perceive task as implementation of inviolable rules – standards felt to be high
    - Pragmatic = units are market driven – emphasis is on the customer

Business cultures and the scope for competitive advantages in cultural matters

- dimensions 1, 3, 5 and 6 relate to the type of work the organization does and to the type of market in which it operates \( \rightarrow \) reflects business or industry culture – deviation in distinctive elements compared to similar units represent the competitive advantages/disadvantages of a particular organization
- dimensions 2 and 4 are based on historical factors like philosophy of the founder(s) and recent crisis
- although mainly composed of practices, org. cultures also have a modest values component:
  - uncertainty avoidance – correlated with dimension 4 (open/closed)
  - power distance – correlated with dimension 1 (process – large - versus result – low)
  - work centrality (composition of individualism and masculinity) – correlated with dimension 3 (parochial – weak - vs. professional - strong)

Organizational culture and other organizational characteristics
Sense and nonsense about organizational cultures
- framework can be used to: 1) identify subcultures (emerge because of hierarchical levels, functional area, product/market division, country of operation, mergers); 2) test if culture fits strategies for future; 3) identify potential areas of cultural conflict in mergers/acquisitions; 4) measure development of org. culture over time
- 6 dimensions describe but are not prescriptive no position is good or bad → always depends on organization and environment
- an organization has culture → practices can be influenced in predictable ways; an organization is culture → everything is hard to change and this needs integrating and inspiring leadership

Managing (with) organizational culture
- successful innovations in organizations require joint action of 2 parties: Machtpromotor (power holder) and Fachpromotor (expert) → both are crucial and should be 2 different persons
  - Fachpromotor should provide a proper diagnosis of the present state of the org. culture – also later on in process of monitoring
  - Machtpromotor should make the cultural considerations part of the organization’s strategy
- though culture is a soft characteristic, changing it calls for hard measures → structural changes (move people individually they adapt to local culture, move them as a group they bring their culture along); process changes; personnel changes (personnel departments are gatekeepers)
- new symbols often receive a lot of attention, but are only at superficial level of culture – w/o support of more fundamental changes at deeper levels don’t help much
Robins: Chapter 4 – Basic Motivation Concepts

- **motivation** = willingness to do something; conditioned by action’s ability to satisfy some need for the individual → motivated people exert greater effort to perform and are in a state of tension
- **need** = physiological or psychological deficiency that makes outcomes appear attractive
- unsatisfied need → tension → drives → search behavior → satisfied need → reduction of tension

Early theories of Motivation

- **Maslow’s hierarchy of needs theory** = 5 different needs in 2 classes; as each of the needs becomes substantially satisfied the next becomes dominant and it can no longer motivate → not generally validated, but often used in management
  - lower order needs = physiological needs (hunger...); safety needs → are predominantly satisfied externally
  - higher-order needs = social needs (affection...); esteem needs; self-actualization needs → satisfied externally
- **Theory X and Theory Y** = 2 distinct views of human beings based on grouping of assumptions which are used to mold behavior → McGregor believed Theory Y was more valid, but no evidence – either theory may be appropriate in a particular situation
  - Theory X = basically negative (employees dislike work and need to be controlled; will shirk responsibilities and place security above all other factors) → lower order needs dominate individuals
  - Theory Y = basically positive (employees need work, learn, are committed and seek responsibility, are able to manage) → higher-order needs dominate individuals
- **two-factor theory (or motivation-hygiene theory)** = sees individual’s relation to work as vital – certain characteristics ten to be related to job satisfaction; others to job dissatisfaction – but do not form a continuum, job satisfaction and dissatisfaction factors are distinct
  - hygiene factors → affect job dissatisfaction = conditions surrounding the job (e.g. quality of supervision, pay, company policies...)
  - motivator factors → affect job satisfaction = associated with work itself (e.g. promotional opportunities, personal growth opportunities, responsibility...)
  - wide criticism of technique and validity; especially no link to productivity – nevertheless can enthusiasm for vertically expanding jobs probably attributed to Herzberg’s findings and recommendations

Contemporary theories of motivation

- **McClelland’s theory of needs** = 3 major relevant motive or needs can be used to explain employee motivation → tested using projective tests; best managers are high in need for power and low in need for affiliation
  - need for achievement (nAch) – high achievers have desire to do things better, like personal responsibility and set realistic but difficult goals so as to challenge their skills; need feedback – work best if probability of success is 50% → are successful entrepreneurs, but not necessarily good managers (especially not in large organizations)
  - need for power (nPow) – desire to have an impact; if high people enjoy being in charge for others, prefer competitive and status-oriented situations; tend to be more concerned with gaining prestige and influence than with effective performance
  - need for affiliation (nAff) – high individuals strive for friendship and relations with mutual understanding (least attention given by researchers)
- **goal-setting theory** (cognitive approach – purposes direct action) = intentions, expressed as goals – can be a major source of work motivations; specific goals lead to increased performance; difficult goals, when accepted, result in higher work performance (ability has to be held constant)
  - participation in goal setting does increase probability that more difficult goals will be agreed to and acted upon (but when acceptance is taken as given participation is not superior)
  - conflicts with McClelland’s theory of needs, where high nAch individuals need moderately challenging goals, but now applies to people in general and only to those who accept
- **reinforcement theory** (behavioristic approach – reinforcement conditions behavior) = behavior is a function of its consequences – reinforcers condition behavior and help explain how people learn → people will exert more effort on tasks that are reinforced, but is not a single explanation for differences in motivation
- **equity theory** = employees weigh what they put into a job situation (input) against what they get from it (output) and compare their input-output ratio with the input-output ratio with 3 reference categories in both relative and absolute terms (other – individuals with similar jobs; system – organizational pay policies, procedures and administration; self) → when perceived to be in imbalance tension is created which provides basis for motivation as people strive for equity and fairness
  - given payment by time, overrewarded employees will produce more than equitably paid employees
  - given payment by quantity of production, overrewarded employees will produce fewer but higher-quality units
  - given payment by time, underrewarded employees produce less or poorer quality of output
  - given payment by quantity, underrewarded employees will produce large number of low-quality units

- **expectancy theory** (most comprehensive explanation of motivation) = strength of a tendency to act in a certain way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual → 3 variables: 1) attractiveness (perception of employee, not reality!); 2) performance-reward linkage; 3) effort-performance linkage
  - important are the employee’s perceptions of outcomes and clear and unambiguous instructions how to achieve them
  - stresses payoffs/rewards and expectations (whether realistic or not is irrelevant)

**Motivation theories are culture bound**
- most motivation theories are culture bound and developed with focus on US → strong emphasis on individualism and quality-of-life factors
- especially affected are: hierarchy of needs (order of importance might be different), goal setting theory, expectancy theory

→ recommendation: 1) recognize individual differences; 2) match people with jobs; 3) use goals; 4) ensure goals are perceived as attainable; 5) individualize rewards; 6) link rewards to performance; 7) check system for equity

**Robins: Chapter 5 – Motivation: From Concepts to Application**

**Management by Objectives (MBO)**
- **management by objectives (MB)** = emphasizes participatively set goals that are tangible and verifiable to motivate people – emphasis is on converting overall organizational objectives into specific objectives for organizational units and individual members – objectives cascade down through the organization
- **4 ingredients**: 1) goal specificity; 2) participative decision making; 3) explicit time period; 4) performance feedback (on continuous basis so individuals can monitor and correct their own actions)
- MBO provides managers with vehicle to implement goal-setting theory, only area of disagreement is issue of participation – but it appears to induce individuals to establish more difficult goals → popular technique

**Behavior Modification**
- **behavior modification (OB mod)** = application of reinforcement theory to individuals in the work setting, following a 5-step problem-solving model → appropriate strategy entails changing some element of the performance-reward linkage (positive reinforcement):
  - identify performance-related behaviors (critical behaviors)
  - measure behaviors (to have a baseline)
  - identify behavioral contingencies (which cues emit the behavior – which consequences maintain it)
  - develop and implement an intervention strategy
  - evaluate performance improvement

**Employee recognition programs**
- **employee recognition programs** – recognition can be a potent motivator and can take numerous forms – the best ones use multiple sources and recognize both individual and group accomplishments; are popular as they cost little money → application of reinforcement theory

**Employee involvement programs**
- **employee involvement** = participative process that uses the entire capacity of employees and is designed to encourage increased commitment to the organization’s success – more than just participation but increasing their autonomy and control to make them motivate and committed to be more productive and satisfied
- **participative management** = joint decision making between management and employees – important is relevance of decisions to employees and ability to participate \( \rightarrow \) fixed findings of implications on performance

- **representative participation** = workers are represented by a small group of employees who actually participate (often legal requirement in Western European countries) \( \rightarrow \) overall influence seems to be minimal; little of the involvement effect trickles down to operating employees
  - work councils = groups of nominated or elected employees must be consulted when management makes decisions involving personnel
  - board representatives = employees who sit on company’s board of directors

- **quality circles** = group of 8-10 employees and supervisors meeting regularly taking over responsibility for solving quality problems and generate and evaluate their own feedback (typically management retains control over final decision) – highly likely to positively affect production but have little or no effect on employee satisfaction, but dropped in favor of team-based structures

- **employee stock ownership plans (ESOPs)** = company-established benefit plans in which employees acquire stock as part of their benefits – increase employee satisfaction and frequently result in higher performance \( \rightarrow \) consistent with Theory Y and two-factor theory

**Variable-pay programs**

- **variable-pay programs** = person is paid not only for time on job or seniority, but fully or partially on individual or organizational measure of performance – (part of) fixed labor costs are turned into variable costs and earnings recognize contribution \( \rightarrow \) compatible with expectancy theory predictions – individuals should perceive a strong relationship between performance and rewards: 4 widely used types:
  - price-rate pay plans = workers are paid fixed sum for each unit of production completed
  - bonuses – increasingly also given to lower level employees
  - profit-sharing plans = programs that distribute compensation based on established formula designed around company’s profitability
  - gainsharing = formula-based group incentive plan, where improvements in group productivity determine total amount of money to be allocated – rewards specific behaviors that are less influenced by external factors than profits (popularity restricted to large, unionized manufacturing companies)

**Skill-based pay plans**

- **skill-based pay** (or competency-based pay) = sets pay levels on the basis of how many skills employees have or how many jobs they can perform \( \rightarrow \) appeal is flexibility as staffing becomes easier and generalists facilitate downsizing, communicating and appear to lead to performance improvements – however don’t address level of performance – nevertheless use is expanding as it generally leads to higher employee performance and satisfaction

- consistent with several motivation theories: 1) Maslow – expansion of skill and grow as motivator; 2) consistent with achievement need; 3) reinforcement of learning and increase of flexibility; 4) equity implications – fairer input criterion
Robins: Chapter 7 – Foundations of Group Behavior

Defining and Classifying groups
- **group** = 2 or more individuals, interacting and interdependent who come together to achieve particular objectives → formal / informal
- **formal group** = group defined by organization’s structure with designated work assignments – behaviors are stipulated by and directed toward organizational goals
  - **command group** – composed of employees who report directly to a given manager
  - **task group** – persons working together on to complete a job (can cross command relationships)
- **informal groups** = alliances that are neither structured nor organizationally determined – natural responses to need for social contact, thus deeply affect behavior and performance in any organization
  - **interest group** – goal is to attain a mutual objective
  - **friendship groups** – individual members have one or more common characteristics
- **reasons why people join groups**: 1) security; 2) status; 3) self-esteem; 4) affiliation; 5) power; 6) goal achievement

Basic Group Concepts → group structure shapes behavior of members
- **role** = to engage in a set of expected behavior patterns that are attributed to occupying a given position in a social unit → knowledge helps managers predict behavior
  - 1) people play multiple roles; 2) people learn roles from stimuli; 3) people have ability to shift roles rapidly; 4) people often experience role conflict when compliance with one role requirement is at odds with another
- **norms** = acceptable standards of behavior within a group that are shared by the group’s members – each group has its own set
  - especially important is link to performance-related processes; they can be very powerful in affecting individual performance with minimum of external controls, but also hinder performance
    - **Hawthorne studies**: concluded that worker’s behavior and sentiments were closely related; group influences were significant in affecting individual behavior; groups standards were highly effective in establishing individual worker output; money is less of a factor in determining output than groups standards, sentiments and security
    - **Ash Studies**: concluded that groups can place strong pressures on individual members to change attitudes and behaviors to conform to the group’s standard (due to desired continued acceptance and pressures)
- **cohesiveness** = degree to which members are attracted to each other and are motivated to stay in the group → relationship of cohesiveness and productivity depends on performance-related norms:
  - high cohesiveness; high norms → strong increase in productivity
  - high / low → decrease in productivity
  - low / high → moderate increase in productivity
  - low / low → no significant effect
  - to encourage cohesiveness: 1) smaller group; 2) encourage agreement with group goals; 3) increase time members spend together; 4) increase status; 5) stimulate competition with other groups; 6) rewards to the group; 7) physical isolation
- **size** = 1) large groups (12+) are good for gaining diverse input; 2) small groups (±7) are better at doing something productive with that input
  - **social loafing** = tendency for individuals to expend less effort when working collectively than when working individually – increase in group size is inversely related to individual performance (due to dispersion of responsibility; perception of not carrying fair share of workload…)
- **composition** – heterogeneity increases probability that group possesses needed characteristics to complete the task (but diversity created by racial or national differences interferes with performance in the short run, but after 3 month this disappears)
- **status** = prestige grading, position, or rank within a group → may be formally imposed (titles; trappings…) or informal (can be anything if others in the group evaluate it as status conferring)
  - **Whyte**: people work more smoothly if high-status personnel customarily originate action for lower-status personnel
  - important is belief that status hierarch (and also trappings) is (are) equitable – perceived inequality results in corrective behavior
  - conflict can arise when individuals move between groups whose status criteria differ or when groups are formed of individuals with heterogeneous backgrounds (e.g. task force teams)

Group decision making
- **advantages of individual decision making:** 1) speed; 2) clear accountability; 3) consistent values → superior in terms of efficiency
- **advantages of group decision making:** 1) more complete information and knowledge; 2) increased diversity of views; 3) higher-quality decisions; 4) increased acceptance of a solution (employees and group members that participate are more enthusiastic and supportive) → superior in terms of effectiveness
- **groupthink** = group members become so enamored of concurrence that the norm for consensus overrides realistic appraisal of alternative courses of action and the full expression of deviant, minority or unpopular views – deterioration in individual’s mental efficiency, reality testing and moral judgment as result of group pressures
  - 4 characteristics of groupthink: 1) members rationalize resistance to assumptions they’ve made; 2) doubters are set under pressure; 3) doubters keep silence and minimize to themselves importance of doubts; 4) group interprets silence as yes vote
  - resulting deficiencies: incomplete assessment of problem; poor information search; selective bias in processing; limited development and incomplete assessment of alternatives; failure to examine risks; failure to reevaluate initially rejected alternatives
  - 5 variables that seem to influence when groupthink is likely to surface: 1) cohesiveness (not too little, but also not too much); 2) leader’s behavior (should be open); 3) insulation from outsiders (if insulated loose perspective and objectivity); 4) time pressure; 5) failure to follow methodical decision-making procedures
- **groupshift** = decision of group reflects the dominant decision-making norm that develops during the group’s discussion – discussion leads to significant shift in positions of members toward a more extreme position in the direction toward which they were already leaning, thus whether group decision is towards greater caution or more risk depends on dominant prediscussion norm

**Selecting the best group decision-making technique**
- **face-to-face** has many problems (e.g. groupthink) → alternatives
- **brainstorming** (only generating ideas) = process encourages any and all alternatives while withholding any criticism – overcomes pressures for conformity
- **nominal group technique** = restricts discussion or interpersonal communications as members individually generate and present ideas followed by a discussion of all presented ideas and a silent and independent ranking of the ideas – the idea with the highest aggregate ranking is chosen
- **electronic meetings** = blend nominal group technique with computer technology → anonymity, honesty and speed

**Robins: Chapter 8 – Understanding Work Teams**

**Why have teams become so popular?**
- teams are an essential part of the way business is being done → 1) typically outperform individuals when tasks require multiple skills, judgment and experience; 2) better utilize employee talents; 3) capability to quickly assemble, deploy, refocus and disband → flexibility and responsiveness; 4) effective means to democratize organization and increase employee motivation

**Team versus Group**
- **work group** = group that interacts primarily to share information and to make decisions to help one another perform within each member’s area of responsibility → no need/opportunity to engage in collective work requiring joint effort; no positive synergy to increase performance over individual inputs; individual accountability and random and varied skills
- **work team** = collective performance results in positive synergy, accountability is both individual and mutual, skills are complementary → potential for organization to generate greater outputs with no increase in inputs

**Types of Teams – according to objective**
- **problem-solving teams** = members share ideas or offer suggestions on how work processes and methods can be improved – rarely however have authority to unilaterally implement any of their suggested action (e.g. quality circles)
- **self-managed teams** = 10 to 15 people who take on responsibilities of their former supervisors – collective control over place of work, work assignments, organization of breaks, choice of inspection procedures; if fully self-managed also selection of own members and performance evaluation → tend to give impressive results, but effectiveness has not been uniformly positive
- **cross-functional teams** = team of employees at about the same hierarchical level, but from different work areas – with goal to accomplish a task (also called task force or committee) → popularity exploded in late 1980s
helps to exchange information, develop new ideas, solve problems and coordinate complex projects; but at early stages time-consuming as it takes time for members to learn to work with diversity and complexity + takes time to build trust and teamwork

**virtual teams** = use computer technology to tie together physically dispersed members in order to achieve common goal: 3 primary factors that differentiate virtual teams: 1) absence of paraverbal and nonverbal cues; 2) limited social context (thus lower satisfaction); 3) ability to overcome time and space constraints

**Linking Teams and Group Concepts: Toward Creating High-Performance Teams**

- **size of work teams** – best work teams tend to be small (<12), if larger can’t develop cohesiveness, commitment and mutual accountability
- **abilities of members** – 3 complementary skills needed: 1) technical expertise; 2) problem-solving and decision-making skills; 3) interpersonal skills → right mix is crucial, but not necessarily need to be all present at beginning, it is not uncommon for member(s) to learn the skills
- **allocating roles and promoting diversity** – teams have different needs and people should be selected for a team on the basis of their personalities and preferences (most people can perform all roles, but most have 2 or 3 they strongly prefer):
  - creator-innovator: initiate creative ideas → independent
  - explorer-promoters: champion ideas after they’re initiated, though may not have necessary patience
  - assessor-developers: analyze decision options
  - thruster-organizers: provide structure – set goals, establish plans & systems, organize people
  - concluer-organizers: provide direction by focusing on deadlines and follow through
  - controller-inspectors: check for details – concern for rules and regulations
  - upholder-maintainers: fight external battles
  - reporter-advisers: seek full information
  - linkers: can be taken by any of the previous 8 → coordinate and integrate

- **commitment to a common purpose** – effective teams have a common vision that provides direction, momentum and commitment
- **specific goals** – common purpose has to be translated into specific, measurable and realistic performance goals (facilitates communication and helps maintain focus)
- **leadership and structure** – needed to provide focus and direction (e.g. who does what, equal sharing of workload, schedules, skills to be developed, how conflicts are resolved…) – either provided by management of by the team members themselves
- **social loafing** – successful teams hold themselves accountable both at individual and at team level for purpose, goals and approach
- appropriate performance evaluation: team performance has to be recognized by modified reward systems

**Turning Individuals into Team Players**

- **barrier to work teams is individual resistance** – individuals must be: 1) able to communicate openly and honestly; 2) confront differences; 3) resolve conflicts; 4) sublimate personal goals for good of the team
- **challenge of creating teams players is greatest when**: 1) national culture is highly individualistic; 2) teams are being introduced into established organization that has historically valued individual achievement

- **primary options for managers to turn individuals into team players**:  
  - selection – ensure candidates can fulfill teams rules and have technical skills required
  - training – train people using specialists to improve their problem-solving, communication, negotiation, conflict-management, coaching and group-development skills
  - rewards – reward systems (pay, promotions…) need to be reworked to encourage cooperative efforts but individual contribution shouldn’t be ignored (teams also provide intrinsic rewards in form of camaraderie)

**Management without Supervision: how self-managing teams create competitive advantage**

- **self-managing team** = group of employees who share common goals and exercise a considerable amount of autonomy and judgment about how to achieve the goals – leadership comes from within; are a means to manage w/o supervision
  - today critical ingredient for creating quality and competitive advantage
  - offer opportunity for greater alignment between goals of principals and agents
  - offer method for training and retaining highly skilled, cross-functional employees
  - dysfunctional effects of close supervision can be counteracted
involve: relatively whole task; members possessing a variety of skills; worker’s discretion over decisions as methods of work, task schedules, assignment of members; compensation and feedback on performance; activities and decisions often deemed to be managerial work (budgeting, record keeping, quality and inventory control, goal setting, assessing performance)

- degree of autonomy ranges form control over group operations and procedures to setting quantitative and qualitative goals
- reduction of hierarchical levels is both result and cause of self-managing teams

- 4 landmarks in development: 1) with traditional division of labor allows to apply skills and knowledge to compatible problems; 2) teams replace formally assigned manager with internally (s)elected leader; 3) schedule weekly meetings and extra ones as necessary; 4) relax criteria for implementation of team solutions = move responsibility for implementation within the team

How they developed – 2 historical antecedents

- sociotechnical systems: European theorists focused on need to structure work in a meaningful way to satisfy both technical needs of society and social needs of workforce – encourage development of autonomous work groups
  - group members involved in group design; focus on goals; cross-training; feedback and control; group-based rewards; high quality of work life → training and rehearsal
- quality circles: small teams of 5-15 employees focusing on improved human relations and improving quality with participation from a single department (voluntarily and likely for some time, but as such incomplete and eventually frustrating and counterproductive without a comprehensive commitment to quality-based management → this is why more successful in Japan (also because of more informal, collectivistic relationships)
  - differ from self-management in: 1) limited membership (only one department); 2) type and frequency of problems handled (few important ones on an infrequent basis); 3) implementation (often turned over to management); 4) relationship to the organization (are only an overlay feature, not a basic building block)
  - quality team: quality comes first, drawn form multiple departments, disbands after project is done

How self-managing teams perform

- self-managing teams have potential to exert substantial effects on the bottom line (informally typically reported to range form 30 to 70%) on both tangible (cost, quality, customer service, reliability) and intangible (quickness, decisiveness, thoughtness, meaningful job) aspects

- resistance:
  - culture bound: team work that is seen as a threat to individual freedom will be resisted as a matter of culture and values
  - distrust: if management sees teams as an expense rather than an investment and employees see it as another fad
  - more teams means fewer managers: thus threatens career prospects and aspirations of many managers
  - legal threats: unions try to fight teams as they see them as undermining their traditional role
  - lack of empathy and understanding: teams require ability to listen, to change views, to empathize and to change basic behavior patterns → training is necessary

Leading self-managing teams

- either by internal leader or external leaders in the form of facilitators, coordinators or coaches → all have to lead the team members to be self-leaders and to establish the capacity of the work group to take on the new responsibilities
- the leader can encourage: 1) self-reinforcement; 2) self-criticism; 3) self-set goals; 4) self-observation/evaluation; 5) high self-expectations; 6) opportunities for rehearsal; 7) re-design of work; 7) pride, confidence and positive thinking
- organization must provide a culture for team success (respect and trust workers; empower workers; cultivate pride in team work; share financial results of team and organizational success)

Management Control

Perspectives on management control

- control – 1) positive meaning: predictability, order, reliability and stability → necessary aspect of organizational life; 2) negative meaning: coercion, domination, exploitation and manipulation → stifles personality and intellect of individual and is met by resistance, hostility and poor performance

- 3 main connotations of organizational control:
  - economically necessary – securing efficiencies by continuous best use of resources
  - psychologically necessary – creates stable and predictable conditions
  - political process – domination perpetuates inequalities of power and other resources
Nature of management control

- an organization differs from other forms of social arrangement in the preoccupation with controlled performance to reduce the problem of scarcity of resources. This leads to the need for control performance in organization to ensure it is good enough and that remedial action is taken if not.

- **management control** = process through which plans are implemented and objectives are achieved by setting standards, measuring performance, comparing actual performance with standards and then deciding necessary corrective action and feedback.

- **feedback control system**: input → measurement → comparator (standard) → effector → output → feedback (links back to input)
  - objectives and standards provide guidelines and norms for performance – set too high they are ignored, too low they impede performance; to complex they may produce an ineffective, cumbersome organization

- **performance measurement**: personal observation by supervisor, oral and written reports from subordinates, collection of statistics, measurement of performance indicators… can be used to identify performance trends and ensure that predefined targets are being reached.
  - corrective action or feedback involves control decision to put things right / or provision of information to enable those involved to take action
  - if performance is measured too early or too late, value of feedback in correcting problems will be reduced.

Strategies and problems of management control

- establishing effective control processes (control behavior and achieve desired levels of performance) is one of the main functions of management.

- 6 common management control strategies:
  - organizational structure (main mechanism): job descriptions place the individual in the organizational hierarchy, establish communication flows and location of decision-making responsibility to restrain behavior
  - recruitment and training: selection of stable and reliable individuals through emphasis on consistency and reliability in training (organizational fit: attitudes, values, skills); training helps ensure the standards are part of individual’s personal value system
  - rewards and punishments: extrinsic (material, monetary incentives or associated fringe benefits) or intrinsic (satisfying work, personal responsibility, autonomy) – behavior can be controlled by offers to provide and to withdraw rewards in return for compliance with respect to management directions (though punishment is not really effective)
  - policies and rules: lay down acceptable behavior and levels of performance – set standards
  - budgets: financial and other resource targets can guide performance
  - machinery: especially popular in process industries

- 3 major human problems of organizations = dysfunctional: as they create human behaviors that run counter to the behaviors controls are seeking to establish:
  - rigid bureaucratic behavior = behavior that follow strictly the organization’s rules, regulations and procedures, regardless of whether these rules apply to, or are effective in, the particular circumstances facing the individual at a given time (= working to rule) → controls focus attention on whatever criteria are chosen
  - inaccurate information can be fed into the control process – the more important the measure and the more closer it is linked for assessment and reward, the more likely it will get distorted in the process → employees want to look good / want to hide mistakes / or if they perceive standards imposed as unfair
  - controls may be resisted when they threaten need satisfaction/create hostility and lack of cooperation (automate human skill and expertise; create new experts; measure more accurately; disrupt social groupings; reduce individual autonomy)

The psychological need for control = 3 psychological functions of control (positive):

- feedback on performance = information enables learning and motivates through recognition – supervisors however often lack the necessary skill to provide qualitative and quantitative feedback
- gives structure = most people want to know what’s required and how they are evaluated
- encourages dependency = authoritarian personality = personality type which includes a cluster of personality traits concerned with conservative attitudes, submission to and preoccupation with authority, fatalistic and rigid thinking and hostility to humanistic values (are attracted by large bureaucratic organizations)
9 traits of authoritarian personality: 1) conventionalism; 2) authoritarian submission; 3) authoritarian aggression; 4) anti-intraception; 5) superstition and stereotypy; 6) power and toughness; 7) destructiveness and cynicism; 8) projectivity; 9) puritanical prurience

- organic management systems facilitate dealing with change, but lack of job specification leads to feelings of insecurity about which people are anxious, but do not want clarification due to the freedom they have → source of flexibility and efficiency
- mechanistic management systems facilitate dealing with routine → there are clear instances where absence of control has adverse effects on psychological well-being

Social Control

- social control = process through which obedience, compliance and conformity to predetermined standards of behavior are achieved through interpersonal and group processes → to manage is to control, a social process with political and moral components
- Tylor: argued that manual and managerial work should be clearly separated in interests of efficiency – to control experts are necessary, which is reflected in their higher payment
- Marx: capitalist and working class need each other, but have independent and conflicting interest; their relationship is exploitative and due to inequalities → managers cannot rely on workforce
- Braverman: argued that need for management control to cope with uncommitted workers led to degradation of work skills and workers (simplification and standardization of work activities → knowledge becomes unimportant) – argues against way in which technology was being deployed by management in pursuit of control and that the obvious inequalities and adversely affected quality of working life, logical and natural consequences of capitalism, should increase chances of resistance to management controls
- in modern organizations, there is widespread acceptance/tolerance of need for management control
  - manager’s are agents of capitalism – only employees
  - managers rely on popular acceptance of values associated with capitalism and efficiency – control is desirable and legitimate because of complexity of modern technology, scale of manufacturing, commercial operations, need for efficiency
  - insidious controls = controls which influence behavior and attitudes in ways that do not involve the experience of being controlled or manipulated (neutral management control work best) → are:
    - deceptive – flow out of the logic of the situation
    - elusive – no one can be held accountable for harmful decisions
    - unresponsive – as not recognized as forms of control, immune to democratic constraints
    - may create opportunities for individuals to exploit
- Blau and Schoenherr argue that hierarchy, explicit rules and regulations, traditional incentives and machine pacing are more or less obvious forms of control → 3 important forms of insidious control:
  - control through expert power – educated and qualified employees can be controlled by appealing to their professional commitment
  - control through selective recruitment (long-run control)
  - control through allocation of resources (long-run control) – determines which fields can expand and which contract

Assessment

- managers are preoccupied with control for 2 reasons: 1) employee goals may not be consistent with organizational goals; 2) social class conflict lets managers place little trust in loyalty and commitment of subordinates
- managers as an occupational group defend their controlling role because their legitimacy and social status are perceived to depend on it → many management techniques for increasing org. effectiveness appear to erode management control
- managers have to choose from 2 strategies:
  - imposing control
  - eliciting commitment – regards employees as stakeholders and leads to higher performance

Control in an Age of Empowerment

- today’s organizations demand flexibility, innovation and creativity → difficulty to reconcile conflict between creativity and control
- old controls systems work well when standardization is critical; risk of theft is high; quality and safety is essential, but in dynamic and highly competitive markets this is not feasible
- 4 tools to control and reconcile the conflict:
diagnostic control systems – relief manager from constant monitoring as they ensure important goals are achieved efficiently and effectively by scanning for signs of abnormal functioning and keeping critical performance variables within preset limits, but create pressures that can lead to control failures

beliefs systems – communicate core values and inspire participants to commit to organization’s purpose, especially important in complex businesses and after periods of downsizing and realignment which have shattered beliefs and trust – empower individuals and encourage them to search new opportunities, but for that they need to understand the organization’s purpose and how they can contribute

boundary systems – establish rules and identify actions and pitfalls employees must avoid usually in form of codes of conduct or strategic boundaries by telling what not to do they define limits and impose minimum standards, as consequences of a misstep can be severe, especially if reputation is a major asset; have to be enforced clearly and unambiguously

interactive control systems – enable top-level manager to focus on strategic uncertainties, learn about threats and opportunities as competitive conditions change and to respond proactively; also signal what is important

- 4 characteristics that set them apart from diagnostic control systems: 1) focus on constantly changing, potentially strategic information; 2) significant enough to demand frequent an regular attention form managers at all levels; 3) best interpreted and discussed face-to-face; 4) catalyst for ongoing debate about underlying data, assumptions and action plans

- belief and boundary systems together create a dynamic tension – warm, positive, inspirational beliefs – and dark, cold constraints tension between punishment and commitment

- effective managers empower their organizations because they believe in the innate potential of people to innovate and add value, but to unleash this potential they have to give up control; to help them in small organizations informal contact is enough, but in larger, more decentralized and geographically dispersed organizations the guiding principles of communication and control are as important though not as feasible using the control levers effectively they can be sure the benefits are not achieved at expense of control

Harzing: Chapter 6 – The culture factor in personnel and organization policies

Cross-national organizational research

- universalism – convergence hypothesis = in 1950th and 60th, idea was there were principles of sound management which applied regardless of national environment; industrialism has harmonizing effect

- cultural approach = from 1970th on growing interest in national distinctiveness of organizations and cultural roots of organizational functioning – nature of organization can only be understood in relation with wider social system

- 2 complementary perspectives on cross-national variation

  - institutionalist (structuralist) – concerned with structural aspects within organizations generated by national institutions (as taken by societal effect approach)

  - ideational (culturalist) – draws attention to cultural distinctiveness in terms of values, ideas and shared belief; focus on cultural dimensions situated at level of personality

Definition of culture

- characteristics of culture:

  - characteristic of collection of individuals who share common values, beliefs, ideas…; that differ from those belonging to other groups

  - culture is learned through process of socialization

  - historical dimension as develops over time and through development of institutions is very stable

  - has different layers objective culture = artifacts; subjective culture = group’s characteristic way of perceiving its social environment – many researchers exclude objective part

- Hofstede distinguishes 4 different layers of culture (ranging from more to less visible manifestations): 1) symbols – that carry particular meaning; 2) heroes; 3) rituals – social rules and norms that need to be followed in a certain environment; 4) values – feelings what is good, normal, rational, valuable

- values are the core of national culture – may be conscious or unconscious

- ethnocentrism = believing that our way of thinking is the most appropriate and sensible
Cultural diversity and the work organization

- Laurent identified **4 dimensions that differentiate national cultures in terms of their managerial ideologies**:
  - **political systems** – power motivation and notion of organizational structure
  - **authority systems** – hierarchical structure, perceived crisis of authority, image of manager as negotiator
  - **role-formalization systems** – relative importance of defining and specifying jobs and roles of organizational members
  - **hierarchical-relationship systems**

  → reveals important national variations in manager’s views of their role and authority in organizations and the way these organizations need to be structured; has identified 2 distinct blocks (see text)

Hofstede’s work on national culture

- identified **4 dimensions** which bear strong resemblance to the **3 core issues**: 1) relationship to authority; 2) conception of self; 3) primary dilemmas or conflicts
- there are significant differences in value orientations between organizational members of different national origins, they explain more of the differences in work-related values than did the position within the organization, profession, age or gender
- **power distance** = extent to which members of a society accept that power in institutions and organizations is distributed unequally
- **uncertainty avoidance** = reflects tolerance for situations of uncertainty and ambiguity and their management/avoidance
- **individualism versus collectivism** = relationship between individual and group/society at large; degree to which people learn to act as individuals rather than as members of cohesive groups
- **masculinity versus femininity** = extent to which dominant values in society emphasize masculine (money, achievement, recognition) / feminine (concern for people, quality of life) social values
- **Confucian dynamism** (not relevant for western organizations) = persistence, categorization of relationships, thrift, sense of shame versus personal steadiness, reciprocity, saving face, respect for tradition

Consequences of national culture differences for managerial behavior and personnel practices

- **motivation** = readiness to exert high levels of effort – contingent upon success with which this effort satisfies some individual need → importance of needs (study uses Maslow) differs among cultures:
  - low UA, high MA → achievement motivation = performance + risk
  - high UA, high MA → security motivation
  - high UA, low MA → social needs and security
  - low UA, low MA → social needs and risk

  → evaluation and reward systems have to differ!

- **leadership** = ability to influence a group toward achievement of goals → degree of participation is related to dimension of power distance (both in leader and employees) – democratic leadership styles (e.g. MBO) work well in low power distance countries

- **decision making** – influenced by masculinity/femininity in that fact-based and rapid procedures will prevail in masculine-oriented countries; while intuition and concern for consensus does in feminine cultures

- **organization design** - design choices are especially contingent to 2 aspects of culture, power distance and uncertainty avoidance and relate to 2 basic features of organizational design: 1) concentration of authority; 2) structuring (formalization, specialization, standardization) of activities → Hofstede arrived at 4 organizational types:
  - **village market** (small PD, weak UA): lack of decisive hierarchy and flexible rules, negotiations
  - **family** (large PD, weak UA): few formal rules, but strong personal authority
  - **well-oiled machine** (small PD, strong UA): focus on rules, but no tendency for centralization of authority
  - **pyramid** (large PD, strong UA): centralized decision making
Pinnington: Chapter 1 – What is HRM?

- *human resource management* (HRM) – effective management of the employment relationship; applies to management activity in all organizational settings, even unpaid and voluntary work → give employees what they consider to be equitable terms and conditions of employment

North American and British Models of HRM

**Soft HRM – Harvard Model (US)**
- *soft HRM* = recognition to the needs of employees and importance of commitment to the organization
- model recommends that general managers must hold greater responsibility for HRM
- many of the diverse personnel and labor relations activities can be dealt with under 4 *generally valid HR (human resource) categories*:
  - **employee influence** – how much responsibility, authority and power is decentralized → compatibility of interests of management and employees has to be maintained
  - **human resource flow** – managing flow of people into, through and out of the organization → managers and personnel specialists must work together to ensure organization has flow that meets its strategic requirements
  - **reward systems** – extrinsic rewards (tangible) and intrinsic rewards (intangible); latter strongly influence motivation, satisfaction and organizational commitment → employees should be highly involved in design, but final decision must be in line with overall business strategy, management philosophy and other HRM policies
  - **work systems** – ways in which people, information, activities and technology are arranged → policies in the 4 areas must be designed and applied in coherent manner – employee influence is the central feature
- *Managers have to consider the 4 C’s: commitment, competence, congruence* (compatibility between management and employees), cost-effectiveness
- HRM is closely connected with *internal organization* (stakeholder interests: shareholders, management, employee groups, government, community, unions) and *situational factors* (workforce characteristics, business strategy & conditions, management philosophy, labor markets, unions, task technology, laws, social value) → long term consequences for 1) individual well-being, 2) organizational effectiveness, 3) societal well-being

**Soft HRM – Guest (UK)**
- improved implementation of just 7 HR policies will result in better HR outcomes – but a coherent strategy and full integration into business strategy and support at all levels is required (strategic integration, high commitment, flexibility and adaptability, high-quality workforce)
  - **manpower flow** (= human resource flow) – low absence
  - **recruitment, selection and socialization** – commitment & successful change
  - **reward systems** – quality & low grievance level
  - **organizational and job design** (= work systems) – high job performance
  - **policy formulation and management of change** – strategic planning & high problem-solving
  - **employee appraisal, training and development** – flexibility/adaptability & low turnover
  - **communication systems** - high cost-effectiveness

- both, hard and soft model take *unitarist* perspective – assume management represents the main legitimate interest in a business and employees’ interests are largely aligned

**Hard HRM – Michigan Model (US)**
- *hard HRM* (or *strategic HRM*) = focus on managing and controlling employees so as to achieve the organization’s strategic goals – people are resources
- approach focuses on the organization and how it can best rationally respond to its external environment, but draws much attention to controllable factors, assuming more management power than there is
- 3 interconnected issues within the firm: 1) mission and strategy; 2) organization structure; 3) human resource management (recruit, develop, monitor…) – different business strategies and related structures can lead to contrasting HRM styles → all 3 need to be an appropriate response to political, economic and cultural forces
- within HRM, there is a cycle consisting of: selection → performance → appraisal → rewards/development
Industrial Relations Perspectives on HRM

- **industrial relations (IR) approaches** to HRM = pluralist (organizations as composition of coalitions of interest groups – potential for conflict) and collectivist (need of the group) viewpoint
- **Kochan’s Framework for labor relations (US)** = promotes partnership between unions employers and government – need for transformation at the level of society is needed  4 different scenarios that acknowledge that IR outcomes are determined by a continuously evolving pattern of environmental pressures and organizational responses
  - weak role of unions has been historically embedded in belief system of US managers
- **Storey (UK)** – HRM can be understood in 4 different ways: 1) synonymous with personnel management; 2) integrated use of personnel-management policies and practices; 3) signal a more business-oriented and business-integrated approach to the management of labor; 4) unique and distinct approach to employee commitment via policies of mutuality
  - 3 important differences between HRM and personnel management: 1) HRM emphasizes development of management team; 2) strategic integration of business management and people management; 3) management of organizational culture
  - 25 item checklist representing an idealized view with 4 categories: beliefs and assumptions, strategic aspects, line management, key levers  most UK firms just embrace few

Influence of Japanese Management Practices

- in Japan HR initiatives are integrated to a greater extend (also with business strategy)
- Japanese production methods are based on successful management of high-dependency, long-term relationships – mutual dependency between organizations, unions, suppliers and government – willingness to seek consensus, instead of acting independently and competitively
- **Japanese HR practices**: thorough selection procedures, single-status conditions for all employees, systematic performance appraisal, innovations in pay and rewards... – influential in many countries

European Environment of HRM

- model of Brewster and Bournois recognizes that UR strategy is only partly subservient to corporate strategy as HRM is influenced by behavior and performance form both inside and outside the organization – from the outside national culture and the industry sector have a major impact
- from the US approaches, it differs significantly, as it has a more positive oval towards social partnerships (e.g official union recognition...)
- is however only a mix of traditional personnel management and change towards HRM
- identified 3 regional clusters, with the Nordic countries being at the top of the scale in development towards HRM driven businesses , but overall trend towards decentralized pay determination, lack of equal opportunities at senior management level, increasing training investment

→ 3 elements of HRM: unitarist, strategic, social

Why doesn’t this HR Department get any respect? – no summary

Redefining the Field of European Human Resource Management

- **European management** exists in terms of greater cautiousness, sophistication of methods and pursuance of elitist reward and career systems – compared to US HRM in Europe needs to take into account: 1) restricted levels auf autonomy in HRM decisions; 2) history of market distortion; 3) emphasis on role of the group; 4) role of social partners in employment relationship; 5) higher levels of government intervention
- Chapter tries to describe factors that affect national patterns of HRM and examine main processes through which divergent or convergent developments occur  4 major sets of factors: 1) cultural; 2) institutional; 3) business structure & system; 4) roles and competence of HRM professionals
European Patterns of HRM

- **differential business structures and systems** activities and resources are controlled and coordinated differently, as are market connections and development of skills within organizations – differential distribution of value added between investors and employees creates distinct corporate performance criteria
  - powerful public sectors – relative size, strength and degree of integration with private sector affects HRM practices (as does typical size of organizations)
  - small family-owned businesses – more formalized approach to HRM if over 200 employees employed; thus many less developed economies with highly fragmented range of industrial sectors, late industrialization and preference for centralization have less developed HRM

- **institutional context** – role of the state, financial sectors, national systems of education and training, labor relations systems guide management practice, differences still exist in social, legislative and welfare matters (EU legislation sets just minimum standards)
  - degree of freedom and autonomy of organizations from the state
  - importance of trade unions – differences in scope of employment legislation
  - taxation of employment – social security burden
  - legislation on employment (hire & fire…)
  - employment philosophies (participatory, paternalistic…)
  - recency of enactment of employment legislation

- **culture** management practices are constrained by national cultures which shape behavior and structures perceptions, create institutions and value systems
  - Europe hosts a great variation on very little space – key is cultural accommodation, not assimilation
  - Europeans have to learn to collaborate
  - differences exist in assumptions about: role of collectivism, definition of managerial skills, attitudes towards authority, need for interpersonal feedback, reward and equity, social and cognitive constructs
    - uncertainty how for to go in standardizing management development programs
  - differential managerial qualities
    - Anglo-Saxon model = management is separable, definable, objective – a general, transferable skill
    - Germanic model = emphasis on technical competence and functional expertise, great value placed on entrepreneur, interorganizational mobility is low, management cannot be shared in a group
    - French model = career with social prestige for intelligent, educated people; position of legitimately exercised authority delegated by employer
    - distinctive career maps – individual definition of career and determinants of success differs
    - perceptions of manager-subordinate relationship – differential efficiency of relationship & philosophical differences in way performance management tools are used (esp. US & PD)
    - distributive justice and socially healthy pay – different perspectives on pay and benefits, primarily through assumptions about social distance between grades, motivating potential of non-monetary incentives and view on distributive justice
    - different mindsets about organization structure – PD influences centralization; UA relates to degree of formalization and IV to formalization of structure and differentiation

- **differences in professional allegiance, role and structure of HRM functions** – competence, career path and professional backgrounds of European HRM managers vary considerably  
  - German – recruitment system is reliant on apprenticeship, low levels of subsequent follow up
  - Scandinavian model – advanced labor market planning
  - Central European – professionalized personnel function
  - Spain, Portugal, Turkey – heavily rely on external labor market

Transitions in the Nature of European Organization

- wide range of pressure points has created forces for change, that demand creation of organizational structures and HRM systems that are capable of adaptation and change and strategic pressures make reshaping of national patterns of HRM necessary:
  - changing professional frames of reference – movement to broader strategic issues bears potential for significant future convergence in practice
  - increased competitiveness versus social protection and welfare – social costs of employment, high levels of taxation, strong unions… together with high standard of living collide with removal of trade barriers
  - state subsidies versus rising cost of unemployment – legal and economic pressures result in reduced subsidies, on the other hand rising costs of unemployment break up many traditional patterns of HRM,
employment relationship is instrumentalized and pressure pout on the social contact and the structural balances between regions and sectors – more flexible employment patterns demanded

- **higher flexibility and productivity versus commitment, training, and mobility** – distinctive national models have been challenged by pressing industrial sector competitive dynamics, new employment contracts and practices… → mosaic of influences on European HRM policies and practices which erode historical differences in employment protection and social legislation
  - managers have to be retained through more attractive and progressive HRM policies, especially as careers change and are no longer driven by vertical moves up the hierarchy (cross-functional, cross-business and cross-country projects)
  - patterns of HRM are being driven more and more by sector and business solutions

**New competencies and new patterns of HRM**

- significant cultural changes need to be managed → important factor is training; new emphasis on creativity, entrepreneurial behavior and managers acting as coaches of learning
- HRM can, in the future play an integrating force, but this movement will be very sole and implementation problems will always provide for localized patterns of HRM; nevertheless will a series of generic HRM responses challenge national continuity and HRM will become a central focus

**Conclusions**

- despite a clear link between national culture and patterns of HRM, the culture bound research findings should not be accepted w/o thinking and questioning → different clusters found for different HRM issues
- deep problem of research focus → a more dynamic framework is needed that incorporates a broader cultural understanding, appreciation of international competitive forces and appreciation of role of multinational corporations
Harzing: Chapter 8 – Human Resource Development and Staff Flow

Policy in Europe

- **human resource development (HRD)** = educational, training and development facilities available in an organization aimed at enhancing desired learning processes in employees (aim is to achieve planned HR output in terms of productivity, quality, innovation, satisfaction and willingness to change)
  - constantly changing environment demands successful HRD policy
- **staff flow policies** = optimizing the flow of personnel in, through and out of the organization In fit with the organization’s strategic policy
- HRD and staff flow policies are influenced by the organizational and the societal environment (country-related factors like social and economic policy, labor market and educational system)
  - **educational system**: especially vocational training available influences nature and quality of initial competences and their distribution – full-time vocational training places emphasis on acquisition of abstract, general knowledge, while dual vocational training offers opportunity to learn through experience
  - **labor market** → 4 segments:
    - *primary segment*: positions with favorable terms of employment, high security and promotion prospects
    - *secondary segment* = unfavorable terms of employment, little security, little promotion possibilities
    - *external labor market*
    - *internal labor market* – internal flow-through the company; policy should focus on personnel development
  - labor markets is the link between education and business – usually displays coordination problems:
    - *quantitative discrepancies*: supply and demand in numbers do not match
    - *qualitative discrepancies*: competencies required and competencies offered do not match – partly result of relative autonomy of educational and production systems
- companies can influence education at: national level (lobbying); local level (lobbying and cooperation contracts); international level (e.g. EU Professional Qualifications Council)
- automation and resulting need for all-round jobs put strain on staff flow policy – employees need to have necessary skills
- **absence of vocational training**: narrow jobs requiring few specific professional skills – low flexibility
- **well developed system of vocational training**: flexibility enables companies to switch to new forms of labor division – more willing to invest in HRD if guarantee that employees will not readily switch jobs, guaranteed by higher qualification and centrally negotiated pay levels → tendency to innovate and invest in HRD

Comparison: GB & Germany

England:
- underdeveloped vocational training (Youth Training Schemes), company-specific and no generally recognized certificate → few prospects in external labor market
- few company training; on-the-job training as required, other training instruments are lacking
- rigid division of labor results in low internal mobility (firms turn to external labor market)
- strictly delineated jobs, poor communication → mass production

Germany:
- sophisticated dual system promoting flexibility; nationally recognized diploma; jointly designed curriculum; educational part government financed → good prospects on external labor market
- own company training centers & on-the-job training; active government policy
- good promotion possibilities; also formally recognized (Meisterbrief)
- broad competencies allow for rotation and autonomy (due to ability to judge own work quality and professional attitude) → less concerned with mass production, but flexible quality production and service; use of new technologies
→ high quality vocational training makes companies consider it useful and profitable to invest in company training and provide career paths – HRD and staff flow policies are cornerstone of personnel management; absence of quality training in UK results in less investment in HRD

Comparison: France & Netherlands

France:
- both full-time and dual training (only 13%), but also 1/3 do enter jobs w/o any professional qualification – centralization of and lack of involvement of social partners in the curriculum has lead to qualitative coordination problems
- obliged to spend 1.5% of payroll costs on training (mainly directed at lower and upper managerial and technical staff) – narrow training, for lower on-the-job \( \rightarrow \) limits external mobility
- many have jobs which do not match training; appointment to secondary segment first to create an internal pool; strict hierarchy resulted in intricate career path
- strict division of labor; little trust

Netherlands:
- both full-time (majority) and dual training; strong emphasis on general education for a specified profession \( \rightarrow \) external mobility, but also long training periods
- increasing use of external training courses (but for low level due to economic and educational reasons move to on-the-job training) \( \rightarrow \) promotes external flexibility
- demand increasingly higher qualifications; preference for temporary contracts; internal as well as external promotion opportunities that depend on qualification
- less strict division of labor; new technology; flexibility; but tight labor market has lead to problem in training for flexibility as lower-qualified personnel has to be hired

Flow Policy and HRD for managers
- functional career model (as used in Germany) = recruitment from university and technical college graduates – 2-year dual course which also serves as trial period with job rotation and additional training resulting in broad competencies and an indication for what position the candidate is best suited \( \rightarrow \) little horizontal flexibility afterwards
- generalist model (as used in UK) = trial period for \(-7\) years in which they themselves have to acquire experience and knowledge; if selected fro management then development programs – drawback is late selection
- elite-political model (as used in France) = direct recruitment from grandes écoles
- Netherlands: functional or generalist model

Harzing: Chapter 9 – Managing an International Staff
- international transfer of personnel \( \rightarrow \) transdisciplinary subject; here focus is on general management and business perspectives
- means of bridging geographical and cultural distances \( \rightarrow \) short term and long term effects (e.g. international conferences \( \rightarrow \) short term; MBA training \( \rightarrow \) long term; international transfer of people: both effects)

Analysis of international transfers
- reasons \( \rightarrow \) 3 general motives:
  - fill positions (project): if qualified host-country nationals are unavailable or difficult to train / or control of the bureaucracy would otherwise be lost \( \rightarrow \) occurs in both global and international companies
  - management development (career development): international experience trains managers \( \rightarrow \) occurs in both transnational and global companies
  - organizational development: motive is to lessen ethnocentric attitude – socialization creates international communication networks and allows for social control, but rarely seen in reality \( \rightarrow \) occurs in transnational companies
- 4 simplified transfer policies:
  - extensive and planned international transfer of personnel – geocentric approach
  - assigning key managers abroad \( \rightarrow \) a simple control strategy more used by European and Japanese companies – ethnocentric approach
  - policy of not having expatriate managers \( \rightarrow \) negative aspects of expatriats: high costs, limited opportunities for locals, moral due to imposed leadership style… and control can nowadays be achieved by other means
  - ad-hoc
- different staffing groups:
  - PCN (parent-country nationals) \( \rightarrow \) best control but high costs and possibly motivational problems
  - HCN (host-country nationals) \( \rightarrow \) lowest cost, but lowest control
  - TCN (third-country nationals) \( \rightarrow \) mix in-between
  - nevertheless does environmental change make expatriate managers redundant (telecommunications, speedy travel, language…) – highest proportions of expatriates are found where cultural distance can be expected to be largest (highest number for Japanese companies)
The international transfer cycle → 3 phases

**Phase 1: Recruitment and Selection**
- Tung → 4 variables that contribute to success of failure:
  - technical competence on the job; even more important for expatriate as peers to consult are missing
  - personal traits or relational abilities – greatly affect probability of success
  - ability to cope with environmental variables – political, legal and socio-economic structures
  - family situation
- Mendenhall and Oddou → 4 dimensions as components of the expatriate adjustment process – selection process should focus on the S/W of the applicant on the 4 dimensions: 1) self-orientation; 2) other’s orientation; 3) perceptual dimension; 4) cultural toughness dimension
- In practice however technical competence and knowledge of systems is often used – measuring relevant interpersonal and cross-cultural skills is difficult and bears risk for the selector (with technical competence the candidate will not immediately fail)
- line manager, personnel at home and personnel abroad support, assist and help (or push) the expatriate abroad – often no formal and elaborate selection process and very little time
- new experience and better economic conditions are major factors for managers to accept

**Phase 2: Assignment period abroad**
- assignment normally lasts 3 years – generally first 3 month excitement, after that a cultural shock sets in, after 5-6 month adaptation starts
- expatriate position makes people more creative and hard working; may see other opportunities and disregard barriers

**Phase 3: Repatriation**
- readjustment = adjusting to one’s native culture again
- reestablishment = finding suitable position on return – often difficult as often asserted that expatriates lose competence while abroad
- nevertheless if successful, another international assignment may be chosen, but often this leads to weak patterns of specialization
- motives for returning home: promotion, children’s education, discomfort with conditions
- motives for remaining: financial benefits, more stimulating work (less specialization)

**Profiles of International Managers**
- 4 transfer archetypes:
  - naturalized: one assignment abroad and ended up abroad
  - local: one assignment abroad and ended up at home
  - cosmopolitan: several assignments abroad, ending up abroad
  - unsettled: several assignments abroad, ending up at home
  - assignment length, age and hierarchical level are linked reverse to mobility; locals and unsettled also tend to have a more technical orientation and more experience at parent company
- after their first assignment, the 4 archetypes serve to a different extent the 3 organizational functions: 1) naturalized score moderate on organizational development; 2) locals score moderate on manager development; 3) unsettled score high on position filling and moderate on the others; 4) cosmopolitans score high on all
- on first assignment all managers are transferred with view to fill a position and fostering organizational development – local category is probably most effective in organizational developments since this category seems to be closest to the parent company
- international transfer allows to identify professional expatriates (cosmopolitans)

**Process of (re)designing international staffing policies**
- HR practice should support the company strategy → approach for redesigning and improving international staffing policies (several feedback loops might be necessary)
  - Phase 1: analyzing the situation and involving top management
    - mapping the present situation by drawing up a personnel inventory and assess current practices
    - establishing improvement potentials
creating commitment among top managers; staff managers at personnel department have very little power to stop a transfer and usually no power to initiate one – thus line management has to be involved

- **Phase 2: designing the staffing policy**
  - develop general guidelines; don’t think of a completely worked-out solution, as there is no best way
  - should at least cover purpose, benefits, kind and number to be transferred, selection policy…

- **Phase 3: implementation**
  - difficult; management practices have to be changed (grandfather principle, all transfers need to be accepted by the next level up, might work)

**The Right Way to Manage Expats**

- international experience of managers becomes increasingly a source for competitive advantage (and a necessity)
- expatriates cost 2-3 times as much as at home, but many companies get little returns on that investment; 10-120% return early, 1/3 does not live up to the performance expectations; turnover after return is twice as high as with normal managers
- 3 general principals for a successful management of expatriates:
  - focus on knowledge creation / global leadership development → send people for the right reasons
    - watch the long term
  - assign overseas posts to people whose technical skills are matched or exceeded by their cross-cultural abilities → send the right people
    - people must be culturally literate and able to change
    - seek persons that have: 1) drive to communicate; 2) broad-based sociability; 3) cultural flexibility; 4) cosmopolitan orientation; 5) collaborative negotiation style
  - end expatriate assignments with a deliberate reparation process
    - put skills to use; help in accommodation; find the right jobs on return
- all 3 points should be covered as they do reinforce one another and are needed to cover the entire expat experience
- sustained global growth rests on the shoulders of key individuals – those with international experience
Harzing: Chapter 7 – Compensation and appraisal in an international perspective

- wage sums and wage structure vary according to culture, as do they between regions and also between organizations

**Purposes and functions of compensation**
- attract potential job applicants
- internally equitable and externally competitive to retain suitable qualified employees and prevent social and personal conflicts
- stimulate by rewarding behavior essential to the organizations success
- be in line with existing status hierarchy (organization/society)
- enable organization to optimize total wage level
- related goals: 1) compensating for inconveniences; 2) support change of strategy

**Types of compensation: compensation components**
- **intrinsic compensation** – non-pecuniary compensation directly related to nature of the work
- **extrinsic compensation** – value can be expressed in money → 1) primary terms of employment – financial; 2) secondary terms of employment – value can be expressed in money
- **direct compensation** = fixed (time-related) + variable (performance-related) pay
- **indirect compensation** = deferred income

**Factors which affect differences in compensation**
- **internal business factors**: trade- and/or organization-related → differences occur between lines of trade and industry
  - labor intensity; profit margin; productivity; labor supply; cost/quality focused production; corporate image
- **differences in prosperity and spending power** – also linked to tax and social security systems
- **social factors**:  
  - centralization/decentralization of wage bargaining – regulatory frameworks differ, but trend towards decentralization  
  - subtle influences – vary not only between countries but also from region to region, however does the national stereotype disappear gradually – people with similar motivations are found everywhere, but their number varies → determine level and proportions of different methods
  - extent to which pay differences are considered acceptable – insecurity linked to uncertainty avoidance; acceptance of gap linked to power distance
  - appreciation of different forms of pay
  - acceptance of different forms of compensation and appraisal

**International compensation from a total remuneration perspective**
- problematic is cross-borer compensation policy, as balance needs to be struck between uniform basic rules and country-specific elements
- multinationals can also have an impact on the pay level/composition of pay of a country they enter
- **total remuneration perspective** = looks at value of fixed and variable income portions, but also weigh secondary terms of employment which represent values and differences in tax and social security systems
  - advantage is that packages may still have equivalent total remuneration value, but companies are able to accommodate different wishes of employees at the same cost level
  - 3 levels: 1) employer’s cost; 2) gross benefit received by employee; 3) net benefit received by employee → through good structuring of the package firm can reduce tax payments

**Compensation trends**
- trend towards more strategic compensation; decentralization of bargaining; tailor made packages; more freedom for employees to structure their pay package → more insight into total package and its components will become necessary
Harzing: Chapter 12 – Compensation and appraisal of international staff

Term of the assignment

- length of assignment has effect on payment, the longer the more the principle and local environment of host country should determine compensation of employee
- the fewer the cultural differences, the longer has to be the assignment to apply any special compensation
  - short term → < 1 year – pay remains fully linked to home country, however expenses incurred are reimbursed, as are trips home
  - long-term - expatriates → > 1 year, involves moving home and family
  - permanent → intention for employee to stay (many companies do not make distinction between long-term and permanent)

Compensation of international staff

- objectives of compensation: 1) attract and retain employees; 2) facilitate transfers; 3) establish and maintain consistent and reasonable relationships between all employees of an affiliate; 4) reasonable compensation in relation to competitors; 5) cost-effectiveness
- 3 major methods to compensate the employee economically and for social factors:
  - budget system – takes into account all costs incurred by employee in both countries and effects of local tax system; comparison is made and employee is given compensation to maintain his standard of life (problems with standard home goods that need to be imported in host country…)
  - balance sheet or home-net system (used by most companies) – same net sum, the feely disposable income, must be available in both countries in terms of spending power → allowances have to be made for costs of living, housing and other generally accepted spending patterns defined beforehand (usually standard items are used; and not strictly identical but those needed to achieve a comparable social position are used)
    - added are allowances to cover specific costs associated with a country (school fees…)
    - and to cover personal discomfort or general hardship (climate, language, political risk, family separation, home visits)
    - problematic: may cause large salary gaps within same subsidiary as it fails to include market-induced compensation levels
  - local going-rate system (used very little) – expatriate is paid according to standards in the host country (preferable for him if local compensation levels are clearly higher), also allowances are added to compensate

- ways in which companies compensate expatriates hardly differs from country to country; firms make use of specialized service organizations to get advice on compensation and extra allowances sums

Appraisal of international staff

- experience gained is valuable, but to see whether it really benefits company appraisal has to be made → more difficult for international staff as appraisers (in home country) have little background on conditions in host country and host country managers giving their opinions are constrained by their local background (best would be opinion of an ex-expatriate to correct appraisal)
- there are qualitative differences between national and international staff members, but nevertheless should the similarities be stressed
- for what challenges int. staff is rewarded nowadays has shifted (always more strongly for assignment abroad):
  - executives: strategic thinking; initiating change; relationship management
  - managers: flexibility, implementing change, interpersonal understanding, empowerment, team support, versatility
  - others: flexibility, learning, performance-orientation, ability to work under time pressure, cooperation, customer oriented

Developments in the field of Euro-compensation

- traditional expatriate of large multinationals are increasingly replaced by a more internationally-oriented management corps – who need a different compensation policy then currently employed → companies seek new forms of compensation to rule out excrescences and treat international assignment as inherent so no special compensation is necessary
- less generous, more global packages will mostly be used in global and transnational companies
- base pay between countries still varies considerably, but (especially European) multinationals are driving change towards more global pay
- **many organizations still use these guidelines:** 1) compensation package must reflect national custom; 2) relative compensation must be same in all countries; 3) differences in taxation and social security are not translated into different compensation levels
- **more global orientation:** 1) same strategy in terms of performance-related compensation; 2) total compensation level based on spending-power parity; 3) minimum requirements for rules and values governing social services
- **all companies have to choose from 3 alternatives:** 1) fixed value in all countries; 2) relative value in all countries; 3) relative market position in all countries

**ECU points**

- in order to maintain flexibility, pay package should consist of fixed and flexible part open to negotiation – package then can then easily be applied to all kinds of situations ➔ flexipoint system
- **step 1:** define organization’s compensation position and translate components into total remuneration (TOTREM)
- **step 2:** convert TOTREM into ECU and apply location weight (LW) and versatility and potential growth (VP) weight ➔ result in total compensation points, standardized at 1000
- **step 3:** define negotiation space (in terms of TCP points)
- **step 4:** specify benefits package (in terms of TCP points)
- **step 5:** determine TCP-FLEX – the individual variable part which is TCP – base pay and benefits (+ market adjustment, variable compensation, periodic increase…)
- **step 6:** allocate flexipoints – subject to number of conditions depending on country ➔ eventually negotiations will be about flexipoints not details of employment package

**Harzing: Chapter 10 – Training and development of international staff**

- little attention is paid to human development needs that arise during the evolution from a domestic to a global business ➔ new global management of people relies on training and development of international staff

**Outline of present situation**

- assignment abroad poses challenges in terms of new task responsibilities, but also in terms of adaptive capabilities and cultural sensitivity
- despite the high failure rates (especially for US managers) cross-cultural training to prepare the staff and their families is widely neglected as it is perceived as either: 1) not effective; 2) time is too short; 3) temporary assignment does not justify cost; 4) technical skills are the main success factor…
- **main reasons for failure:** 1) inability of partner to adapt; 2) inability of manager to adapt … lack of technical competence is not so much of a problem ➔ training is necessary to ensure success

**Training and development of expatriates**

- **systematic approach:** 1) analysis of training needs ➔ determination of training goals (what) ➔ training design – content, method, media, sequence (how) ➔ implementation (+ evaluation at all stages)

**Identification and analysis of cross-cultural training needs**

- if needs are not understood, many companies either do not invest at all, or resort to relatively easy solutions
- when analyzing training needs, aim is to identify and describe discrepancies in existing performance levels and desired levels – some may be caused by organization itself and require other solutions than training
- **3 interrelated components:** 1) organizational analysis; 2) job/task analysis (competencies needed); 3) personal analysis ➔ general competencies required by entire target population can be determined, but situational variables influence specific assignments
- **job/task analysis takes place at 2 levels:** 1) general; 2) specific ➔ general and specific potential training needs
- general dimensions important for all international management: leadership, initiative, emotional stability and motivation
- other dimensions differ according to functional specialization and region (e.g. ability to handle stress in Africa, Latin America and Asia)

**The goals of cross-cultural training**
- common goal is to improve chances of success of international staff and their families
- 3 main indicators of international success: 1) degree of personal adjustment; 2) degree of professional effectiveness; 3) degree of interpersonal adjustment and effectiveness

Models for cross-cultural training
- training methods: 1) simulations (role playing, case studies...); 2) programmed instruction (cultural assimilator – see situations from perspective of members of another culture); 3) expositive instruction; 4) sensitivity training (t-group – unfreeze participants from habitual roles); 5) behavior modification methods; 6) field experiences; /) on-the-job training
- in choosing, mind that not all competencies can be acquired by the same training method, but specific guidelines are not available
- contingency framework for choosing an appropriate cross-cultural training method and its level of rigor: the lower the required degree of interaction and the greater the similarity between host culture and home culture, the more the content of the training should focus on task- and job- related issues as opposed to culture-related issues and the lower the level of rigor should be
  - rigor = trainee’s degree of cognitive involvement – required level of rigor depends on the situational factors
  - learning takes place in 2 ways: reinforcement on behavior; imitation or modeling the behavior of other (symbolic – verbal or observational - and participative)

General view of the training of international staff
- to increase effectiveness it should be seen as a process, as attitudes, abilities and personalities take time to be, if possible, trained and cannot be acquired with a short-term program → recommendation is a phased cumulative approach:
  - 1) after initial selection for position with int. prospects – reinforce manager’s motivation to work abroad; 2) after manager has been selected for int. career, strengthen all required competencies; 3) when selected for specific assignment train the skills needed → decision between selection and training may become blurred
- training and development of int. staff should be integrated into the other activities of HRM → use of profiles (in terms of key competencies necessary for success) in both selection of training needs and goals, as well as basis for selection and appraisal criteria – process becomes more transparent
- partners should be included in preparatory training and also as they constitute a major source of failure also in the selection process – 2 factors of special importance:
  - support while deciding on int. assignment
  - equip partner with knowledge for int. life – especially important as other family members retain their job (or school) structure and have a relative routine to follow with lesser contact to the local culture, but partner gives up friends, activities and often career
- HCNs should also be trained, as ultimate success of expatriate assignment depends also on the locals, besides introduction to the parent corporate culture also supports development of corporate perspective and might attract and retain high-potential HCN managers

Problem of Re-entry into the home culture
- firms and also the expatriates themselves give few considerations to re-entry problems, but expatriates returning home do go through similar stages as during the initial culture shock (highly optimistic, emotional low, normal) and their transition back to the home organization may cause problems, often the career is in short-term influenced negatively and adaptation to culture of home organization takes time; special status, responsibilities and freedom is lost.
- 3 factors affect successful re-entry: 1) communication during assignment; 2) career planning which takes account of re-entry; 3) recognition of the value of the foreign experience → training for personal (practical and counseling) and professional (recognize and utilize foreign experience – for that also home managers need to be trained + debriefing) re-entry

Closing the circle
- role of training during the assignment itself is also important (e.g. arrival orientation, familiarization with work unit – coaching by superiors/colleagues often proves to be valuable
- deployment cycle: position in home country → selection/training for int. career → selection/training for specific assignment → assignment: arrival orientation, overseas support and monitoring → re-entry training and support → return → position in home country
Performance Appraisal

- **purposes:** 1) general personnel decisions; 2) identify training and development needs; 3) criterion for validating selection and development programs; 4) feedback to employees; 5) basis for reward allocations
  → 2 perspectives, personal management and organizational behavior
- **performance appraisal and motivation:** *expectancy model* shows importance of effort-performance and performance-reward linkages – people need to know what is expected, how it is measured and conviction that efforts will lead to satisfactory appraisal – if this is not satisfactory, they will work below their potential
- **3 most popular sets of criteria to evaluate:**
  - individual task outcomes – end counts, not process
  - behaviors – especially used when individual contribution is difficult to determine; but difficult is to find link with outcomes
  - traits – furthest removed from actual performance, but still widely used
- **internationally:** caution must be used as culture influences desired form, time, and even the entire concept of a formal appraisal – important are relationship to environment, time orientation and focus of responsibility, individualism…

Evaluators:

- immediate superior – 95%, but many bosses feel/are unqualified and may be too distant to employees to be reliable judge
- peers – most reliable source as close to the action; several independent judgments can be made, but can suffer from unwillingness and biases of friendship
- self-evaluation – excellent for stimulating discussion, but overinflated assessment and self-serving bias
- immediate subordinates – provide accurate and detailed information, but needs to be anonymous
- **360-degree appraisal** = performance feedback from the full circle of daily contacts

Methods:

- written essays – narrative on strength, weaknesses, past performance, potential, suggestions – but depend on ability of writer
- **critical incidents** = appraiser writes down anecdotes that describe desirable/undesirable actions of employee
- graphic rating scales – quantitative analysis of performance factors rated on a 5 point scale
- behaviorally anchored rating scales – specify definite, observable and measurable job behavior, examples are translated into a set of performance dimensions which make up the scale
- multiperson comparisons – evaluate individual performance against that of others: 1) group order ranking, 2) individual ranking, 3) paired comparison – each employee is compared with every other and a summary ranking calculated

Potential problems

- single criterion – when evaluated by a single criterion, although job requires performance on several, employee will concentrate just on that one
- leniency error – some evaluators consistently mark high (positive leniency error), others low (negative leniency error) – no problem if all persons in an organization appraised by the same person
- halo error = tendency for an evaluator to let assessment on one trait influence his appraisal on other traits
- similarity error = evaluators rate other people by giving special consideration to those qualities they perceive in themselves
- low differentiation – if all evaluations seem similar

Overcoming the problems:

- use multiple criteria
- deemphasize traits – many traits often do not link to performance and are also often not clearly definable
- emphasize behavior – can deal with performance by focusing on specific examples and by that enable different evaluators to see the same thing
- **document performance behaviors in a journal** (reduce leniency and halo errors)
- use multiple evaluators
- appraise selectively – evaluate only in those areas you have experience in
- train appraisers – training can reduce halo and leniency error, but training effects diminish over time

Performance feedback
- annual review is often problematic when information is saved up and unloaded during the review – feedback should be given on an ongoing basis
- impression of assessment has strong impact on self-esteem and subsequent performance – problematic is that people see themselves as too good, they tend to be unrealistic and inflate their assessment of performance

**Team performance evaluation**

- tie team’s results to organization’s goals
- begin with team’s customers and the work process the team follows to satisfy their needs
- measure both team and individual performance
- train the team to create its own measures