

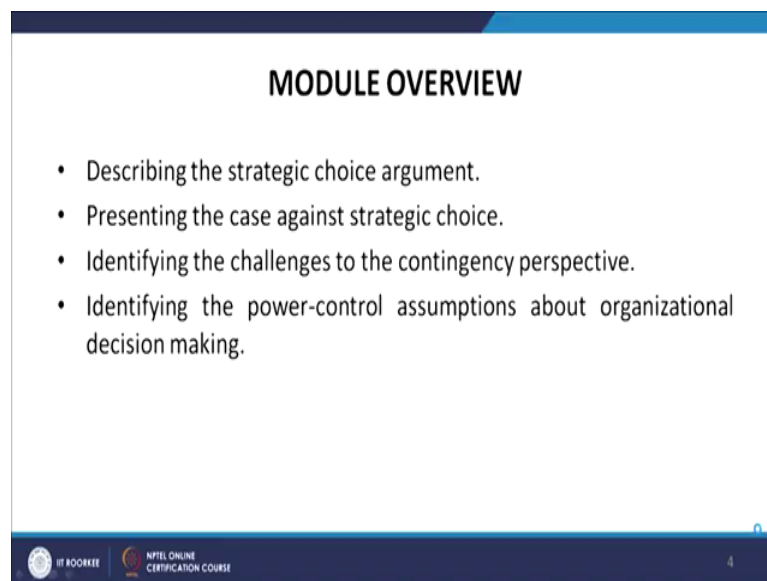
Organization Theory/Structure and Design
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Department of Management Studies
Indian Institute of Technology, Roorkee

Lecture - 21
Power Control - I

Welcome to this course on Organization Theory, Structure and Design. Now, it is time for module 21.

Now, as you can see that in part 2, which is on understanding the determinants of organizational structure, we have completed module 11 to module 20. Now, in module 21, 22 and 23 we will be talking about Power Control. So, let us see what we will be talking about in module 21st or 21. These are some of the things that will be covered in this module.

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A presentation slide titled "MODULE OVERVIEW" with a blue header and footer. The slide lists four bullet points: "Describing the strategic choice argument.", "Presenting the case against strategic choice.", "Identifying the challenges to the contingency perspective.", and "Identifying the power-control assumptions about organizational decision making." The footer includes the IIT Roorkee logo, the text "NPTEL ONLINE CERTIFICATION COURSE", and a small blue icon on the right.

MODULE OVERVIEW

- Describing the strategic choice argument.
- Presenting the case against strategic choice.
- Identifying the challenges to the contingency perspective.
- Identifying the power-control assumptions about organizational decision making.

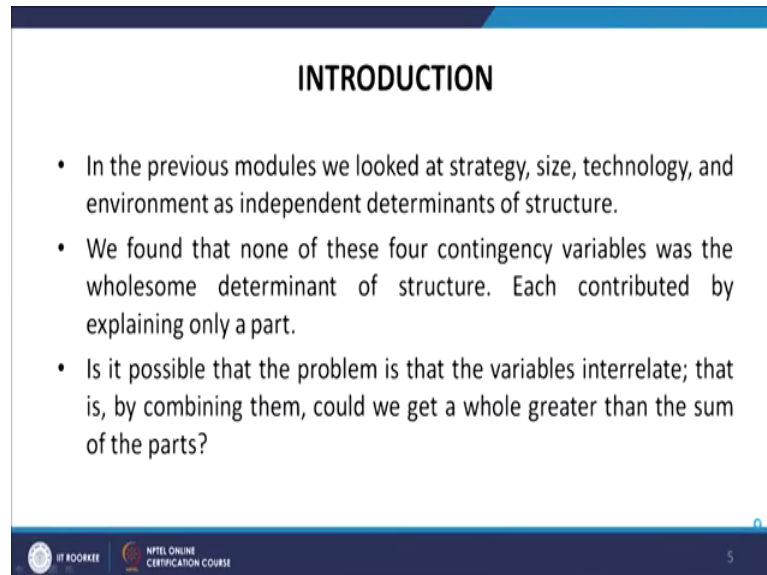
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We will start with describing the strategic choice argument, then presenting the case against strategic choice. Thereafter, we will identify the challenges to the contingency perspective, and then identifying the power-control assumptions about organizational decision making.

To start with in the previous module we looked at strategy, size, technology, and environment as independent determinants of structure. We found that none of these four

contingency variables was the wholesome determinant of structure. Each contributed by explaining only a part of it.

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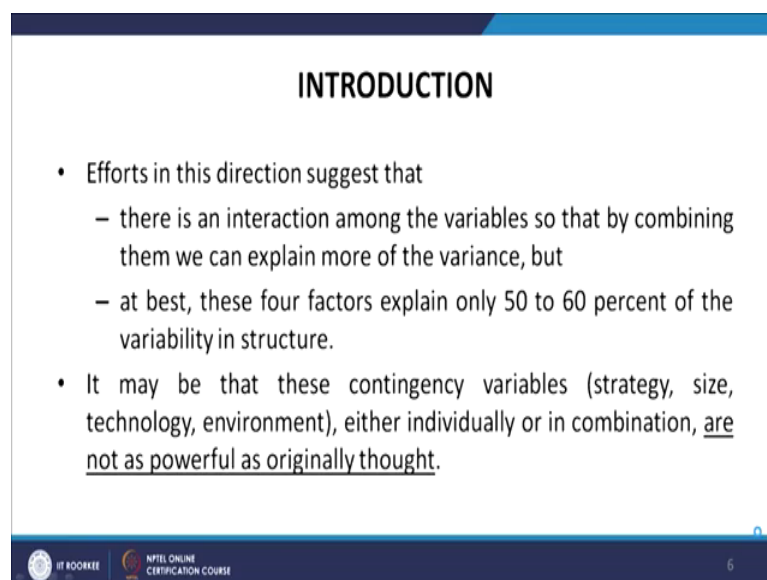
INTRODUCTION

- In the previous modules we looked at strategy, size, technology, and environment as independent determinants of structure.
- We found that none of these four contingency variables was the wholesome determinant of structure. Each contributed by explaining only a part.
- Is it possible that the problem is that the variables interrelate; that is, by combining them, could we get a whole greater than the sum of the parts?

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Is it possible that the problem is that the variables are interrelated; that is, by combining them, could we get a whole greater than the sum of its parts?

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INTRODUCTION

- Efforts in this direction suggest that
 - there is an interaction among the variables so that by combining them we can explain more of the variance, but
 - at best, these four factors explain only 50 to 60 percent of the variability in structure.
- It may be that these contingency variables (strategy, size, technology, environment), either individually or in combination, are not as powerful as originally thought.

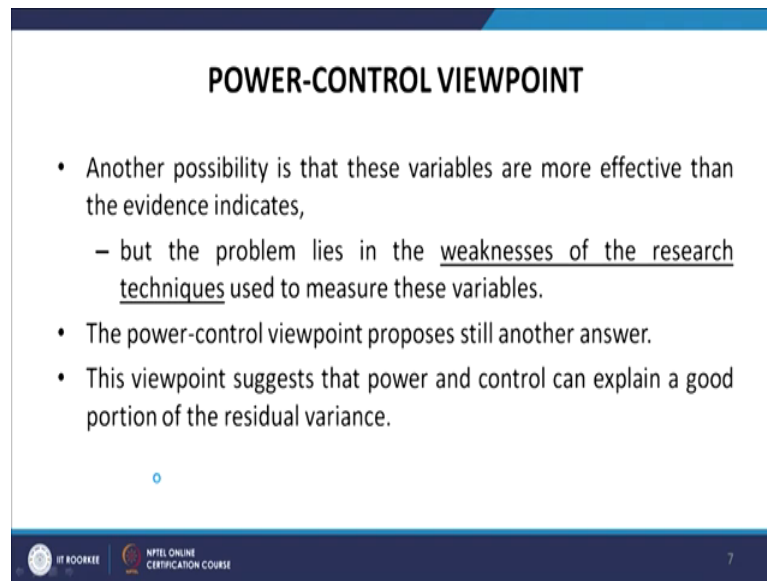
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Efforts in this direction suggest that there is an interaction among the variables, so that by combining them we can explain more of the variance, but at best, these four factors explain only 50 to 60 percent of the variability in structure. It may be that these

contingency variables that is strategy, size, technology, and environment either individually or in combination are not as powerful as originally thought.

So, this is important that they may not be so powerful. So, we had been talking about all of them, giving them more importance than there was a need to do that.

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POWER-CONTROL VIEWPOINT

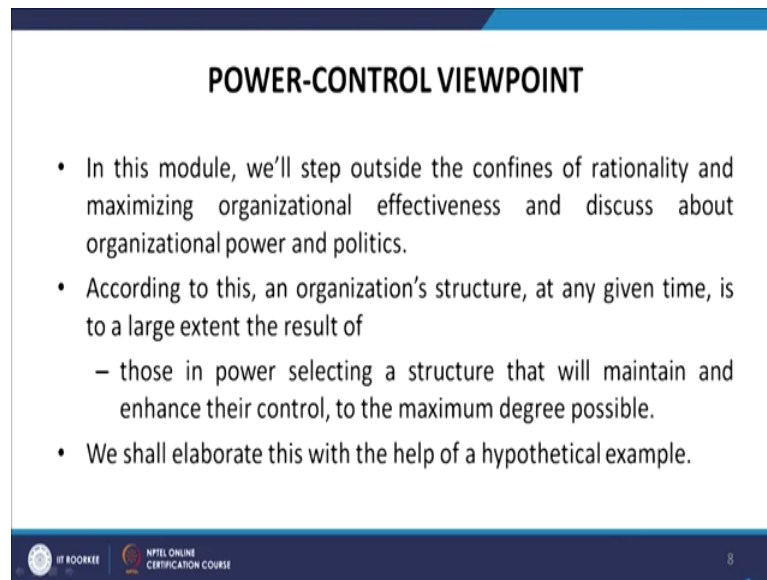
- Another possibility is that these variables are more effective than the evidence indicates,
 - but the problem lies in the weaknesses of the research techniques used to measure these variables.
- The power-control viewpoint proposes still another answer.
- This viewpoint suggests that power and control can explain a good portion of the residual variance.

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Now, let us look at the power-control viewpoint. Another possibility is that these variables are more effective than the evidence indicates, but the problem lies in the weaknesses of the research techniques used to measure these variables. The power-control viewpoint proposes still another answer. The viewpoint suggests that power and control can explain a good portion of the residual variance.

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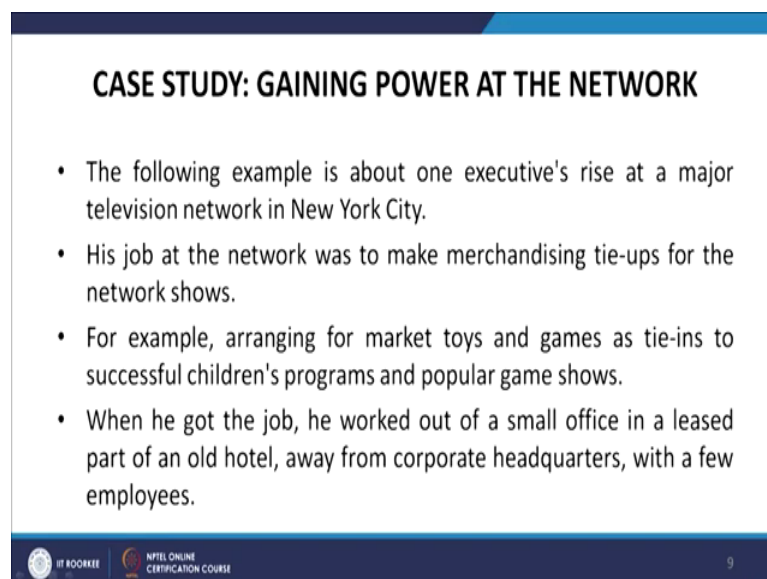
POWER-CONTROL VIEWPOINT

- In this module, we'll step outside the confines of rationality and maximizing organizational effectiveness and discuss about organizational power and politics.
- According to this, an organization's structure, at any given time, is to a large extent the result of
 - those in power selecting a structure that will maintain and enhance their control, to the maximum degree possible.
- We shall elaborate this with the help of a hypothetical example.

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So, in this module, we will step outside the confines of rationality and maximizing organizational effectiveness and discuss about organizational power and politics. According to this, an organization's structure, at any given time is to a large extent the result of those in power selecting a structure that will maintain and enhance their control to the maximum degree possible. We shall elaborate this with the help of a hypothetical example.

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CASE STUDY: GAINING POWER AT THE NETWORK

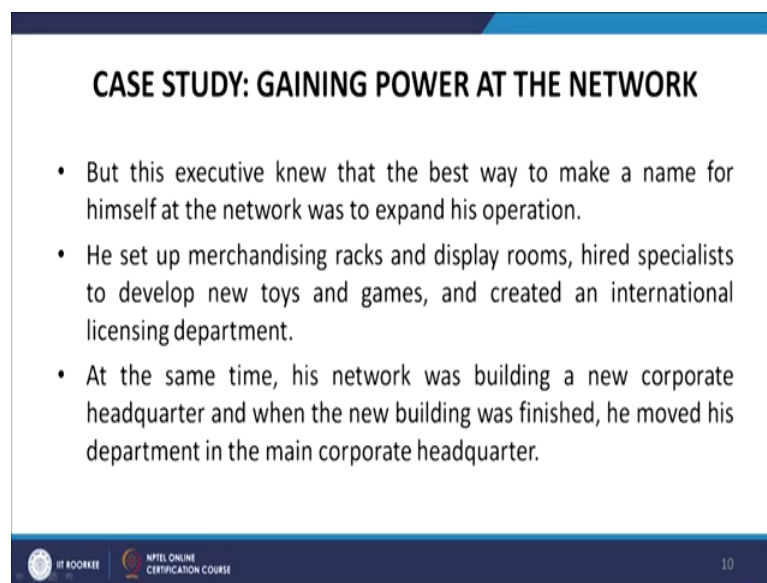
- The following example is about one executive's rise at a major television network in New York City.
- His job at the network was to make merchandising tie-ups for the network shows.
- For example, arranging for market toys and games as tie-ins to successful children's programs and popular game shows.
- When he got the job, he worked out of a small office in a leased part of an old hotel, away from corporate headquarters, with a few employees.

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And this is that hypothetical example which is called as ‘a case study: gaining power at the network’. The following example is about one executive’s rise at a major television network in New York City. His job at the network was to make merchandising tie ups for the network shows.

For example, arranging for market toys and games as tie-ins to successful children’s program and popular game shows. When he got the job, he worked out of a small office in a leased part of an old hotel, away from corporate headquarters, with a few employees.

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CASE STUDY: GAINING POWER AT THE NETWORK

- But this executive knew that the best way to make a name for himself at the network was to expand his operation.
- He set up merchandising racks and display rooms, hired specialists to develop new toys and games, and created an international licensing department.
- At the same time, his network was building a new corporate headquarter and when the new building was finished, he moved his department in the main corporate headquarter.

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CASE STUDY: GAINING POWER AT THE NETWORK

- Instead of one small office, he now oversaw an operation that consumed half a floor of office space with display rooms, conference rooms, and executive offices.
- Moreover, he had increased his department's visibility by making sure that all executives in the company got an ample complimentary supply of his department's toys and games.
- Over the prior two-year period, every senior executive was supplied with an unlimited wealth of free goodies to distribute as birthday presents and Christmas gifts.

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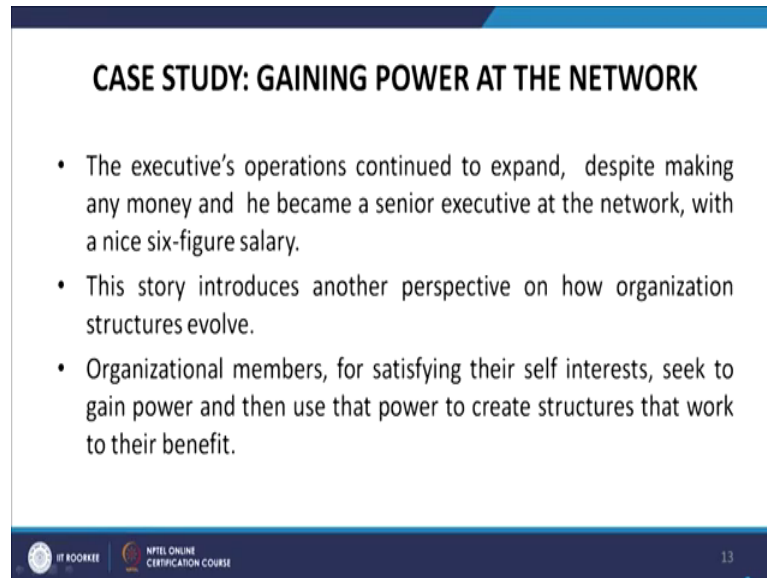
CASE STUDY: GAINING POWER AT THE NETWORK

- Interestingly, when a new computer system was installed, the merchandising tie-ups department was found to be a big money loser.
- But the top management couldn't cut out a department that now employed hundreds of people and supplied free goodies to executives for distribution as gifts.
- All the company did was to promote him and put a financial person under him for managing rising expenses.

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Interestingly, when a new computer system was installed, the merchandising tie-up department was found to be a big money loser. But, the top management could not cut out a department that now employed hundreds of people and supplied free goodies to executives for distribution as gifts. All the company did was to promote him, put a financial person under him for managing rising expenses.

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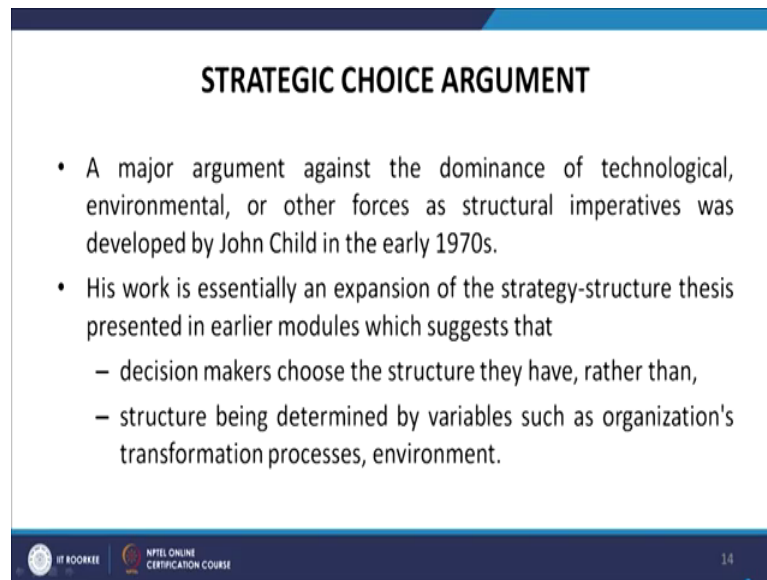
CASE STUDY: GAINING POWER AT THE NETWORK

- The executive's operations continued to expand, despite making any money and he became a senior executive at the network, with a nice six-figure salary.
- This story introduces another perspective on how organization structures evolve.
- Organizational members, for satisfying their self interests, seek to gain power and then use that power to create structures that work to their benefit.

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The executive's operations continued to expand, despite making any money and he became a senior executive at the network, with a nice six-figure salary. This story introduces another perspective on how organization structures evolve. Organizational members, for satisfying their self-interests, seek to gain power and then use that power to create structures that work to their benefits.

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STRATEGIC CHOICE ARGUMENT

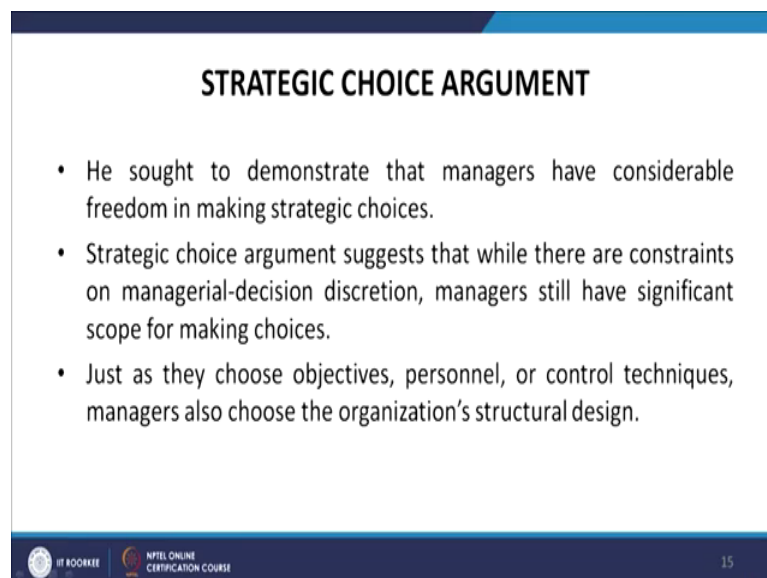
- A major argument against the dominance of technological, environmental, or other forces as structural imperatives was developed by John Child in the early 1970s.
- His work is essentially an expansion of the strategy-structure thesis presented in earlier modules which suggests that
 - decision makers choose the structure they have, rather than,
 - structure being determined by variables such as organization's transformation processes, environment.

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Now, let us look at the strategic choice argument. A major argument against the dominance of technological, environmental, and other forces as a structural imperative was developed by John Child in early 1970s.

His work is essentially an expansion of the strategy-structure thesis presented in earlier modules which suggests that decision makers choose the structure they have, rather than, a structure being determined by variables such as organization's transformation processes, environment.

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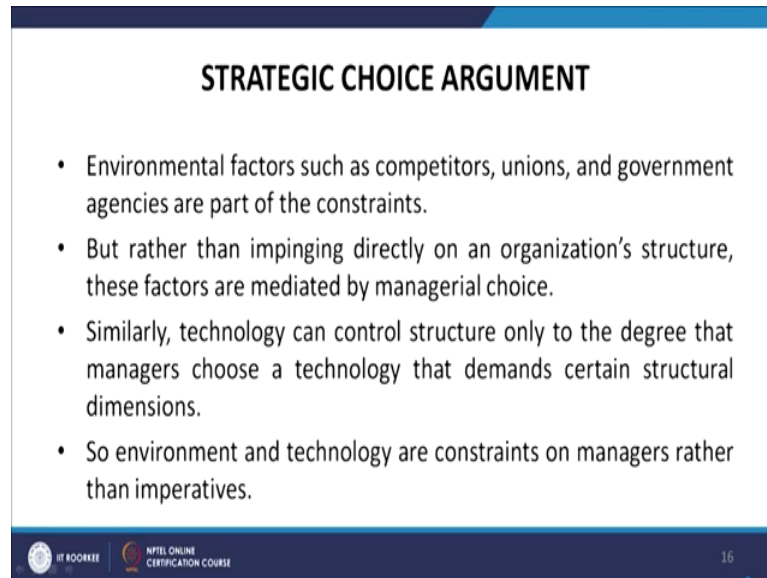
STRATEGIC CHOICE ARGUMENT

- He sought to demonstrate that managers have considerable freedom in making strategic choices.
- Strategic choice argument suggests that while there are constraints on managerial-decision discretion, managers still have significant scope for making choices.
- Just as they choose objectives, personnel, or control techniques, managers also choose the organization's structural design.

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He sought to demonstrate that managers have considerable freedom in making a strategic choices. A strategic choice argument suggests that while there are constraints on managerial decision discretion, managers still have significant scope for making choices. Just as they choose objectives, personnel, or control techniques, managers also choose the organization's structural design.

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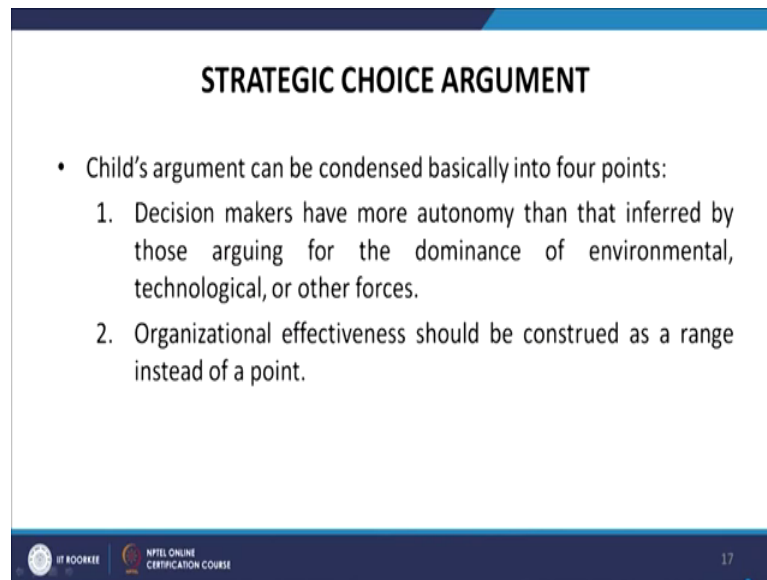
STRATEGIC CHOICE ARGUMENT

- Environmental factors such as competitors, unions, and government agencies are part of the constraints.
- But rather than impinging directly on an organization's structure, these factors are mediated by managerial choice.
- Similarly, technology can control structure only to the degree that managers choose a technology that demands certain structural dimensions.
- So environment and technology are constraints on managers rather than imperatives.

16

Environmental factors such as competitors, unions, and government agencies are part of the constraints. But rather than impinging directly on an organization's structure, these factors are mediated by managerial choice. Similarly, technology can control a structure only to the degree that managers choose a technology that demands certain structural dimensions. So, environment and technology are constraints on managers rather than imperatives.

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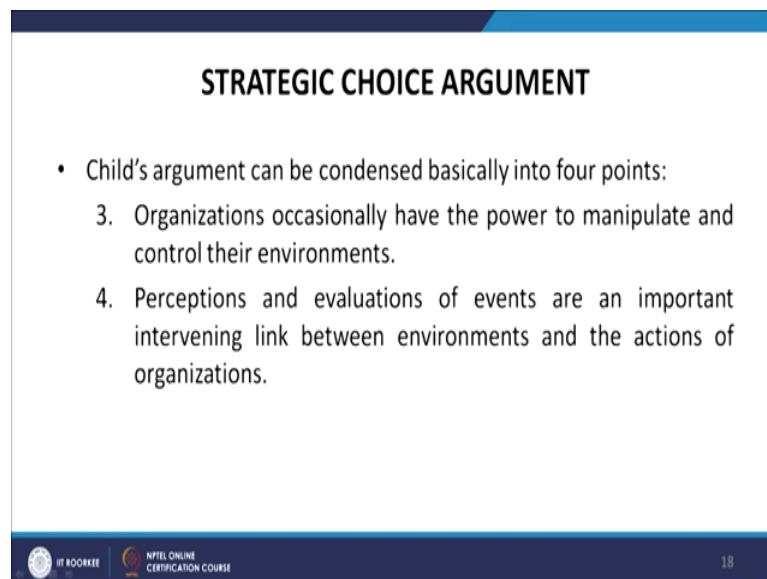
STRATEGIC CHOICE ARGUMENT

- Child's argument can be condensed basically into four points:
 1. Decision makers have more autonomy than that inferred by those arguing for the dominance of environmental, technological, or other forces.
 2. Organizational effectiveness should be construed as a range instead of a point.

17

Child's argument can be condensed basically into four points. The 1st point is decision makers have more autonomy than that inferred by those arguing for the dominance of environmental, technological, or other forces. The 2nd is organizational effectiveness should be construed as a range instead of a point.

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STRATEGIC CHOICE ARGUMENT

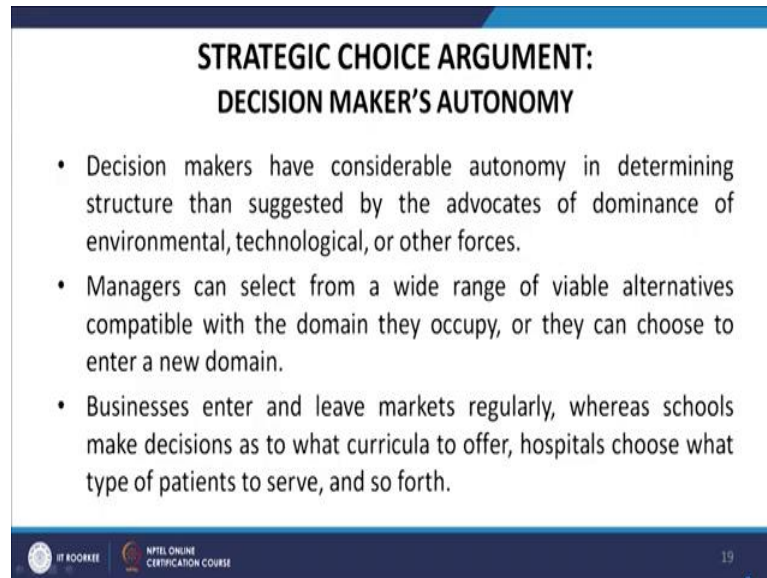
- Child's argument can be condensed basically into four points:
 3. Organizations occasionally have the power to manipulate and control their environments.
 4. Perceptions and evaluations of events are an important intervening link between environments and the actions of organizations.

18

The 3rd point is organizations occasionally have the power to manipulate and control their environments. And the last point is perceptions and evaluations of events are an

important intervening link between environments and the actions of organizations. Now, let us look at the decision makers autonomy in the strategic choice argument.

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**STRATEGIC CHOICE ARGUMENT:
DECISION MAKER'S AUTONOMY**

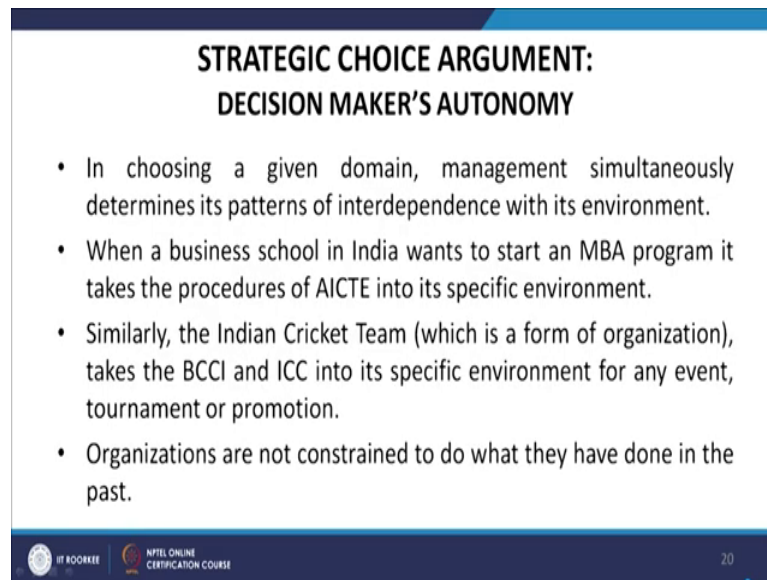
- Decision makers have considerable autonomy in determining structure than suggested by the advocates of dominance of environmental, technological, or other forces.
- Managers can select from a wide range of viable alternatives compatible with the domain they occupy, or they can choose to enter a new domain.
- Businesses enter and leave markets regularly, whereas schools make decisions as to what curricula to offer, hospitals choose what type of patients to serve, and so forth.

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So, decision makers have considerable autonomy in determining a structure than suggested by the advocates of dominance of environmental, technological or other forces. Managers can select from a wide range of viable alternatives compatible with the domain they occupy, or they can choose to enter a new domain.

Businesses enter and leave markets regularly, whereas, schools make decisions as to what curricula to offer, hospital choose what type of patients to serve, and so forth.

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**STRATEGIC CHOICE ARGUMENT:
DECISION MAKER'S AUTONOMY**

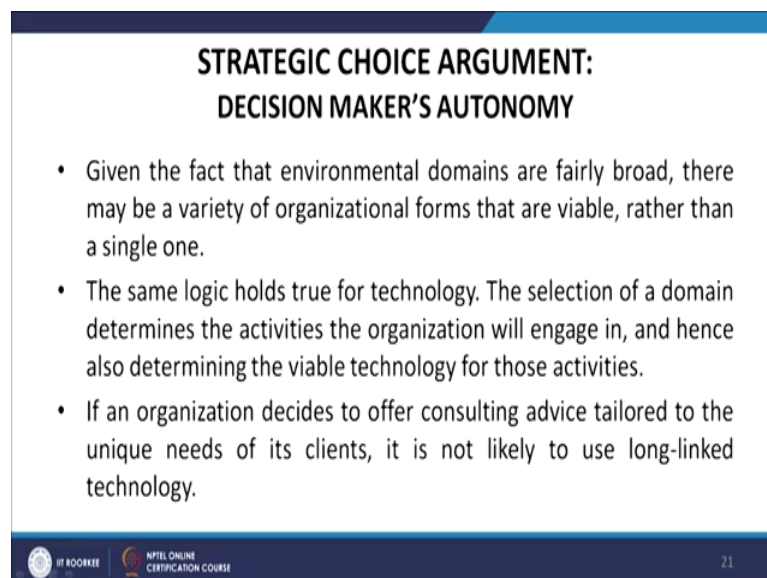
- In choosing a given domain, management simultaneously determines its patterns of interdependence with its environment.
- When a business school in India wants to start an MBA program it takes the procedures of AICTE into its specific environment.
- Similarly, the Indian Cricket Team (which is a form of organization), takes the BCCI and ICC into its specific environment for any event, tournament or promotion.
- Organizations are not constrained to do what they have done in the past.

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In choosing a given domain, management simultaneously determines its patterns of interdependence with its environment.

When a business school in India wants to start an MBA program it takes the procedures of AICTE into its specific environment. Similarly, the Indian Cricket Team which is a form of organization takes the BCCI and ICC into its specific environment for any event, tournament or promotion. Organizations are not constrained to do what they have done in the past.

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**STRATEGIC CHOICE ARGUMENT:
DECISION MAKER'S AUTONOMY**

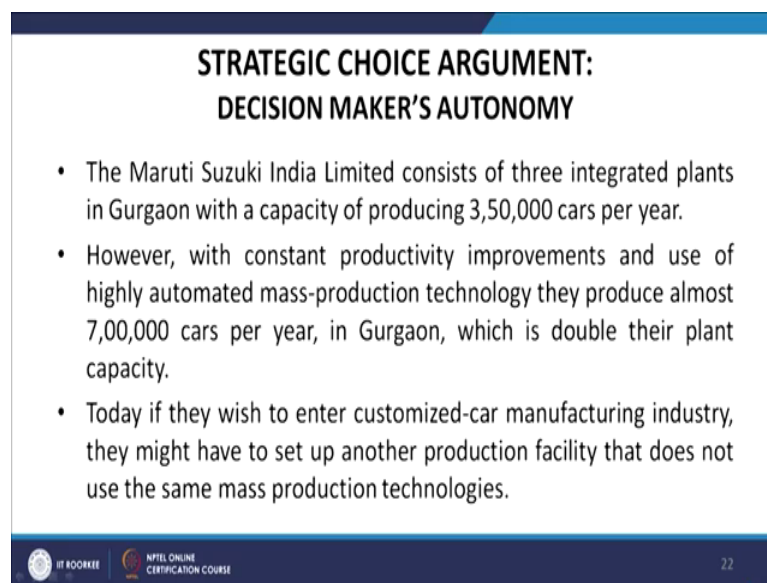
- Given the fact that environmental domains are fairly broad, there may be a variety of organizational forms that are viable, rather than a single one.
- The same logic holds true for technology. The selection of a domain determines the activities the organization will engage in, and hence also determining the viable technology for those activities.
- If an organization decides to offer consulting advice tailored to the unique needs of its clients, it is not likely to use long-linked technology.

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Given the fact that environmental domains are fairly broad, there may be a variety of organizational forms that are viable, rather than a single one. The same logic holds true for technology.

The selection of a domain determines the activities the organization will engage in, and hence also determining the viable technology for those activities. If an organization decides to offer consulting advice tailored to the unique needs of its clients, it is not likely to use long-linked technology.

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**STRATEGIC CHOICE ARGUMENT:
DECISION MAKER'S AUTONOMY**

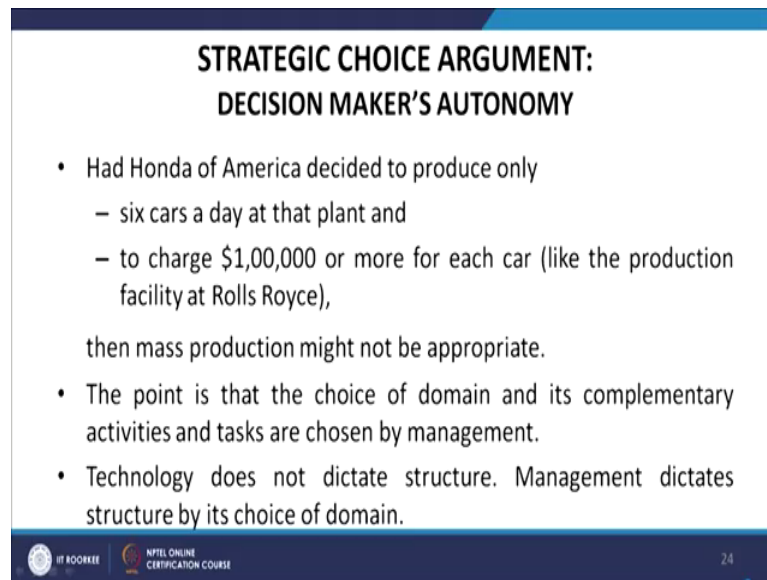
- The Maruti Suzuki India Limited consists of three integrated plants in Gurgaon with a capacity of producing 3,50,000 cars per year.
- However, with constant productivity improvements and use of highly automated mass-production technology they produce almost 7,00,000 cars per year, in Gurgaon, which is double their plant capacity.
- Today if they wish to enter customized-car manufacturing industry, they might have to set up another production facility that does not use the same mass production technologies.

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The Maruti Suzuki India Limited consists of three integrated plants in Gurgaon with a capacity of producing 3,50,000 cars per year. However, with constant productivity improvements and use of highly automated mass-production technology they produce almost 7 lakh cars per year, in Gurgaon, which is double their plant capacity. Today if they wish to enter customized-car manufacturing industry they might have to set up another production facility that does not use the same mass production technologies.

The fact that Honda of America chose to build up manufacturing facility in Ohio that could produce at least 600 cars a day which would retail in the dollar 10000 to dollar 15000 range, pretty well eliminated any technology other than mass production.

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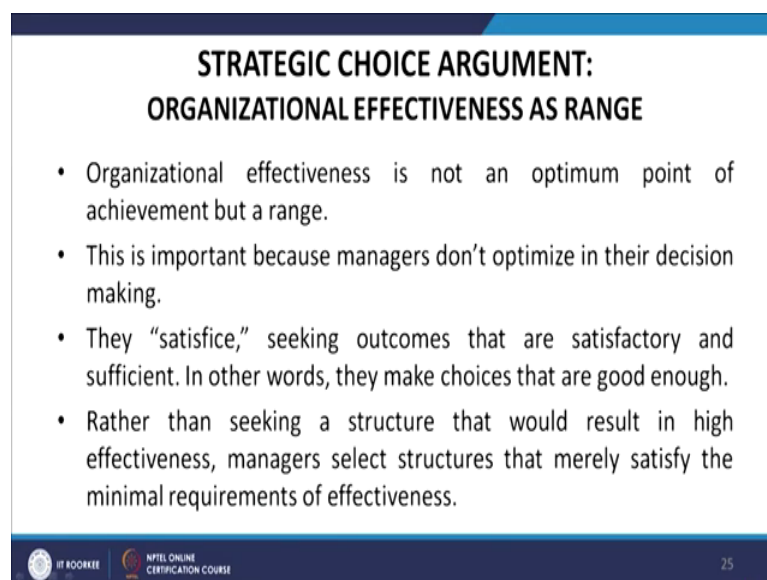
**STRATEGIC CHOICE ARGUMENT:
DECISION MAKER'S AUTONOMY**

- Had Honda of America decided to produce only
 - six cars a day at that plant and
 - to charge \$1,00,000 or more for each car (like the production facility at Rolls Royce),then mass production might not be appropriate.
- The point is that the choice of domain and its complementary activities and tasks are chosen by management.
- Technology does not dictate structure. Management dictates structure by its choice of domain.

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Had Honda of America decided to produce only 6 cars a day at that plant and to charge dollar 1,00,000 or more for each car like the production facility at Rolls Royce, then mass production might not be appropriate. The point is that the choice of domain and its complementary activities and tasks are chosen by management. Technology does not dictate a structure. Management dictates structure by its choice of domain.

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**STRATEGIC CHOICE ARGUMENT:
ORGANIZATIONAL EFFECTIVENESS AS RANGE**

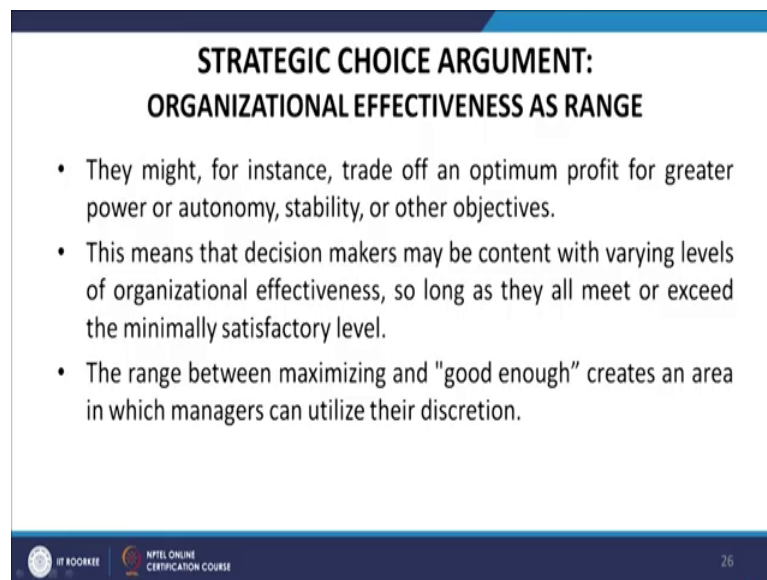
- Organizational effectiveness is not an optimum point of achievement but a range.
- This is important because managers don't optimize in their decision making.
- They "satisfice," seeking outcomes that are satisfactory and sufficient. In other words, they make choices that are good enough.
- Rather than seeking a structure that would result in high effectiveness, managers select structures that merely satisfy the minimal requirements of effectiveness.

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Now, we will look at the organizational effectiveness as range. Organizational effectiveness is not an optimum point of achievement, but a range. This is important

because managers do not optimize in their decision making. They ‘satisfice’, seeking outcomes that are satisfactory and sufficient. In other words, they make choices that are good enough. Rather than seeking a structure that would result in high effectiveness, managers select structures that merely satisfy the minimal requirements of effectiveness.

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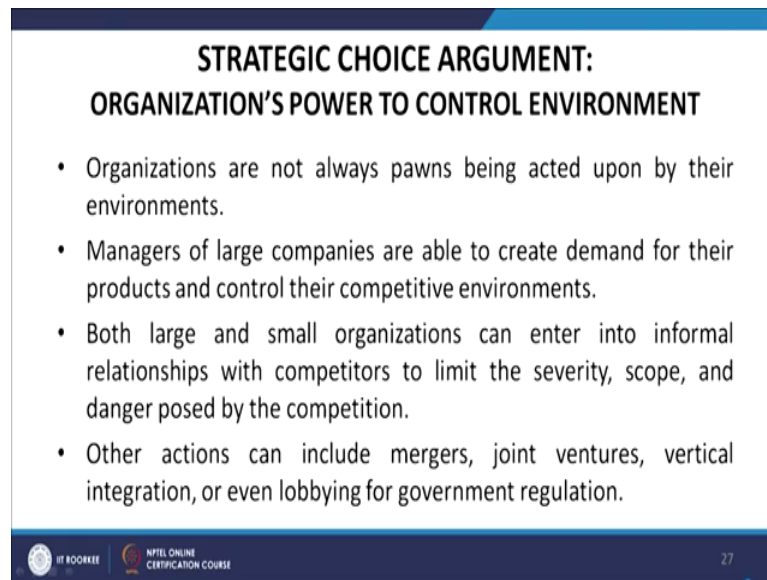
**STRATEGIC CHOICE ARGUMENT:
ORGANIZATIONAL EFFECTIVENESS AS RANGE**

- They might, for instance, trade off an optimum profit for greater power or autonomy, stability, or other objectives.
- This means that decision makers may be content with varying levels of organizational effectiveness, so long as they all meet or exceed the minimally satisfactory level.
- The range between maximizing and "good enough" creates an area in which managers can utilize their discretion.

IT ROOMEE NPTEL ONLINE CERTIFICATION COURSE 26

They might, for instance, trade off an optimum profit for greater power or autonomy, stability, or other objectives. This means that decision makers may be content with varying levels of organizational effectiveness, so long as they all meet or exceed the minimally satisfactory level. The range between maximizing and “good enough” creates an area in which managers can utilize their discretion.

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STRATEGIC CHOICE ARGUMENT:
ORGANIZATION'S POWER TO CONTROL ENVIRONMENT

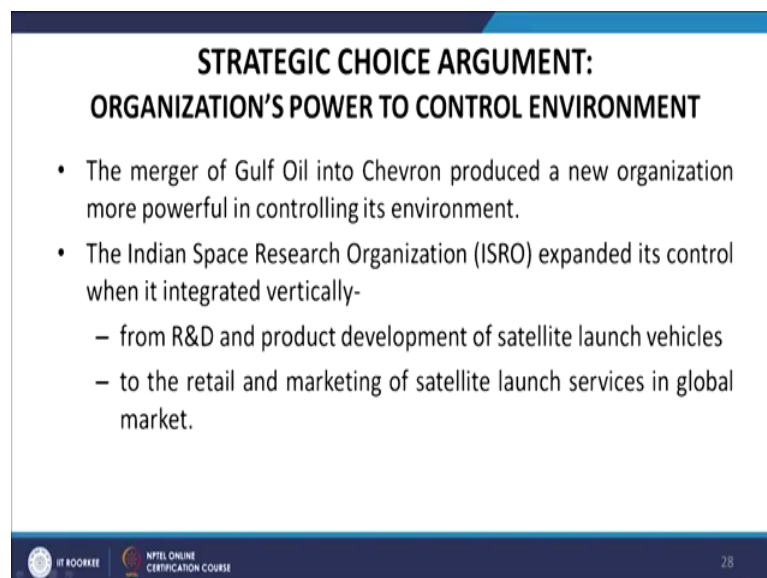
- Organizations are not always pawns being acted upon by their environments.
- Managers of large companies are able to create demand for their products and control their competitive environments.
- Both large and small organizations can enter into informal relationships with competitors to limit the severity, scope, and danger posed by the competition.
- Other actions can include mergers, joint ventures, vertical integration, or even lobbying for government regulation.

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Now, we will talk about the organization's power to control environment. Organizations are not always pawns being acted upon by their environments. Managers of large companies are able to create demand for their products and control their competitive environments. Both, large and small organizations can enter into informal relationships with competitors to limit the severity, scope, and danger posed by the competition.

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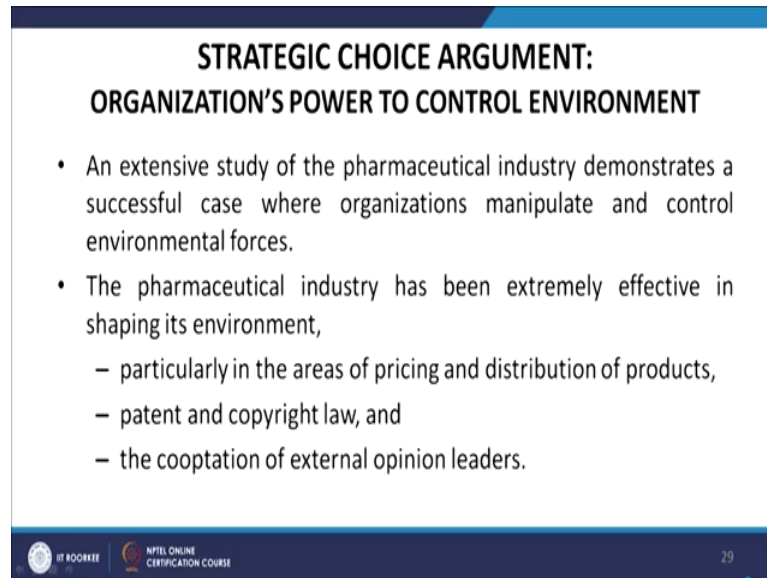
STRATEGIC CHOICE ARGUMENT:
ORGANIZATION'S POWER TO CONTROL ENVIRONMENT

- The merger of Gulf Oil into Chevron produced a new organization more powerful in controlling its environment.
- The Indian Space Research Organization (ISRO) expanded its control when it integrated vertically-
 - from R&D and product development of satellite launch vehicles
 - to the retail and marketing of satellite launch services in global market.

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The merger of Gulf Oil into Chevron produced a new organization more powerful in controlling its environment. The Indian Space Research Organization, that is, ISRO expanded its control when it integrated vertically from R and D and product development of satellite launch vehicles to the retail and marketing of satellite launch services in the global market.

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**STRATEGIC CHOICE ARGUMENT:
ORGANIZATION'S POWER TO CONTROL ENVIRONMENT**

- An extensive study of the pharmaceutical industry demonstrates a successful case where organizations manipulate and control environmental forces.
- The pharmaceutical industry has been extremely effective in shaping its environment,
 - particularly in the areas of pricing and distribution of products,
 - patent and copyright law, and
 - the cooptation of external opinion leaders.

29

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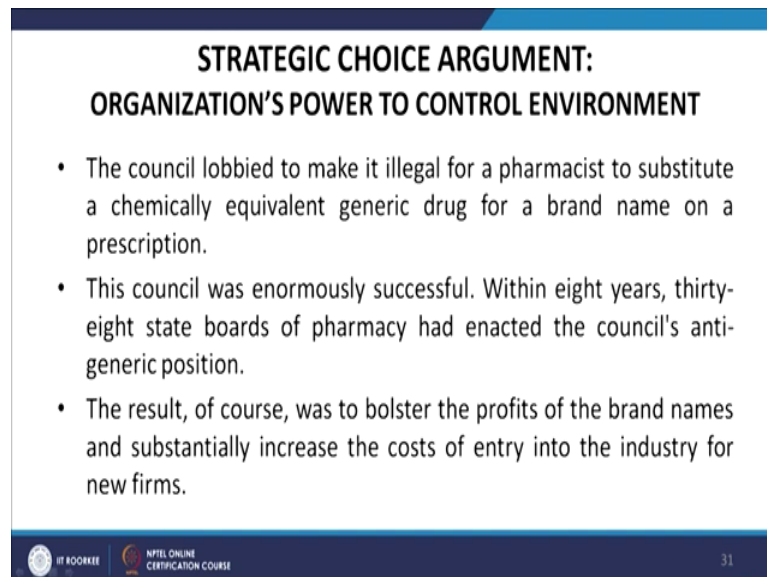
STRATEGIC CHOICE ARGUMENT:
ORGANIZATION'S POWER TO CONTROL ENVIRONMENT

- After World War II, US witnessed growing number of companies producing products chemically equivalent to brand-name prescription drugs.
- The pharmaceutical industry turned to government legislation to protect itself against such companies.
- Further, the large manufacturers formed the National Pharmaceutical Council.

30

After World War II, US witnessed a growing number of companies producing products chemically equivalent to brand-name prescription drugs. The pharmaceutical industry turned to government legislation to protect itself against such companies. Further, the large manufacturers formed the National Pharmaceutical Council.

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STRATEGIC CHOICE ARGUMENT:
ORGANIZATION'S POWER TO CONTROL ENVIRONMENT

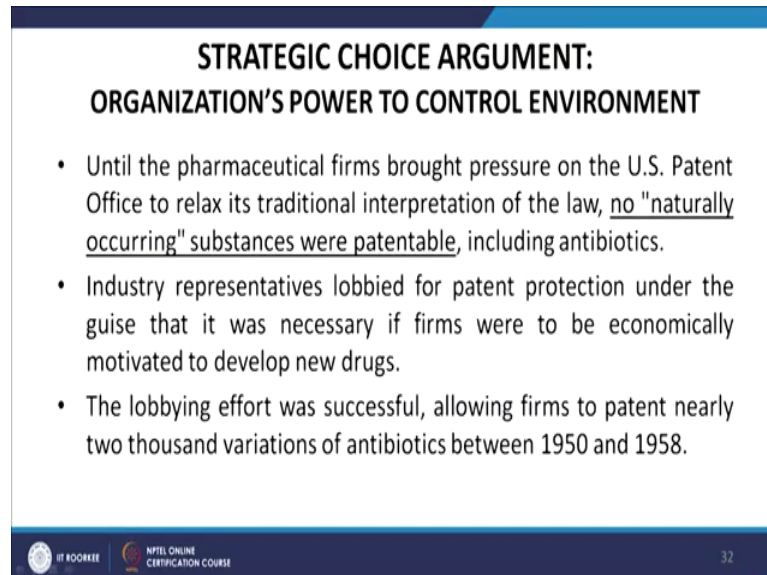
- The council lobbied to make it illegal for a pharmacist to substitute a chemically equivalent generic drug for a brand name on a prescription.
- This council was enormously successful. Within eight years, thirty-eight state boards of pharmacy had enacted the council's anti-generic position.
- The result, of course, was to bolster the profits of the brand names and substantially increase the costs of entry into the industry for new firms.

31

The council lobbied to make it illegal for a pharmacist to substitute a chemically equivalent generic drug for a brand name on a prescription. This council was enormously successful. Within 8 years, 38 state boards of pharmacy had enacted the council's anti-

generic position. The result, of course, was to bolster the profits of the brand names and substantially increase the cost of entry into the industry for new firms.

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**STRATEGIC CHOICE ARGUMENT:
ORGANIZATION'S POWER TO CONTROL ENVIRONMENT**

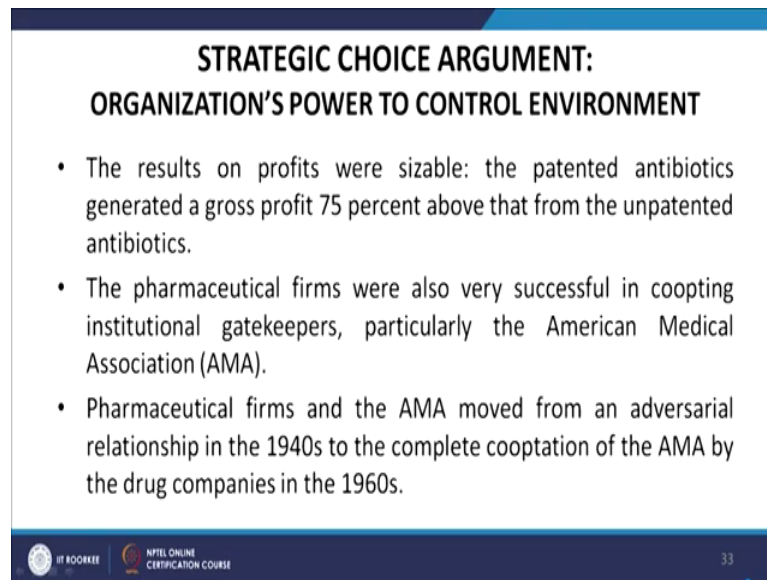
- Until the pharmaceutical firms brought pressure on the U.S. Patent Office to relax its traditional interpretation of the law, no "naturally occurring" substances were patentable, including antibiotics.
- Industry representatives lobbied for patent protection under the guise that it was necessary if firms were to be economically motivated to develop new drugs.
- The lobbying effort was successful, allowing firms to patent nearly two thousand variations of antibiotics between 1950 and 1958.

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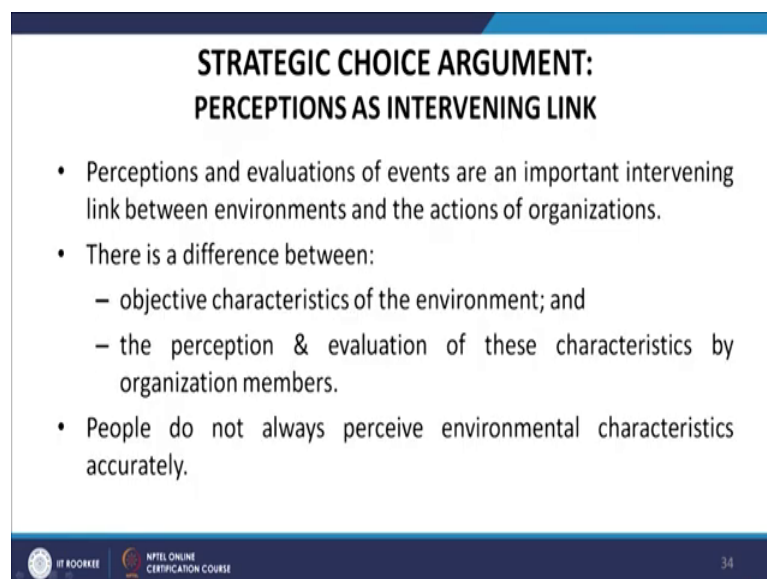
**STRATEGIC CHOICE ARGUMENT:
ORGANIZATION'S POWER TO CONTROL ENVIRONMENT**

- The results on profits were sizable: the patented antibiotics generated a gross profit 75 percent above that from the unpatented antibiotics.
- The pharmaceutical firms were also very successful in coopting institutional gatekeepers, particularly the American Medical Association (AMA).
- Pharmaceutical firms and the AMA moved from an adversarial relationship in the 1940s to the complete cooptation of the AMA by the drug companies in the 1960s.

33

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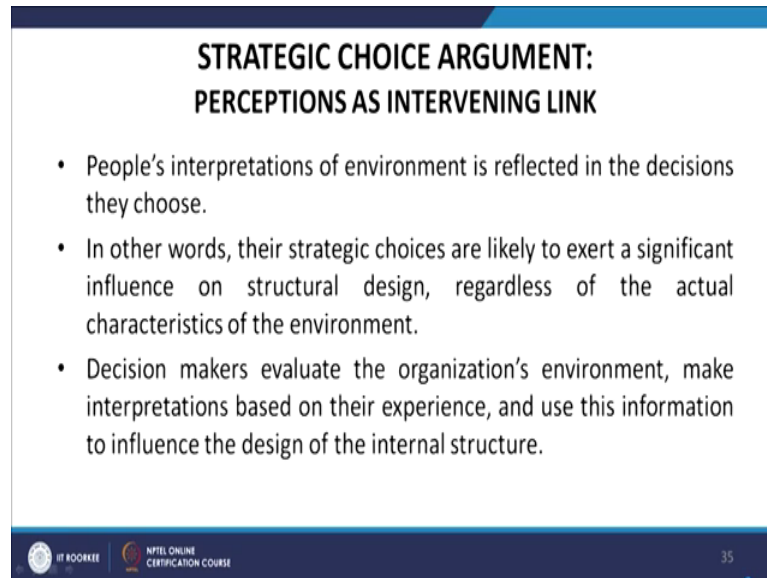
**STRATEGIC CHOICE ARGUMENT:
PERCEPTIONS AS INTERVENING LINK**

- Perceptions and evaluations of events are an important intervening link between environments and the actions of organizations.
- There is a difference between:
 - objective characteristics of the environment; and
 - the perception & evaluation of these characteristics by organization members.
- People do not always perceive environmental characteristics accurately.

34

Now comes perception as the intervening link. Perceptions and evaluations of events are an important intervening link between environments and the actions of organizations. There is a difference between one objective characteristics of the environment, and two, the perception and evaluation of these characteristics by organization members. People do not always perceive environmental characteristics accurately.

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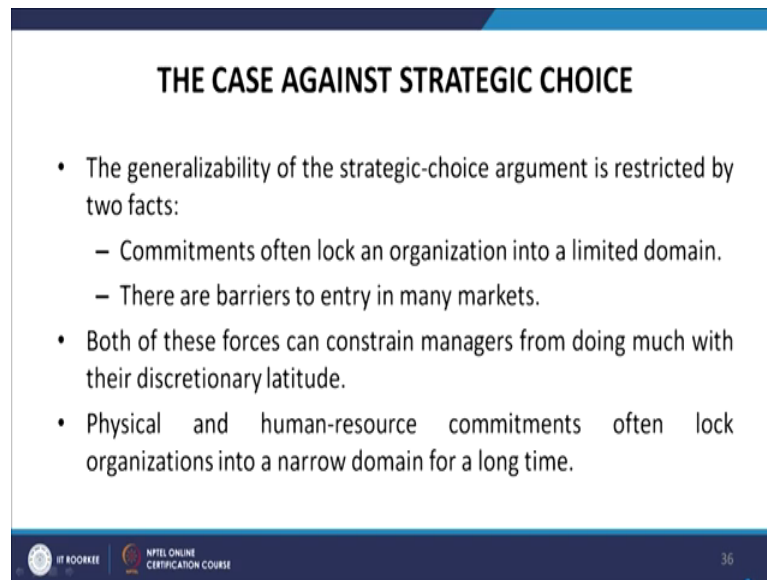
**STRATEGIC CHOICE ARGUMENT:
PERCEPTIONS AS INTERVENING LINK**

- People's interpretations of environment is reflected in the decisions they choose.
- In other words, their strategic choices are likely to exert a significant influence on structural design, regardless of the actual characteristics of the environment.
- Decision makers evaluate the organization's environment, make interpretations based on their experience, and use this information to influence the design of the internal structure.

35

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THE CASE AGAINST STRATEGIC CHOICE

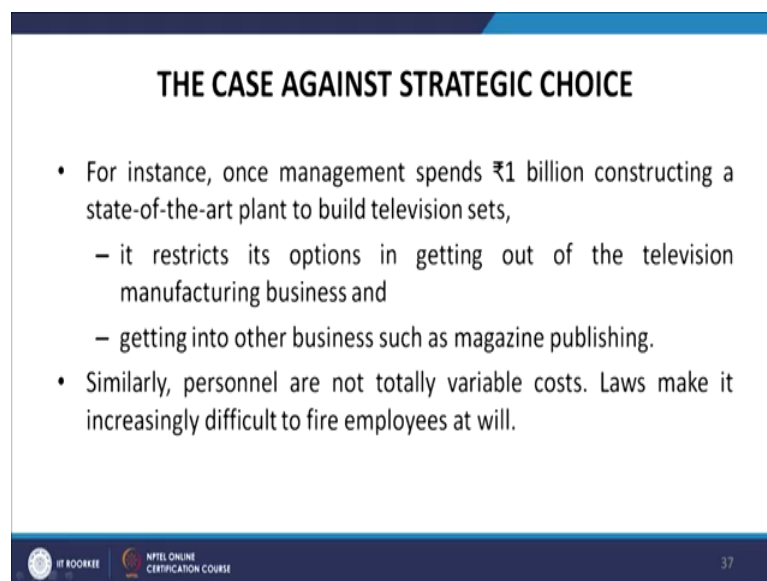
- The generalizability of the strategic-choice argument is restricted by two facts:
 - Commitments often lock an organization into a limited domain.
 - There are barriers to entry in many markets.
- Both of these forces can constrain managers from doing much with their discretionary latitude.
- Physical and human-resource commitments often lock organizations into a narrow domain for a long time.

36

Let us look at the case against a strategic choice. The generalizability of the strategic choice argument is restricted by two facts. One is commitments often lock an organization into a limited domain, and two, there are barriers to entry in many markets.

Both of these forces can constrain managers from doing much with their discretionary latitude. Physical and human-resource commitments often lock organizations into a narrow domain for a long time.

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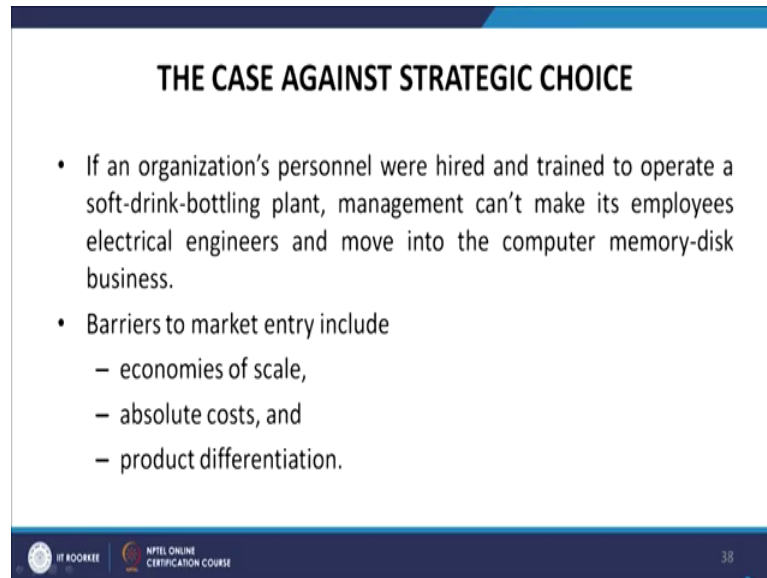
THE CASE AGAINST STRATEGIC CHOICE

- For instance, once management spends ₹1 billion constructing a state-of-the-art plant to build television sets,
 - it restricts its options in getting out of the television manufacturing business and
 - getting into other business such as magazine publishing.
- Similarly, personnel are not totally variable costs. Laws make it increasingly difficult to fire employees at will.

37

For instance, once management spends rupee 1 billion constructing a state-of-art plant to build television sets, it restricts its options in getting out of the television manufacturing business and getting into other businesses such as magazine publishing. Similarly, personnel are not totally variable cost. Laws make it increasingly difficult to fire employees at will.

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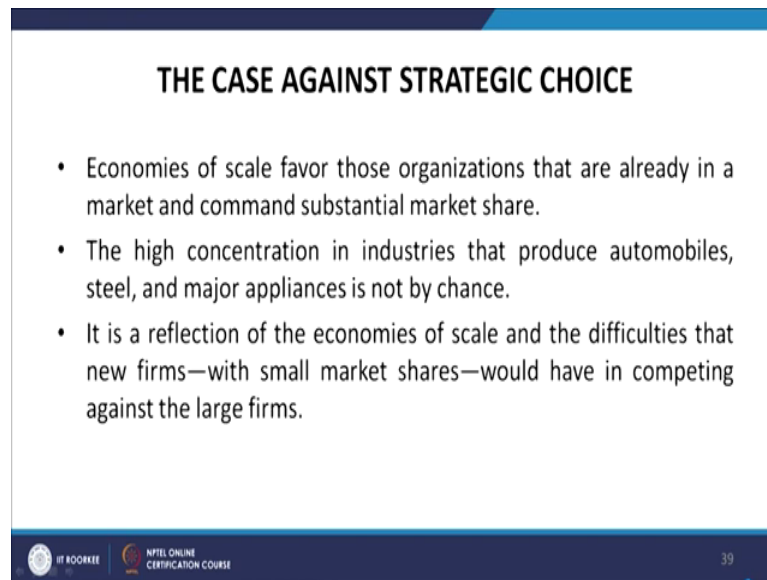
THE CASE AGAINST STRATEGIC CHOICE

- If an organization's personnel were hired and trained to operate a soft-drink-bottling plant, management can't make its employees electrical engineers and move into the computer memory-disk business.
- Barriers to market entry include
 - economies of scale,
 - absolute costs, and
 - product differentiation.

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If an organization's personnel were hired and trained to operate a soft-drink-bottling plant, management cannot make its employees electrical engineers and move into the computer memory-disk business. Barriers to market entry includes economies of scale, absolute cost, and product differentiation.

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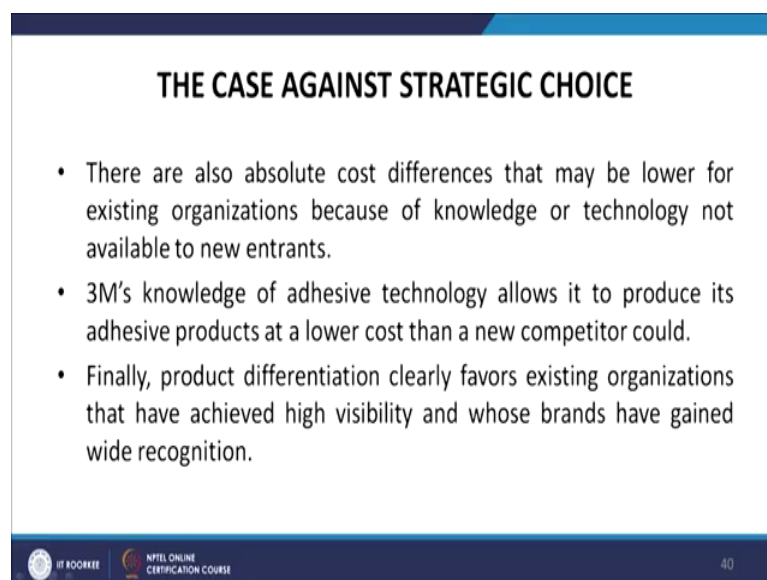
THE CASE AGAINST STRATEGIC CHOICE

- Economies of scale favor those organizations that are already in a market and command substantial market share.
- The high concentration in industries that produce automobiles, steel, and major appliances is not by chance.
- It is a reflection of the economies of scale and the difficulties that new firms—with small market shares—would have in competing against the large firms.

39

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THE CASE AGAINST STRATEGIC CHOICE

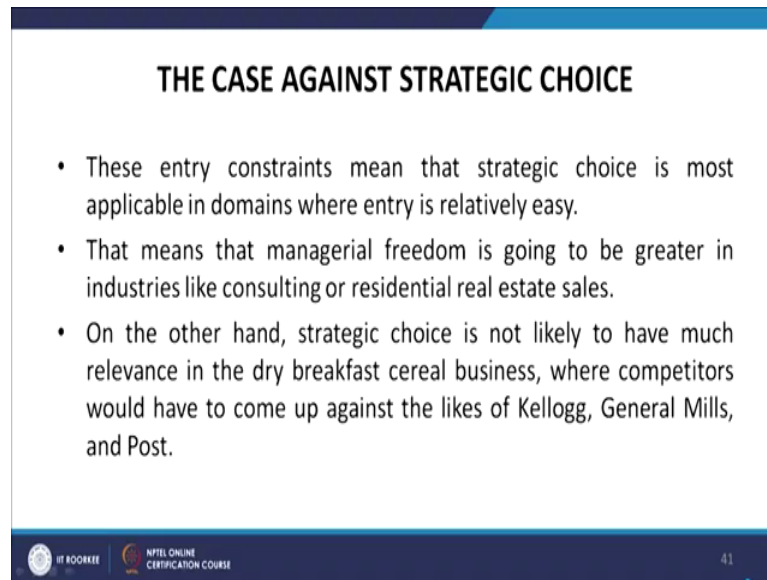
- There are also absolute cost differences that may be lower for existing organizations because of knowledge or technology not available to new entrants.
- 3M's knowledge of adhesive technology allows it to produce its adhesive products at a lower cost than a new competitor could.
- Finally, product differentiation clearly favors existing organizations that have achieved high visibility and whose brands have gained wide recognition.

40

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adhesive technology allows it to produce its adhesive products at a lower cost than a new competitor could. Finally, product differentiation clearly favors existing organizations that have achieved high visibility and whose brands have gained wide recognition.

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THE CASE AGAINST STRATEGIC CHOICE

- These entry constraints mean that strategic choice is most applicable in domains where entry is relatively easy.
- That means that managerial freedom is going to be greater in industries like consulting or residential real estate sales.
- On the other hand, strategic choice is not likely to have much relevance in the dry breakfast cereal business, where competitors would have to come up against the likes of Kellogg, General Mills, and Post.

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These entry constraints mean that a strategic choice is most applicable in domains where entry is relatively easy. This means that managerial freedom is going to be greater in industries like consulting or residential real estate sales. On the other hand, a strategic choice is not likely to have much relevance in the dry breakfast cereal business, where competitors would have to come up against the likes of Kelloggs, General Mills and Post.

Now, we will look at the strategic choice position. A strategic choice reaffirms that decision makers have a degree of discretionary latitude in choosing their strategies and market domains.

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STRATEGIC CHOICE POSITION

- Strategic choice reaffirms that decision makers have a degree of discretionary latitude in choosing their strategies and market domains.
- The critics have argued that discretion may be limited. Nevertheless, the strategic-choice position opened the door to thinking in terms of discretion to choose an organization's structure.
- Additionally, it questioned the assumption that decision makers would seek an organizational structure that would optimize organizational effectiveness.

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The critics have argued that discretion may be limited. Nevertheless, the strategic-choice position opened the door to thinking in terms of discretion to choose an organization's structure. Additionally, it questioned the assumption that decision makers would seek an organizational structure that would optimize organizational effectiveness.

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CHALLENGES TO THE CONTINGENCY PERSPECTIVE

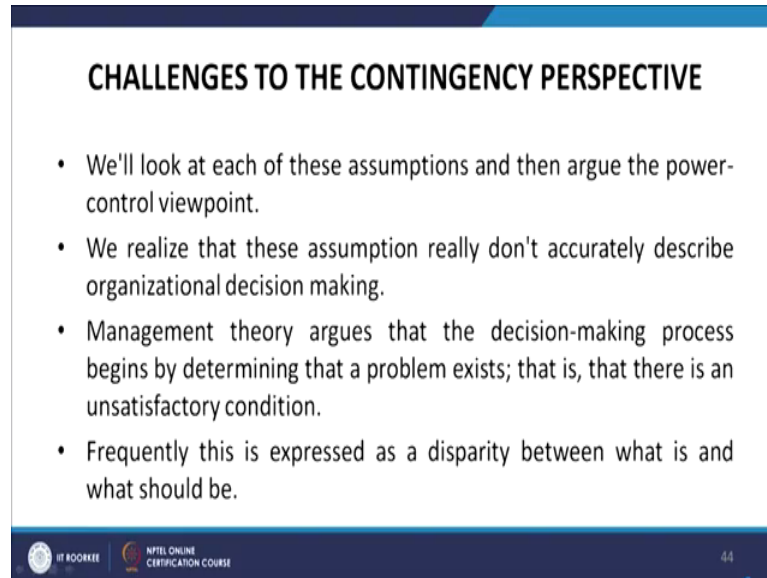
- As discussed in earlier modules, the contingency perspective states that structure will change to reflect changes in strategy, size, technology, and environment.
- This makes a number of implicit assumptions about organizational decision making such as,
 - decision makers follow the traditional decision-making process,
 - rationality,
 - top management is the dominant coalition in organization, and
 - goal consensus exists.

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Now, let us look at the challenges to the contingency perspective. As discussed in earlier modules the contingency perspective it states that structure will change to reflect changes in strategy, size, technology, and environment. This makes a number of implicit

assumptions about organizational decision making such as, 1, decision makers follow the traditional decision making process. 2, rationality. 3, top management is the dominant coalition in organizations and goal consensus exists.

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CHALLENGES TO THE CONTINGENCY PERSPECTIVE

- We'll look at each of these assumptions and then argue the power-control viewpoint.
- We realize that these assumption really don't accurately describe organizational decision making.
- Management theory argues that the decision-making process begins by determining that a problem exists; that is, that there is an unsatisfactory condition.
- Frequently this is expressed as a disparity between what is and what should be.

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CHALLENGES TO THE CONTINGENCY PERSPECTIVE

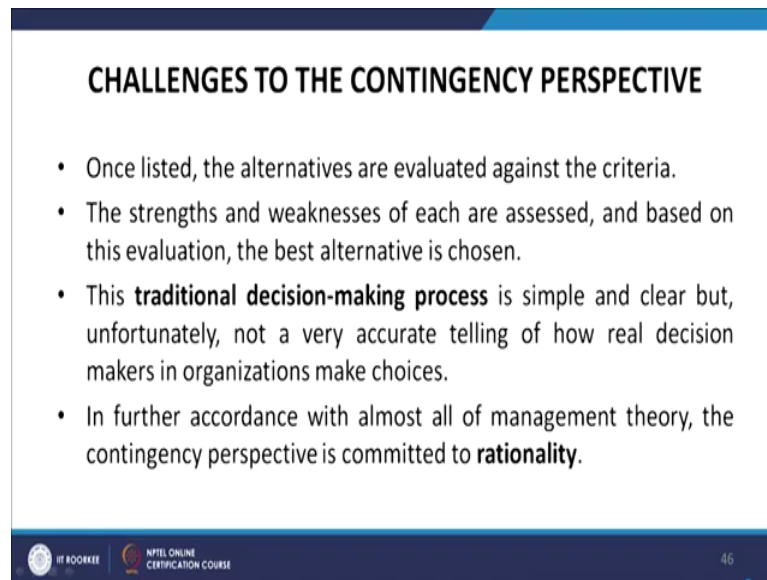
- Once the need for a decision has been determined, the decision maker identifies all the decision criteria.
- These factors are selected based on the interests of the organization.
- Then these factors are weighted to reflect their relative importance.
- After the criteria have been identified and weighted, the decision maker lists all the alternatives that might solve the problem and meet the criteria requirements.

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Once the need of a decision has been determined, the decision maker identifies all the decision criteria. These factors are selected based on the interests of the organization. Then these factors are weighted to reflect their relative importance. After the criteria have been identified and weighted, the decision maker lists all the alternatives that might solve the problem and meet the criteria requirements.

Once listed, the alternatives are evaluated against the criteria. The strengths and weaknesses of each are assessed, and based on this evaluation, the best alternative is chosen.

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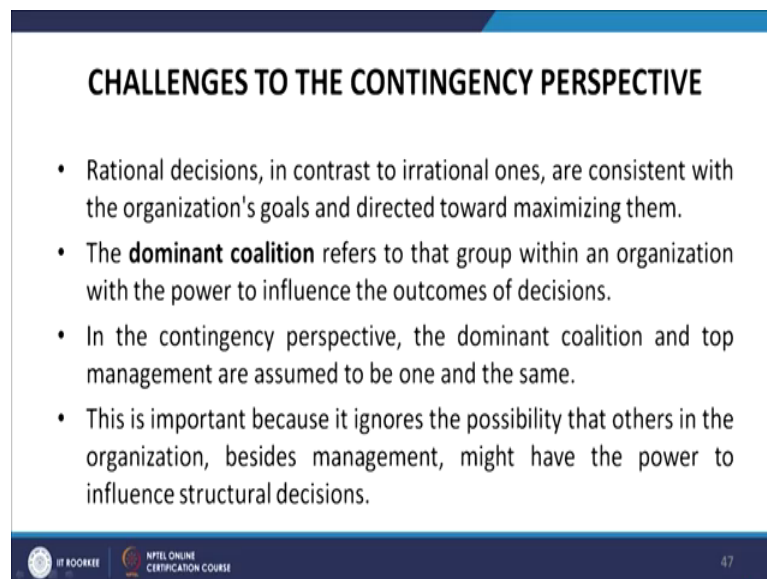
CHALLENGES TO THE CONTINGENCY PERSPECTIVE

- Once listed, the alternatives are evaluated against the criteria.
- The strengths and weaknesses of each are assessed, and based on this evaluation, the best alternative is chosen.
- This **traditional decision-making process** is simple and clear but, unfortunately, not a very accurate telling of how real decision makers in organizations make choices.
- In further accordance with almost all of management theory, the contingency perspective is committed to **rationality**.

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So, this traditional decision making process is simple and clear, but unfortunately not a very accurate telling of how real decision makers in organizations make choices. In further accordance with almost all of management theory, the contingency perspective is committed to rationality.

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CHALLENGES TO THE CONTINGENCY PERSPECTIVE

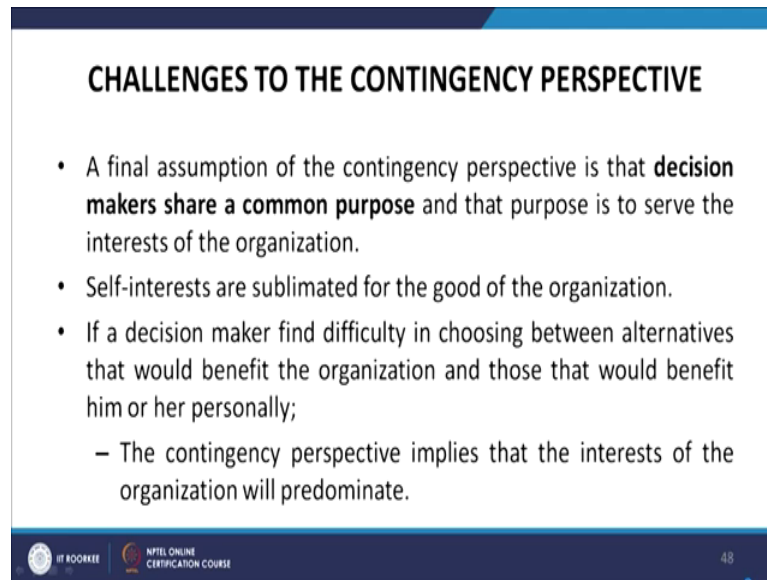
- Rational decisions, in contrast to irrational ones, are consistent with the organization's goals and directed toward maximizing them.
- The **dominant coalition** refers to that group within an organization with the power to influence the outcomes of decisions.
- In the contingency perspective, the dominant coalition and top management are assumed to be one and the same.
- This is important because it ignores the possibility that others in the organization, besides management, might have the power to influence structural decisions.

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Rational decisions, in contrast to irrational ones, are consistent with the organization's goals and directed towards maximizing them. The dominant coalition refers to that group within an organization with the power to influence the outcomes of decisions. In the

contingency perspective, the dominant coalition and top management are assumed to be one and the same. This is important because it ignores the possibility that others in the organization, besides management, might have the power to influence structural decisions.

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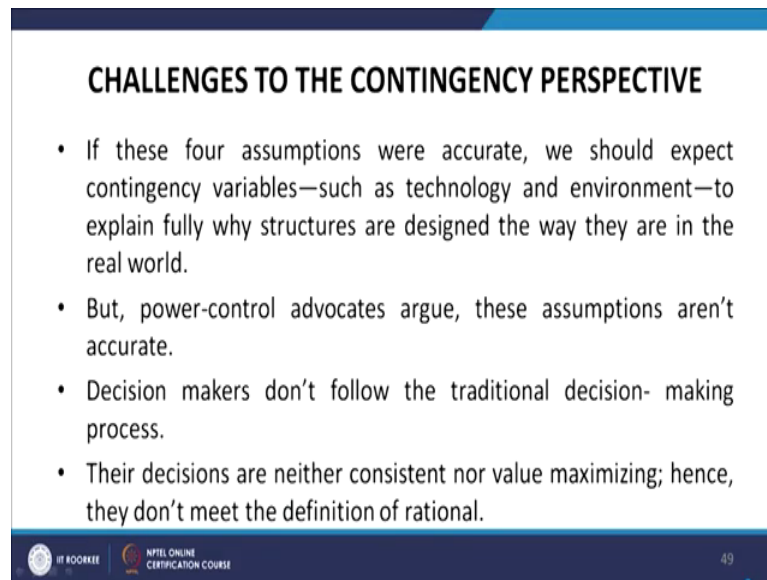
CHALLENGES TO THE CONTINGENCY PERSPECTIVE

- A final assumption of the contingency perspective is that **decision makers share a common purpose** and that purpose is to serve the interests of the organization.
- Self-interests are sublimated for the good of the organization.
- If a decision maker find difficulty in choosing between alternatives that would benefit the organization and those that would benefit him or her personally;
 - The contingency perspective implies that the interests of the organization will predominate.

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A final assumption of the contingency perspective is that decision makers share a common purpose and the purpose is to serve the interest of the organization. Self-interests are sublimated for the good of the organization. If a decision maker finds difficulty in choosing between alternatives that would benefit the organization and those that would benefit him or her personally, the contingency perspective implies that the interests of the organization will predominate.

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CHALLENGES TO THE CONTINGENCY PERSPECTIVE

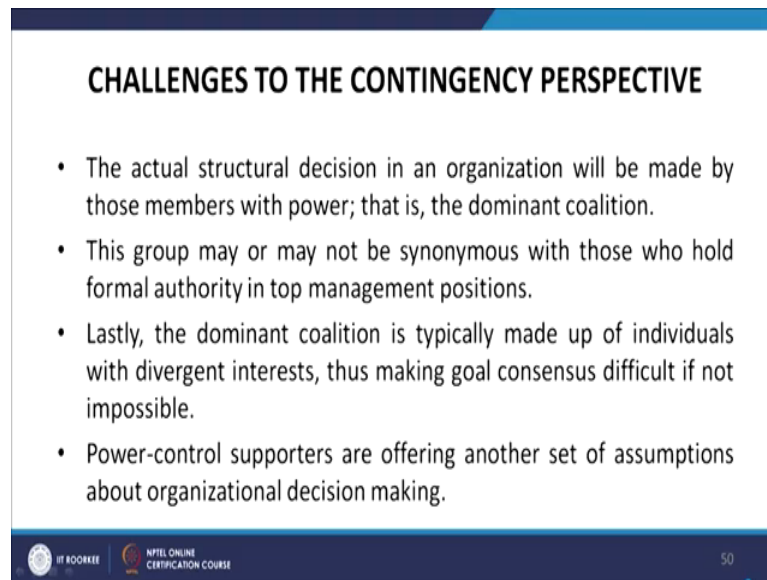
- If these four assumptions were accurate, we should expect contingency variables—such as technology and environment—to explain fully why structures are designed the way they are in the real world.
- But, power-control advocates argue, these assumptions aren't accurate.
- Decision makers don't follow the traditional decision-making process.
- Their decisions are neither consistent nor value maximizing; hence, they don't meet the definition of rational.

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If these four assumptions were accurate, we shall expect contingency variables such as technology and environment to explain fully why structures are designed the way they are in the real world. But power-control advocates argue, these assumptions are not accurate. Decision makers do not follow the traditional decision-making process. Their decisions are neither consistent nor value maximizing, hence they do not meet the definition of rational.

The actual structural decision in an organization will be made by those members with power that is the dominant coalition. This group may or may not be synonymous with those who hold formal authority in top management positions.

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CHALLENGES TO THE CONTINGENCY PERSPECTIVE

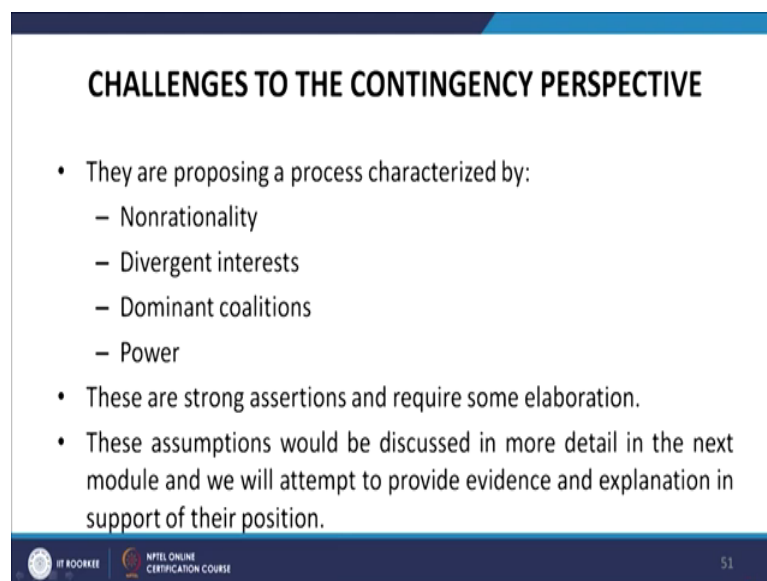
- The actual structural decision in an organization will be made by those members with power; that is, the dominant coalition.
- This group may or may not be synonymous with those who hold formal authority in top management positions.
- Lastly, the dominant coalition is typically made up of individuals with divergent interests, thus making goal consensus difficult if not impossible.
- Power-control supporters are offering another set of assumptions about organizational decision making.

50

Lastly, the dominant coalition is typically made up of individuals with divergent interests, thus making goal consensus difficult if not impossible. Power-control supporters are offering another set of assumptions about organizational decision making.

They are proposing a process characterized by non-rationality, divergent interests, dominant coalitions, and power. These are strong assertions and require some elaboration.

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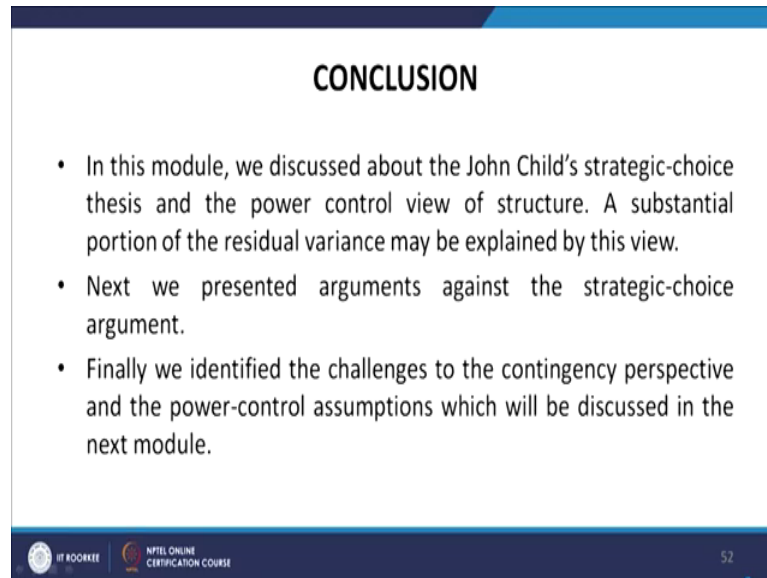
CHALLENGES TO THE CONTINGENCY PERSPECTIVE

- They are proposing a process characterized by:
 - Nonrationality
 - Divergent interests
 - Dominant coalitions
 - Power
- These are strong assertions and require some elaboration.
- These assumptions would be discussed in more detail in the next module and we will attempt to provide evidence and explanation in support of their position.

51



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CONCLUSION

- In this module, we discussed about the John Child's strategic-choice thesis and the power control view of structure. A substantial portion of the residual variance may be explained by this view.
- Next we presented arguments against the strategic-choice argument.
- Finally we identified the challenges to the contingency perspective and the power-control assumptions which will be discussed in the next module.

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52

So, to conclude, in this module, we discussed about the John Child's strategic-choice thesis and the power-control view of structure. A substantial portion of the residual variance may be explained by this view. Next we presented arguments against the a strategic choice argument. Finally, we identified the challenges to the contingency perspective and the power-control assumptions which will be discussed in the next module.

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These are the four books from which the material for this module was taken.

Thank you.