

Organizational Design Change and Transformation
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Module - 02
Lecture - 10
Organizational Environment

[FL]. We will continue with our discussion on Organizational Environment which is module 2.

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This is the concluding lecture which is lecture 5 of module 2. In the previous lectures we have spoken about the environment, we have spoken about the various factors affecting

organizational environment, we spoken about environmental uncertainty, changing environment and adaptation.

We have spoken about a framework for responses to environmental change, resource dependence theory, inter-organizational strategies for managing resource dependencies, we have also spoken about the transaction cost theory, we have discussed and the organization environment integrative framework. We have also started to discuss the inter-organizational relationships.

Now, we spoke of four different kinds of relationships which is a population ecology, resource dependence, collaborative networks and institutionalism. And we discussed that based on how similar and dissimilar organizations are, as well as whether they compete with each other or they cooperate with each other, we can basically have four different styles or you know and of the four different styles we had actually discussed two.

We spoke about resource dependence and collaborative networks. Now we will move on and discuss the other two styles which exist.

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**ORGANIZATIONAL DESIGN,
CHANGE AND TRANSFORMATION**

Organizational Environment

- Inter-organizational Relationships
- E-org

 *Dr. Khanna*

So, we will continue with that and then we will have a discussion on E-organizations.

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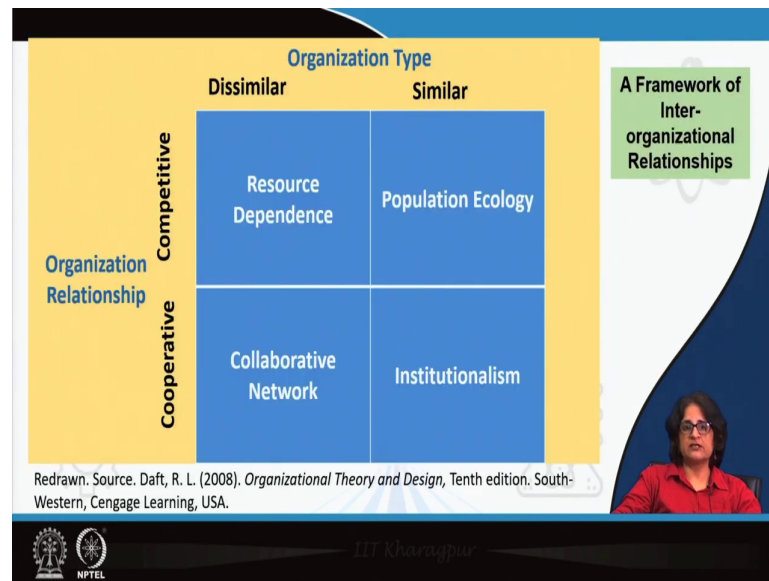
INTER-ORGANIZATIONAL RELATIONSHIPS

- Organizations must forge relationships with other organizations, and they help manage the environment.
- The various perspectives for inter-organizational research include: *resource dependence, collaborative networks, population ecology, and institutionalism.*

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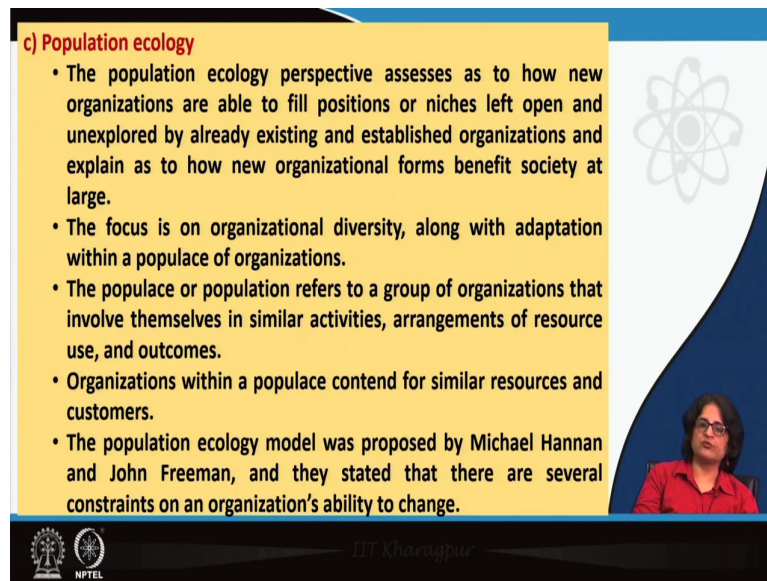
So, as we discussed in the previous lecture, organizations must forge relationships with others, to manage the environment well and the various perspectives for inter-organizational research include resource dependence, collaborative networks, population ecology and institutionalism.

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And I discussed with you that based on whether organizations are similar or dissimilar or whether they are competitive or cooperative, you have the four different types of relationships we discussed resource dependence and collaborative.

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c) Population ecology

- The population ecology perspective assesses as to how new organizations are able to fill positions or niches left open and unexplored by already existing and established organizations and explain as to how new organizational forms benefit society at large.
- The focus is on organizational diversity, along with adaptation within a populace of organizations.
- The populace or population refers to a group of organizations that involve themselves in similar activities, arrangements of resource use, and outcomes.
- Organizations within a populace contend for similar resources and customers.
- The population ecology model was proposed by Michael Hannan and John Freeman, and they stated that there are several constraints on an organization's ability to change.

Dr. Khanna

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And here on we move to discuss the population ecology. Now the population ecology perspective, examines as to how new organizations are able to fill in the positions or niches which are left open and unexplored by already existing and established organizations.

And they explain as to how new organizational forms benefit the society at large. So, you know the population ecology perspective, basically assesses as to how new companies, new organizations come into being and how they fill the gaps which have been left unexplored by existing organizations or by established organizations and explain how you know how by filling in the gaps how these organizations affect benefit the society at large.

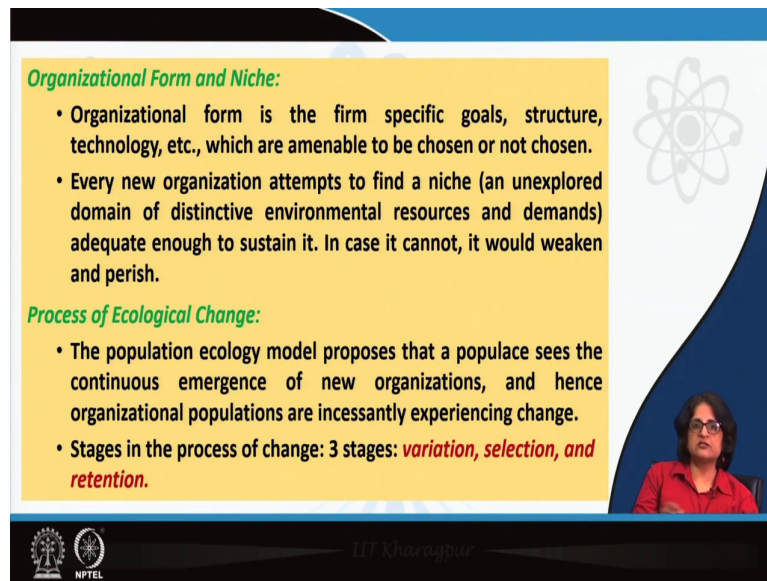
So, the focus is on organizational diversity, along with adaptation within a populace of organizations. Now what is the populace of organizations? The populace of organizations is a

group of organizations that involve themselves in similar activities they have arrangements of resource use and outcomes.

So, they involve themselves in similar activities similar arrangements of resource use and have similar outcomes put together this group of organizations is called a; is called a populace or is called a populace of organization. So, the focus of population ecology is on you know is on organizational diversity along with adaptation within this populace of organizations.

So, organizations within a populace because they have they share they have similar activities because they have similar arrangements of resource use and outcomes. They actually compete and contend for similar resources they compete and contend for similar customers, ok. So, this model was proposed by Michael Hannan and John Freeman and they stated that there are several constraints to the organizations ability to change.

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Organizational Form and Niche:

- Organizational form is the firm specific goals, structure, technology, etc., which are amenable to be chosen or not chosen.
- Every new organization attempts to find a niche (an unexplored domain of distinctive environmental resources and demands) adequate enough to sustain it. In case it cannot, it would weaken and perish.

Process of Ecological Change:

- The population ecology model proposes that a populace sees the continuous emergence of new organizations, and hence organizational populations are incessantly experiencing change.
- Stages in the process of change: 3 stages: *variation, selection, and retention.*

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And while elaborating on that, they spoke about the niche and the process of ecological change. So, let us first discuss of about the organizational form and niche. Now organizational form is the firm specific goals, technology, structure etcetera which can be chosen or may not be chosen, ok.

So, every new organization tries to find a niche or tries to find an unexplored domain, ok of environmental resources and of customer demands and they want to look for a gap they want to look for a niche which is adequate enough to sustain it. In case, it cannot it would weaken and perish.

So, the look for a niche, which is good enough to sustain it you know with the organizations can you know enter into and operate for a long period of time and you know and it is

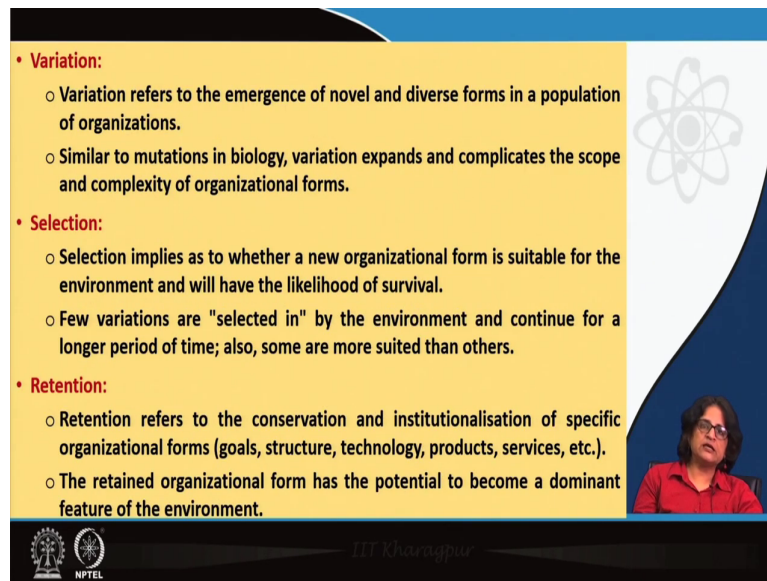
something which is sustainable. So, organizational form is the firm specific goal structure technology which a company may choose or may not choose.

And every organization wants to look for a niche, wants to look for an area, where for where it can enter and sustain for considerable longer periods of time. When we talk of the ecological change, the Population Ecology Model proposes that a populace or a group of similar organizations sees the continuous emergence of new organizations. And the organizational populations are incessantly experiencing change, ok.


So, the population model proposes that a populace sees the continuous emergence of new organizations. New organizations will keep coming in joining into the population. And hence, a population existing organizations must experience change, ok. So, because the process of ecological change is ever going, it is always going to happen. Existing organizations must embrace change, ok.



So, the population ecology model proposes that a populace sees the continuous emergence of new organizations and hence organizational populations are incessantly experiencing change and there are three stages in the process of change; variation, selection and retention, ok.

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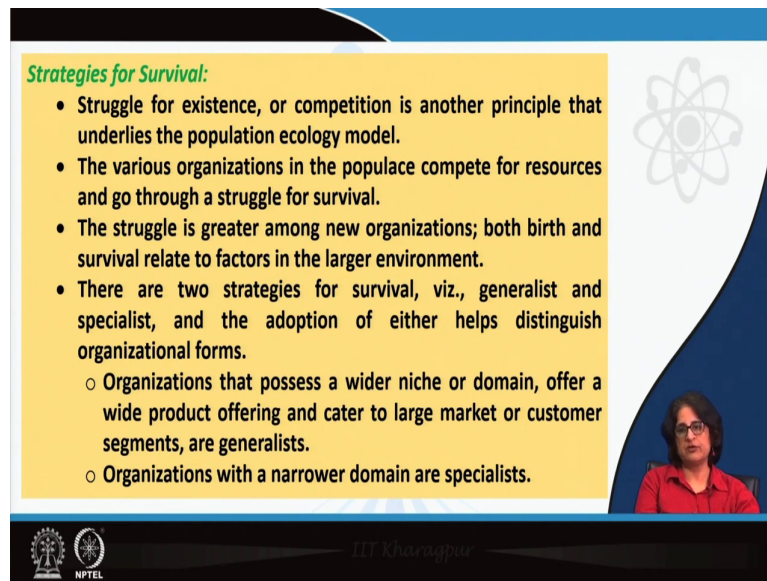


- **Variation:**
 - Variation refers to the emergence of novel and diverse forms in a population of organizations.
 - Similar to mutations in biology, variation expands and complicates the scope and complexity of organizational forms.
- **Selection:**
 - Selection implies as to whether a new organizational form is suitable for the environment and will have the likelihood of survival.
 - Few variations are "selected in" by the environment and continue for a longer period of time; also, some are more suited than others.
- **Retention:**
 - Retention refers to the conservation and institutionalisation of specific organizational forms (goals, structure, technology, products, services, etc.).
 - The retained organizational form has the potential to become a dominant feature of the environment.



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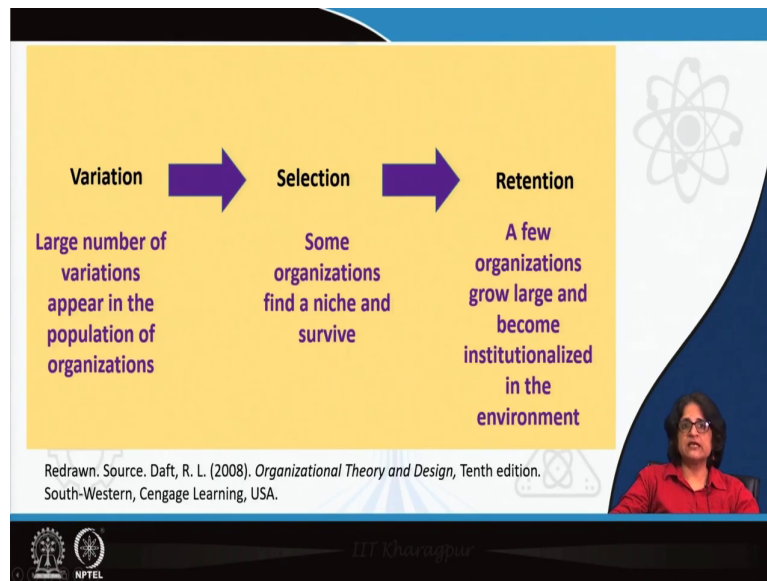
Strategies for Survival:

- Struggle for existence, or competition is another principle that underlies the population ecology model.
- The various organizations in the populace compete for resources and go through a struggle for survival.
- The struggle is greater among new organizations; both birth and survival relate to factors in the larger environment.
- There are two strategies for survival, viz., generalist and specialist, and the adoption of either helps distinguish organizational forms.
 - Organizations that possess a wider niche or domain, offer a wide product offering and cater to large market or customer segments, are generalists.
 - Organizations with a narrower domain are specialists.

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So, what is variation?

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Variation here is in terms of the large number you know the variation here is in terms of the changes or the different kinds of variations which appear in a population of organizations, ok. The second is in terms of selection. What is selection? Some organizations find a niche, say find unexplored areas and are able to survive. And then there is retention. A few organizations become large and become very large and become institutionalized in the environment, ok.

So, if we talk about the population ecology model, we are basically talking of the fact that organizations will continue to evolve, ok. They and they need to evolve, even more they need to change even more as and when newer and newer organizations enter the populace, enter the group. So, you know, it sees it basically assesses how new organizations are able to fill in

the niches or unexplored areas which have been left by the already established organizations or the already existing organizations.

And, so, these new organizations enter and you know enter into that space, they enter into that niche and begin to operate. And, so they find themselves to be another member in the populace. Now the populace here is the group of organizations that involve them in similar activities that involve themselves in similar you know arrangements of resource use and outcomes.

And, the content for the same resources and for the same customers. And, because the model the population ecology model also proposes that organizations go through this ecological change and as a new as and when new companies, new organizations will enter, as and new know organizations enter the scene the other organizations must incessantly change, they must incessantly experience change and there are these three stages of variation, selection and retention.

So, variation basically refers to the emergence of new and diverse forms in a population of organization. Very new and diverse forms of in a population of organizations. And, similar very similar to mutations in biology, a variation expands and complicates the scope and complexity of organizational forms. So, you have the emergence of novel and diverse forms in a population of organizations and they complicate the scope and complexity of organizational form.

Selection here implies that, whether a new organizational form is suitable for the environment and whether it will succeed or not? So, few variations are selected in by the environment and continue for a longer period of time. And some of these will be more suited to others the others which are do not get suited perish. The third is retention.

Retention is the conservation and institutionalization of specific organizational forms in terms of the goals, the structure, the technology etcetera and the few organizations which will retain

will grow large and become institutionalized. They will the this particular retained organizational form will have a potential to become a dominant form in future, ok.

So, if we look at the model and if we look at the concept, here we have the three stages of variation selection and retention. And, we follow it up with strategies for survival or strategies for you know existence. Now the struggle for existence or competition is another principle which underlies the population ecology model.

The various organizations in the populace, whether the new ones or the older ones they all compete for resources and they go through the struggle for survival. The struggle of course, is greater for those organizations which are new, ok. But both birth and survival relate to factors in the larger environment. And there are these two strategies for survival; a generalist strategy and a specialist strategy. And, the adoption of either will help differentiate between organizational forms.

Now, those organizations that, possess a wider domain offer a wide range of product cater to a large market or large customer base or diverse customer groups, are generalists. On the other hand, organizations which have a narrow domain are specialists. So, you so companies who are in this race or in this struggle for survival, have two strategies to choose from; they can either act as generalists or they can act as specialists, ok.

And as they struggle for you know for survival the one that it is important for them to choose the right kind of a strategy some of them will survive, but this others will perish.

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d) Institutionalism:

- Institutionalism explains why and how organizations design structures by using ideas from each other, and legitimize themselves in the context of the larger environment.
 - The institutional standpoint explains how organizations live and prosper by acting in congruence with the expectations of their surroundings.
 - The institutional environment comprises norms and values from the various stakeholder groups.
 - Organizations must adopt structures and have policies and processes to please the various stakeholders; this defines legitimacy, i.e., an organization's actions are perceived as suitable and appropriate as they fit into organizational norms, values, and beliefs.
 - The institutional perspective concerns itself more with the intangible (values and norms) rather than the tangible (structure, technology, etc.).

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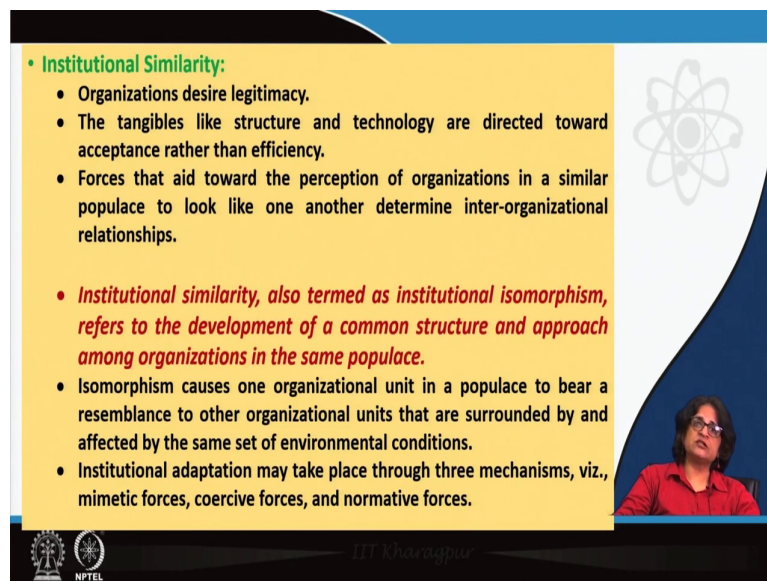
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The fourth style or the fourth kind of, fourth type which is mentioned as a inter-organization relationship is institutionalism. Now, institutional basically explains why and how organization design structures by using you know why and how organizations they design their structures, by copying ideas from each other, by using ideas from each other and legitimizing themselves in the context of the larger environment, ok.

So, the institutional stand point basically explains how organizations live by acting incongruence with the expectations of their surroundings. So, the institutional environment has comprises the values, the norms of the various stakeholders groups. Organizations must adopt such structures and have such policies and procedures to which can satisfy the interests of the various stakeholders, which can please the various stakeholders.

And this defines legitimacy; that means, the actions of an organization are perceived as right as suitable as appropriate if they fit into the norms of the organization, if they fit into the values and beliefs held by people in the organization. So, they fit the institutional perspective here, concerns more itself with more with the intangibles that is the values, beliefs, norms rather than the tangible which is the structure and the technology, ok.

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• **Institutional Similarity:**

- Organizations desire legitimacy.
- The tangibles like structure and technology are directed toward acceptance rather than efficiency.
- Forces that aid toward the perception of organizations in a similar populace to look like one another determine inter-organizational relationships.

• *Institutional similarity, also termed as institutional isomorphism, refers to the development of a common structure and approach among organizations in the same populace.*

- Isomorphism causes one organizational unit in a populace to bear a resemblance to other organizational units that are surrounded by and affected by the same set of environmental conditions.
- Institutional adaptation may take place through three mechanisms, viz., mimetic forces, coercive forces, and normative forces.

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So, institutional similarity is important. All organizations desire legitimacy, the tangibles like structure and technology are directed towards acceptance rather than efficiency. And, forces that aid toward the perception of organization in a similar populace to look alike, to look like one another determine in determine the inter-organization relationships that organizations will enter into.

So, institutional similarity which we also refer to as institutional isomorphism, refers to the development of a common structure and approach amongst organization in a similar populace, ok. So, in so isomorphism causes one organization unit in a populace to bear resemblance to other units that are surrounded by and by that are surrounded by and affected by the same set of environmental conditions.

And, institutional adaptation can takes place through mimetic forces, co-optative forces and normative forces, ok. So, when we talk of institutionalism, we are talking of a structure where we can see there is similarity and the organization relationship is very very cooperative, ok.

So, come so the organizations here in such a case, you know you know the they relate more to the you know to desire for similarity, ok. They desire legitimacy and institutional similarity, which we also term as institutional isomorphism is the development of a common structure and approach amongst organizations in a similar populace, ok.

And in adaptation or institutional adaptation may take form of take three forms mimetic forces, coercive forces and adaptive forces and normative forces.

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Mechanisms for Institutional Adaptation

- **Mimetic forces:** result as a response to uncertainty.
 - Organizations desire to copy successful practices followed in other organizations within the same population.
 - Companies often imitate each other without clear evidence that it would improve organizational performance.
- **Coercive forces:** result from political influence.
 - Organizations face external pressures to adopt structures, technology, leadership styles, behaviours, etc., similar to other organizations.
 - They can also occur between interdependency organizations with power differentials.
- **Normative forces:** result from common training and professionalism.
 - These are pressures to change so that standards of professionalism can be achieved.
 - Changes can pertain to R&D, sales and marketing, information technology, accounting and reporting, corporate finance, etc.

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So, mimetic forces result as a response to uncertainty. Organizations they try to emulate successful practices of other organizations. And they often imitate each other without clear evidence, just on the fact that they feel that by copying successful practices they would be; they would be successful.

So, the companies often imitate each other without clear evidence of that practice leading to success, surety of success. Just because some organizations have been successful and another organization would want to copy that practice, without a clear evidence that it would definitely improve organizational performance. The second is coercive forces which result from political influence.

So, organizations often face huge amount of pressure to adopt leadership styles, structure, technology, behaviours etcetera similar to other organizations in the populace. And so, they in

such coercive forces can also occur if there is interdependency you know amongst organizations with power differences, which means that some organizations are more powerful.


And so, they can exert influence on the lesser powerful ones to adopt their practices to adopt their structures technology leadership styles etcetera and normative forces are those which result from common training and professionalism. So, these are pressures to change so that professionalism can be achieved and such changes pertain more to R and D information systems, corporate finance, accounting, finance and accounting etcetera.



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Mechanisms for Institutional Adaptation

	Mimetic	Coercive	Normative
Reasons to become similar:	Uncertainty	Dependence	Duty, Obligation
Events:	Innovation visibility	Political law, Rules, Sanctions	Professionalism - Certification, Accreditation
Social bias:	Culturally supported	Legal	Moral
Example:	Re-engineering, Benchmarking	Pollution control, School regulations	Accounting standards, Consultant training

Redrawn. Source. Scott (1995). In Daft, R. L. (2008). *Organizational Theory and Design*, Tenth edition. South-Western, Cengage Learning, USA.

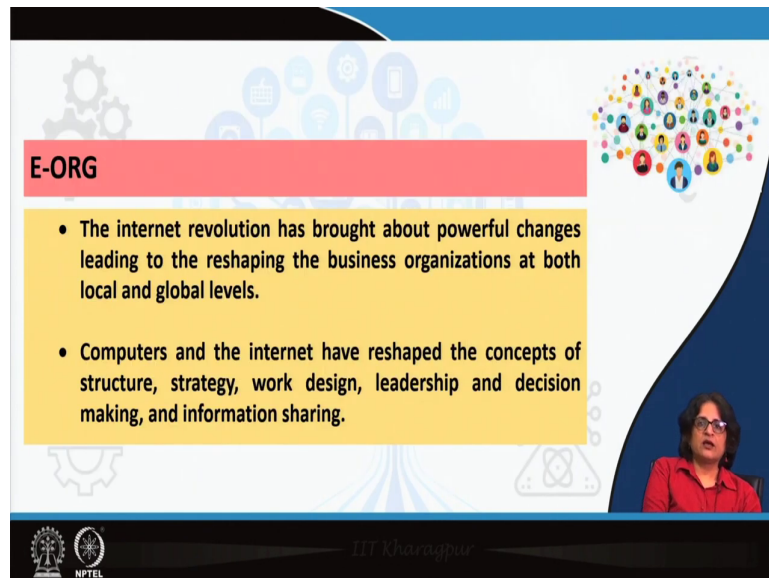


So, you have these mechanisms, for institutional adaptation, mimetic the reasons to become similar or uncertainty, for coercive it is dependence and for normative it is duty and

obligation. And, in terms of social bias a mimetic is culturally supported, coercive is legally supportive and normative is something which is moral supportive.

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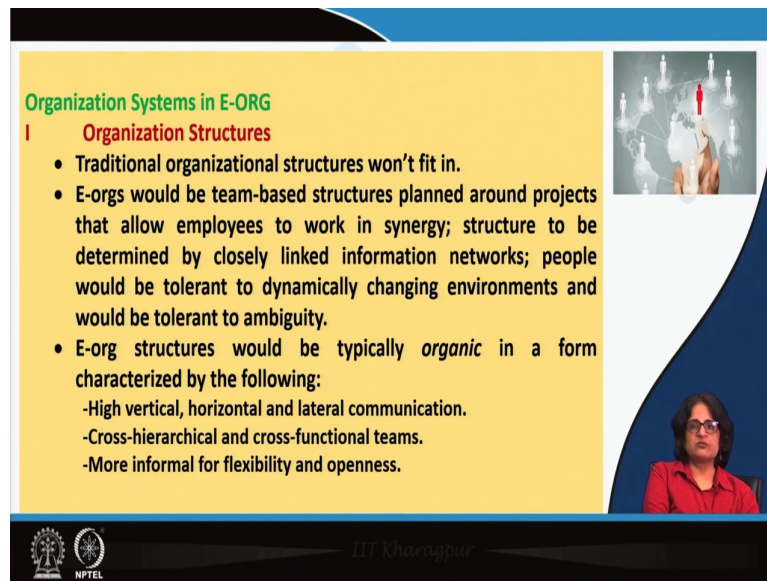
E-ORG

- The internet revolution has brought about powerful changes leading to the reshaping the business organizations at both local and global levels.
- Computers and the internet have reshaped the concepts of structure, strategy, work design, leadership and decision making, and information sharing.

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Finally, we come to E-organizations. Now, the internet has brought about huge changes leading to reshaping of business organizations at local levels, at global levels. And, computers and the internet have shaped, re-shaped the concepts of structure, strategy, work design, leadership, decision making, information sharing, control systems etcetera.

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Organization Systems in E-ORG

I Organization Structures

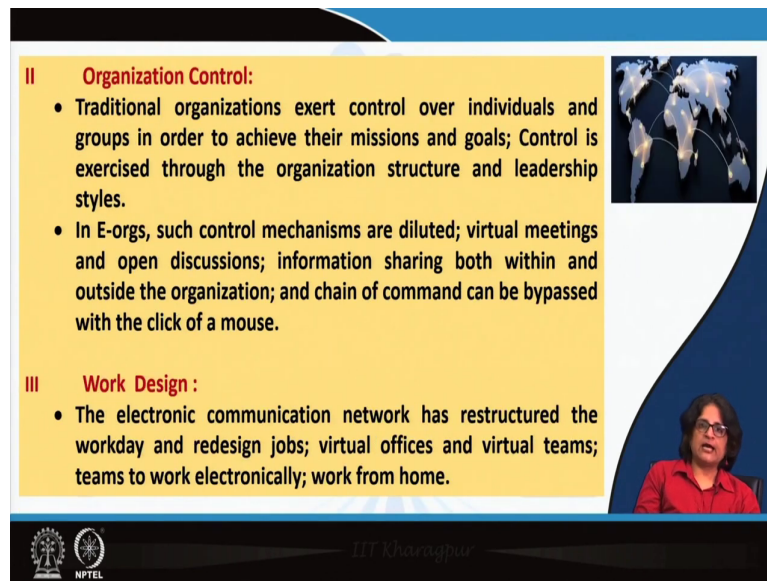
- Traditional organizational structures won't fit in.
- E-orgs would be team-based structures planned around projects that allow employees to work in synergy; structure to be determined by closely linked information networks; people would be tolerant to dynamically changing environments and would be tolerant to ambiguity.
- E-org structures would be typically *organic* in a form characterized by the following:
 - High vertical, horizontal and lateral communication.
 - Cross-hierarchical and cross-functional teams.
 - More informal for flexibility and openness.

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So, organization systems you know in today in E-organizations are very different. So, you have traditional organizational structures which will not fit in E-organizations would be more team-based structures, planned around projects, where employees work in strategy work in synergy. There is lot of cross functional teams, you know and structure has to be very loosely formed with closely linked information networks.

People have to be more tolerant to the changing environment and to uncertainty. So, E-organization structures are typically organic in form, high vertical, horizontal and lateral communication, cross-hierarchical, cross-functional, more informal for flexibility and openness.

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II Organization Control:

- Traditional organizations exert control over individuals and groups in order to achieve their missions and goals; Control is exercised through the organization structure and leadership styles.
- In E-orgs, such control mechanisms are diluted; virtual meetings and open discussions; information sharing both within and outside the organization; and chain of command can be bypassed with the click of a mouse.

III Work Design :

- The electronic communication network has restructured the workday and redesign jobs; virtual offices and virtual teams; teams to work electronically; work from home.

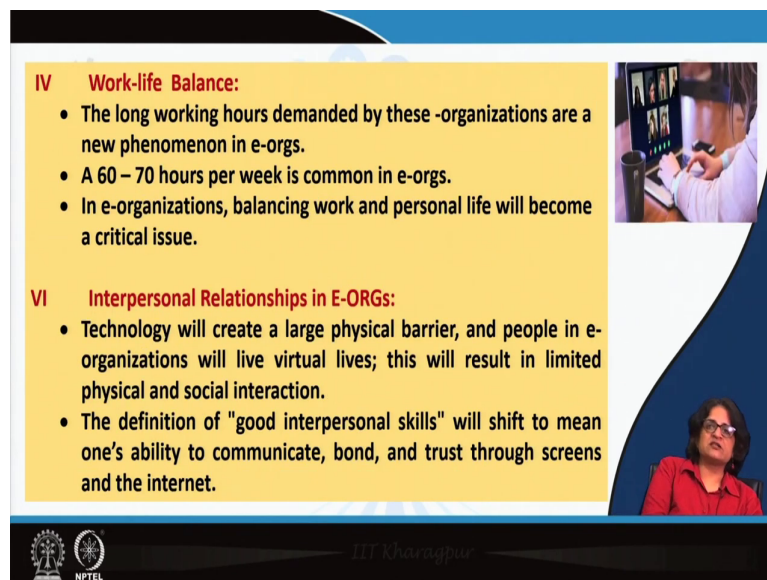
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And, organizational control you know in E-organizations is highly diluted. In traditional organizations companies could exert control over individuals and groups and clear authority and reporting relationships were there. Control was exercised through the organization structure and leadership.

But today, know such control systems cannot work. Today control systems are diluted in the E-organizational mode. Virtual meetings, open discussions, information sharing happens both within and outside the organization and the chain of command can be bypassed. Work design also has seen huge change, electronic communication network has restructured, the workday and the design of jobs.

So, you have virtual offices, virtual teams, work from home and people across the world can actually be in work through virtual spaces rather than physical spaces.

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IV Work-life Balance:

- The long working hours demanded by these -organizations are a new phenomenon in e-orgs.
- A 60 – 70 hours per week is common in e-orgs.
- In e-organizations, balancing work and personal life will become a critical issue.

VI Interpersonal Relationships in E-ORGS:

- Technology will create a large physical barrier, and people in e-organizations will live virtual lives; this will result in limited physical and social interaction.
- The definition of "good interpersonal skills" will shift to mean one's ability to communicate, bond, and trust through screens and the internet.

This has also impacted the work life balance, long working hours, 60 to 70 hours per week is very common in organizations. And balancing work and personal life has become a very critical issue. And finally, interpersonal relations; technology has created a large physical barrier and people in E-organizational lives you know, will live virtual lives. A large physical barrier in terms of people being separated, because of not being in physical contact.

While the world has become smaller, that the world boundaries are blurred countries no longer are you know have their very strict borders you know and, but there is you know in that way we are closer to each other globally. But there is a huge physical barrier that has

been created, because people do not meet face to face and people in E-organizations live virtual lives this was result in limited physical and social interaction.

And, the definition of good interpersonal skills, will shift to mean one's ability to communicate, bond, transact, trust through the internet and through the screens, ok. So, with this I come to an end of module 2 and week 2.

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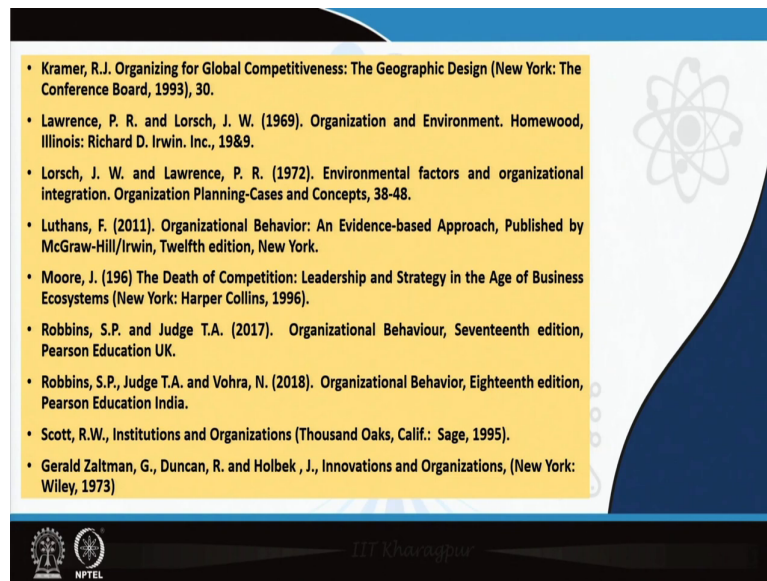
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And, we shall continue with our course in the next module, which will be module 3 on organizational structures.

Thank you.