

Organization Theory/Structure and Design
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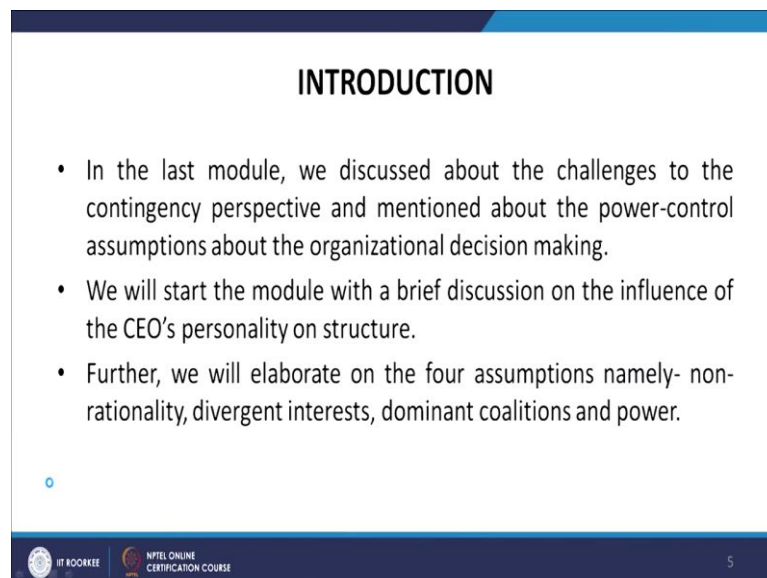
Lecture - 22
Power Control - II

Welcome to this course on Organization Theory, Structure and Design. Now, we will talk about module 22. Now, you see that we started discussing about Power Control in module 21, and in module 22 also we will continue this discussion of Power Control.

And we will describe the power-control assumptions about organizational decision making, then distinguishing between power and authority, and then we will describe how an individual or group gains power.

So, to introduce this module, in the last module, we discussed about the challenges to the contingency perspective, and mentioned about the power-control assumptions about the organizational decision making. We will start this module with a brief discussion on the influence of the CEOs personality on the structure.

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INTRODUCTION

- In the last module, we discussed about the challenges to the contingency perspective and mentioned about the power-control assumptions about the organizational decision making.
- We will start the module with a brief discussion on the influence of the CEO's personality on structure.
- Further, we will elaborate on the four assumptions namely- non-rationality, divergent interests, dominant coalitions and power.

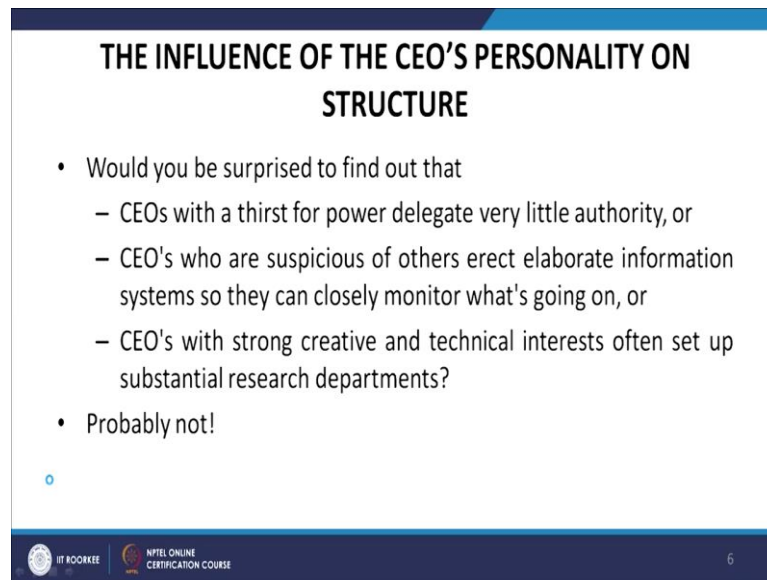
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Further, we will elaborate on the four assumptions namely non-rationality, divergent interests, dominant coalitions and power. So, now let us look at the influence of the chief executive officer's personality on structure.

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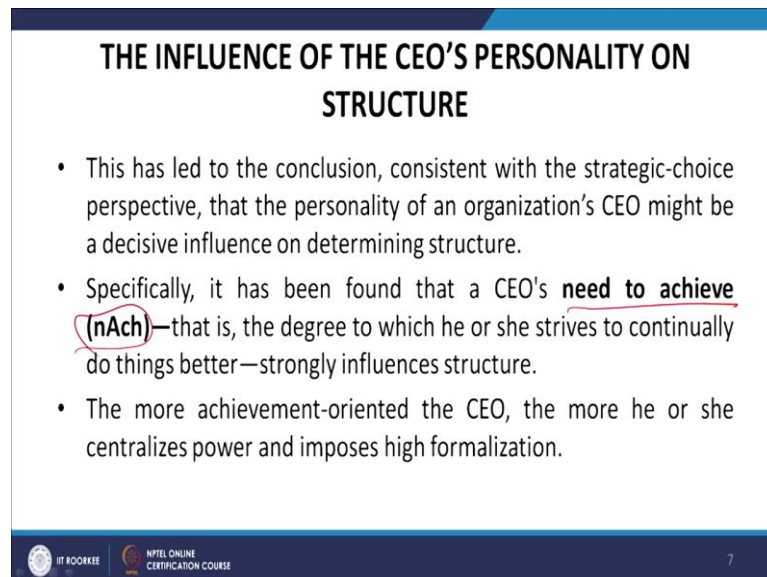
THE INFLUENCE OF THE CEO'S PERSONALITY ON STRUCTURE

- Would you be surprised to find out that
 - CEOs with a thirst for power delegate very little authority, or
 - CEO's who are suspicious of others erect elaborate information systems so they can closely monitor what's going on, or
 - CEO's with strong creative and technical interests often set up substantial research departments?
- Probably not!

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Would you be surprised to find out that, CEOs with a thirst for power delegate very little authority, or CEOs who are suspicious of others erect elaborate information systems, so that they can closely monitor what is going on or CEOs with strong creative and technical interests often set up substantial research departments? Probably not!

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THE INFLUENCE OF THE CEO'S PERSONALITY ON STRUCTURE

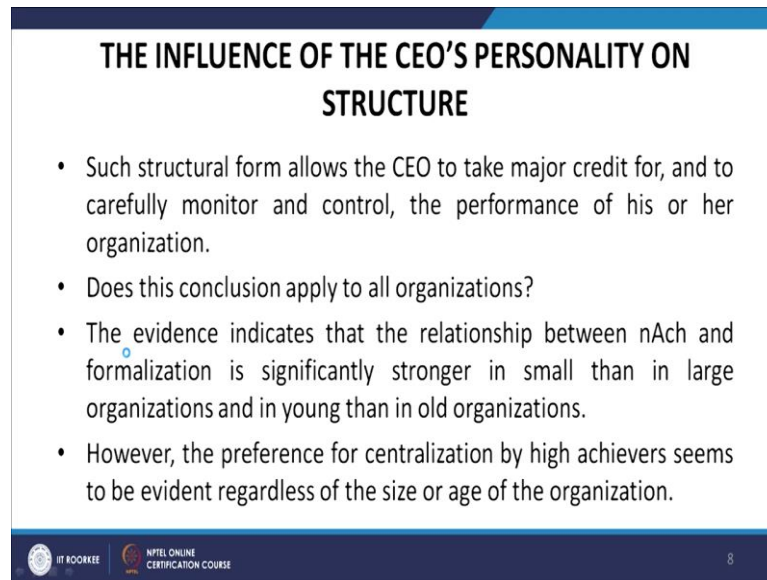
- This has led to the conclusion, consistent with the strategic-choice perspective, that the personality of an organization's CEO might be a decisive influence on determining structure.
- Specifically, it has been found that a CEO's need to achieve (nAch)—that is, the degree to which he or she strives to continually do things better—strongly influences structure.
- The more achievement-oriented the CEO, the more he or she centralizes power and imposes high formalization.

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to which he or she strives to continually do things better- strongly influence structure. The more achievement oriented the CEO, the more he or she centralizes power and imposes high formalization.

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THE INFLUENCE OF THE CEO'S PERSONALITY ON STRUCTURE

- Such structural form allows the CEO to take major credit for, and to carefully monitor and control, the performance of his or her organization.
- Does this conclusion apply to all organizations?
- The evidence indicates that the relationship between nAch and formalization is significantly stronger in small than in large organizations and in young than in old organizations.
- However, the preference for centralization by high achievers seems to be evident regardless of the size or age of the organization.

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Such structural form allows the CEO to take major credit for, and to carefully monitor and control, the performance of his or her organization. Does this conclusion apply to all organizations?

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POWER CONTROL ASSUMPTIONS
NON-RATIONALITY

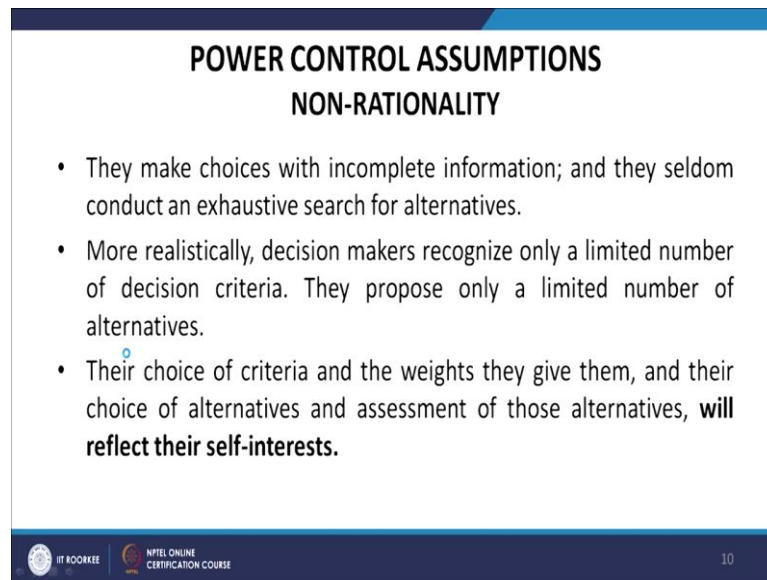
- Two separate arguments can be made against rational decision making in organizations.
 - First, individual decision makers aren't able to be totally rational.
 - Second, even if individuals could be rational, organizations can't.
- Decision makers are human beings and thus, prone to human weaknesses.
 - They seldom have a consistent ordering of goals.
 - They do not always pursue systematically the goals they hold.

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Now, let us look at those power control assumptions, the first of which is non-rationality. Two separate arguments can be made against rational decision making in organizations. First, individual decision makers are not able to be totally rational. Second, even if individuals could be rational, organizations cannot.

Decision makers are human beings and thus, prone to human weaknesses. They seldom have a consistent ordering of goals. They do not always pursue systematically the goals they hold. They make choices with incomplete information; and they seldom conduct an exhaustive search for alternatives. More realistically, decision makers recognize only a limited number of decision criteria. They propose only a limited number of alternatives.

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POWER CONTROL ASSUMPTIONS

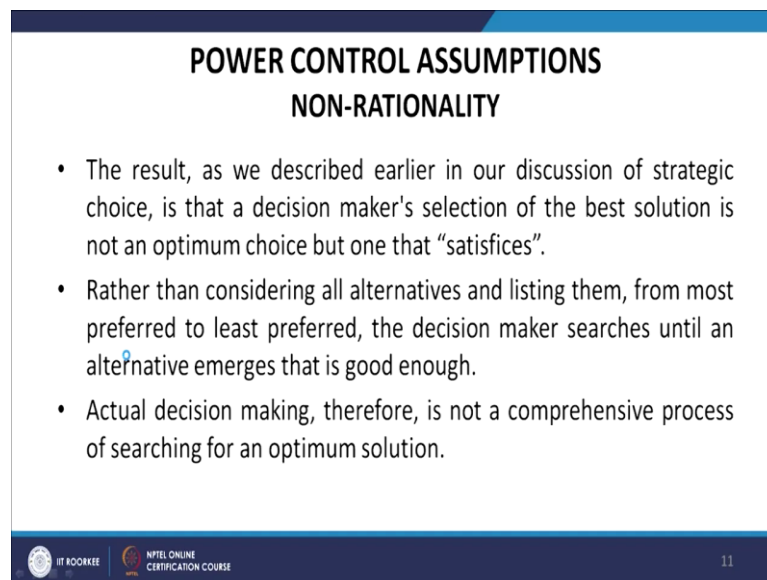
NON-RATIONALITY

- They make choices with incomplete information; and they seldom conduct an exhaustive search for alternatives.
- More realistically, decision makers recognize only a limited number of decision criteria. They propose only a limited number of alternatives.
- Their choice of criteria and the weights they give them, and their choice of alternatives and assessment of those alternatives, **will reflect their self-interests.**

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Their choice of criteria and the weights they give them, and their choice of alternatives and assessments of these alternatives, will reflect their self-interest.

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POWER CONTROL ASSUMPTIONS

NON-RATIONALITY

- The result, as we described earlier in our discussion of strategic choice, is that a decision maker's selection of the best solution is not an optimum choice but one that "satisfices".
- Rather than considering all alternatives and listing them, from most preferred to least preferred, the decision maker searches until an alternative emerges that is good enough.
- Actual decision making, therefore, is not a comprehensive process of searching for an optimum solution.

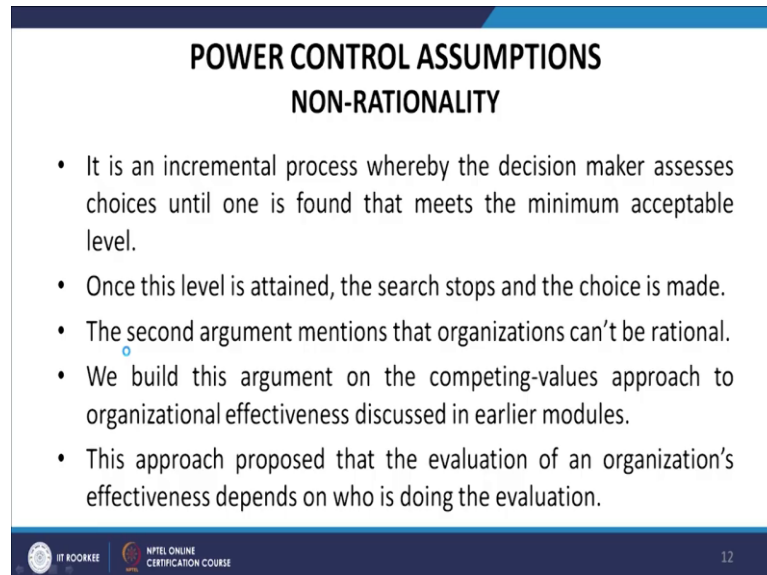
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The result, as we described earlier in our discussion of strategic choice, is that a decision maker's selection of the best solution is not an optimum choice, but one that is satisfactory and sufficient.

Rather than considering all alternatives and listing them, for most preferred to least preferred, the decision maker searches until an alternative emerges that is good enough.

Actual decision making, therefore, is not a comprehensive process or searching for an optimum solution.

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POWER CONTROL ASSUMPTIONS
NON-RATIONALITY

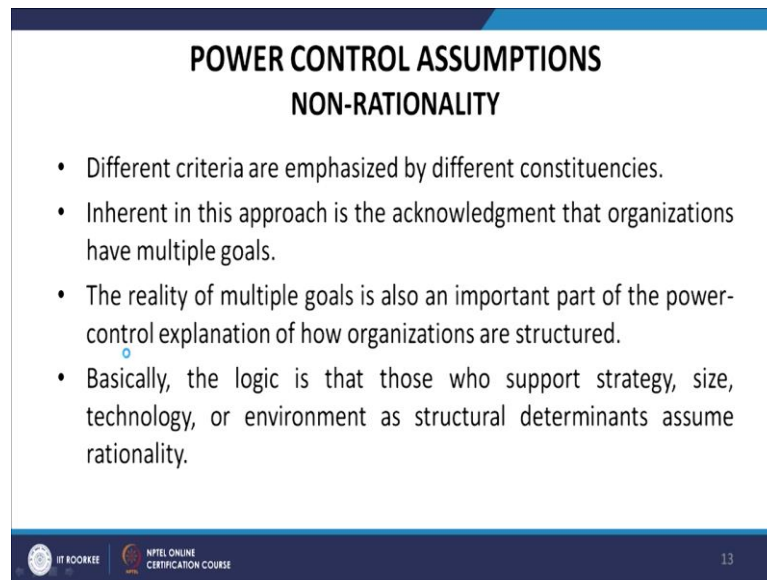
- It is an incremental process whereby the decision maker assesses choices until one is found that meets the minimum acceptable level.
- Once this level is attained, the search stops and the choice is made.
- The second argument mentions that organizations can't be rational.
- We build this argument on the competing-values approach to organizational effectiveness discussed in earlier modules.
- This approach proposed that the evaluation of an organization's effectiveness depends on who is doing the evaluation.

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It is an incremental process whereby the decision maker assesses choices until one is found that meets the minimum acceptable levels. Once this level is attained, the search stops and the choice is made. The second argument mentions that organizations cannot be rational.

We build this argument on the competing-values approach to organizational effectiveness discussed in the earlier modules. This approach proposed that the evaluation of an organization's effectiveness depends on who is doing the evaluation.

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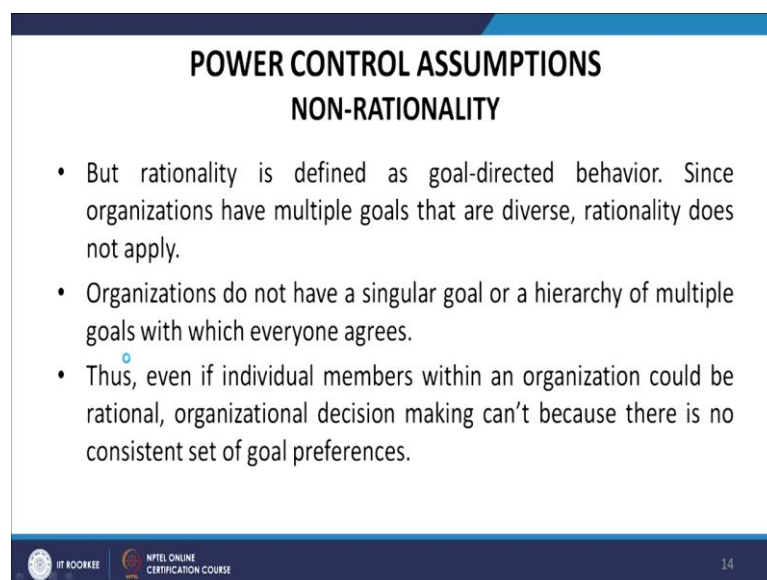
POWER CONTROL ASSUMPTIONS
NON-RATIONALITY

- Different criteria are emphasized by different constituencies.
- Inherent in this approach is the acknowledgment that organizations have multiple goals.
- The reality of multiple goals is also an important part of the power-control explanation of how organizations are structured.
- Basically, the logic is that those who support strategy, size, technology, or environment as structural determinants assume rationality.

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Different criteria are emphasized by different constituencies. Inherent in this approach is the acknowledgement that organizations have multiple goals. The reality of multiple goals is also an important part of the power-control explanation of how organizations are structured. Basically, the logic is that those who support strategy, size, technology, or environment as structural determinants assume rationality.

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POWER CONTROL ASSUMPTIONS
NON-RATIONALITY

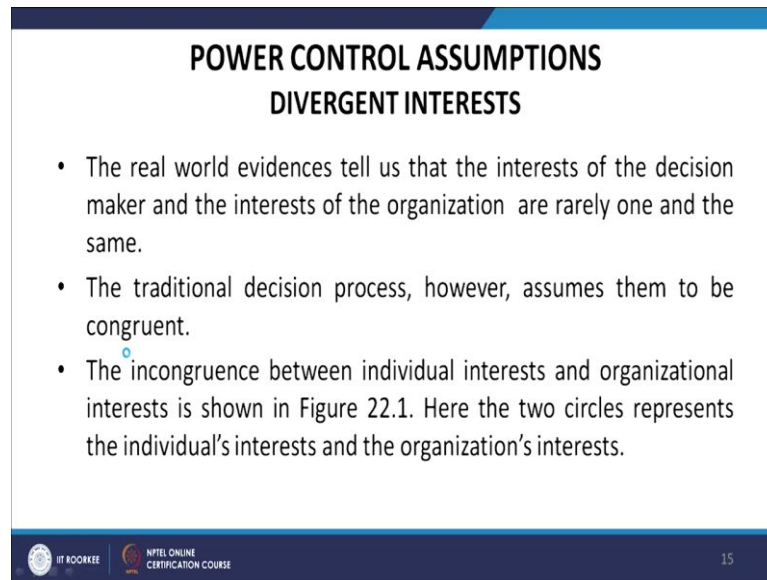
- But rationality is defined as goal-directed behavior. Since organizations have multiple goals that are diverse, rationality does not apply.
- Organizations do not have a singular goal or a hierarchy of multiple goals with which everyone agrees.
- Thus, even if individual members within an organization could be rational, organizational decision making can't because there is no consistent set of goal preferences.

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But rationality is defined as goal-directed behavior. Since organizations have multiple goals that are diverse, rationality does not apply. Organizations do not have a singular

goal or a hierarchy of multiple goals with which everyone agrees. Thus, even if individual members within an organization could be rational, organizational decision making cannot, because there is no consistent set of goal preferences.

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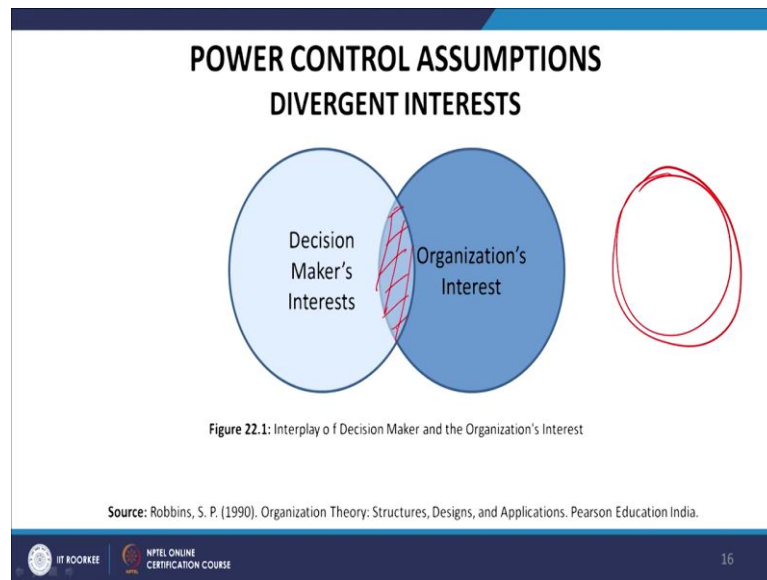
POWER CONTROL ASSUMPTIONS
DIVERGENT INTERESTS

- The real world evidences tell us that the interests of the decision maker and the interests of the organization are rarely one and the same.
- The traditional decision process, however, assumes them to be congruent.
- The incongruence between individual interests and organizational interests is shown in Figure 22.1. Here the two circles represents the individual's interests and the organization's interests.

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Another assumption is of divergent interests. The real-world evidences tell us that the interest of the decision makers and the interests of the organizations are rarely one and the same. The traditional decision process, however, assumes them to be congruent. The incongruence between individual interests and organizational interests is shown in figure 22.1. Here the two circles represent the individual's interest and the organization's interests.

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Now, this is figure 22.1 and it shows the interplay of decision makers and the organization's interest. So, on the left-hand side the light blue one is the decision maker's interests and on the right hand side it is the organization's interest, and this is how they interplay.

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- POWER CONTROL ASSUMPTIONS**
DIVERGENT INTERESTS
- Although it would be highly desirable, in terms of organizational effectiveness, for the two circles to align perfectly, but that is more likely to be an exception rather than the rule.
 - Since decision makers act in their self-interests, their choices will reflect only the criteria and preferences compatible with the shaded area.
 - That is, at no time would a decision maker be likely to sublimate his or her own interests to those of the organization.
- The footer includes logos for IIT ROORKEE and NPTEL ONLINE CERTIFICATION COURSE, and the page number 17.

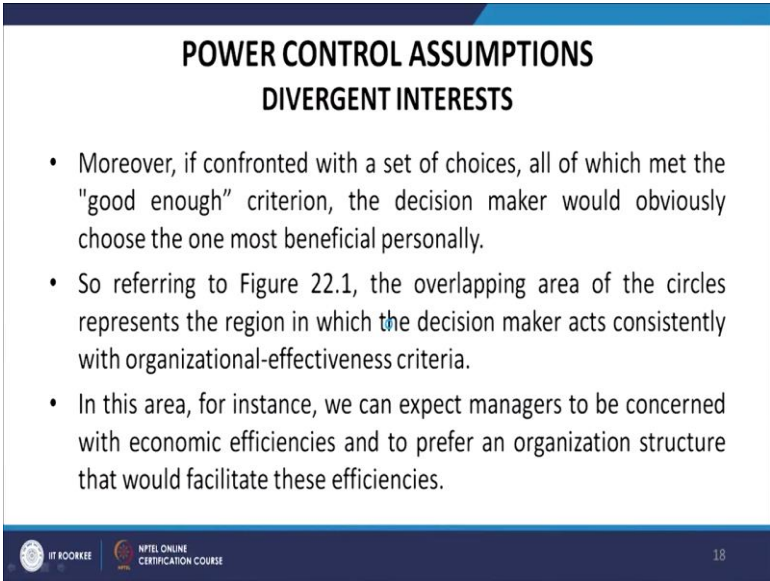
Although it would be highly desirable, in terms of organizational effectiveness, for the two circles to align perfectly, but that is more likely to be an exception rather than the rule. So, our assumption was that both of them will coincide. But it does not happen, and

you see that only a certain portion of the interest of these two, the decision maker and the organization, they overlap.

So, both these entities they pursue their different interests and only part of those interests they are overlapping. Therefore, although it would be highly desirable in terms of an organizational effectiveness for the two circles to align perfectly, but that is more likely to be an exception rather than the rule.

Since decision makers act in their self-interests, their choices will reflect only the criteria and preferences compatible with the shaded area. That is, at no time would a decision maker be likely to sublimate his or her own interest to those of the organization. Moreover, if confronted with a set of choices, all of which meet the “good enough” criterion, the decision maker would; obviously, choose the one most beneficial personally.

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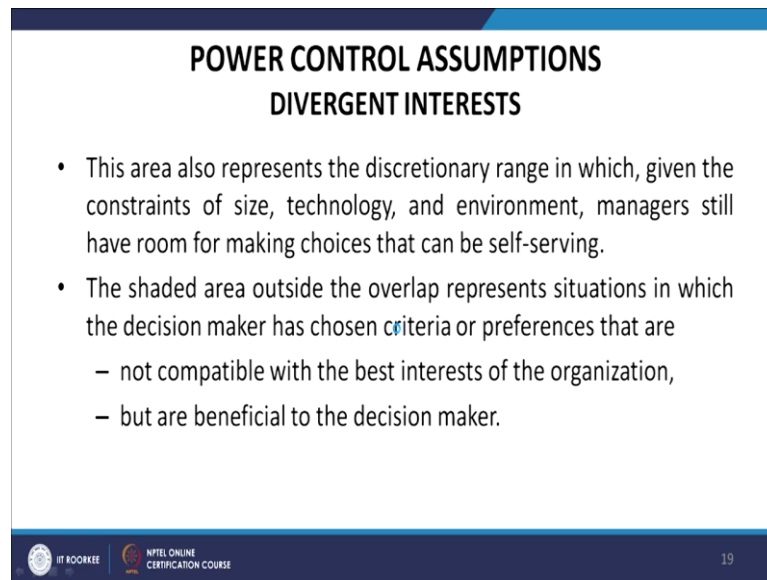
POWER CONTROL ASSUMPTIONS
DIVERGENT INTERESTS

- Moreover, if confronted with a set of choices, all of which met the "good enough" criterion, the decision maker would obviously choose the one most beneficial personally.
- So referring to Figure 22.1, the overlapping area of the circles represents the region in which the decision maker acts consistently with organizational-effectiveness criteria.
- In this area, for instance, we can expect managers to be concerned with economic efficiencies and to prefer an organization structure that would facilitate these efficiencies.

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So, referring to figure 22.1, the overlapping area or the circles represents the region in which the decision makers act consistently with organizational-effectiveness criteria. In this area, for instance, we can expect managers to be concerned with economic efficiencies and to prefer an organizational structure that would facilitate these efficiencies.

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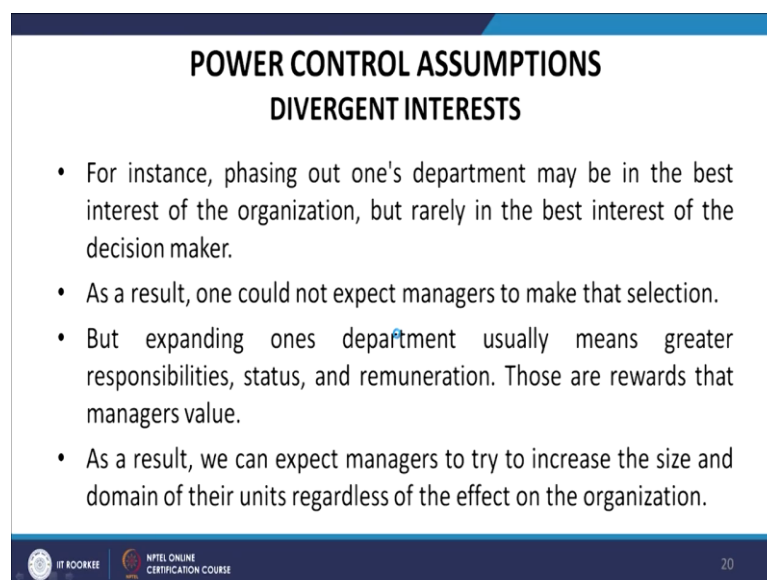
POWER CONTROL ASSUMPTIONS
DIVERGENT INTERESTS

- This area also represents the discretionary range in which, given the constraints of size, technology, and environment, managers still have room for making choices that can be self-serving.
- The shaded area outside the overlap represents situations in which the decision maker has chosen criteria or preferences that are
 - not compatible with the best interests of the organization,
 - but are beneficial to the decision maker.

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POWER CONTROL ASSUMPTIONS
DIVERGENT INTERESTS

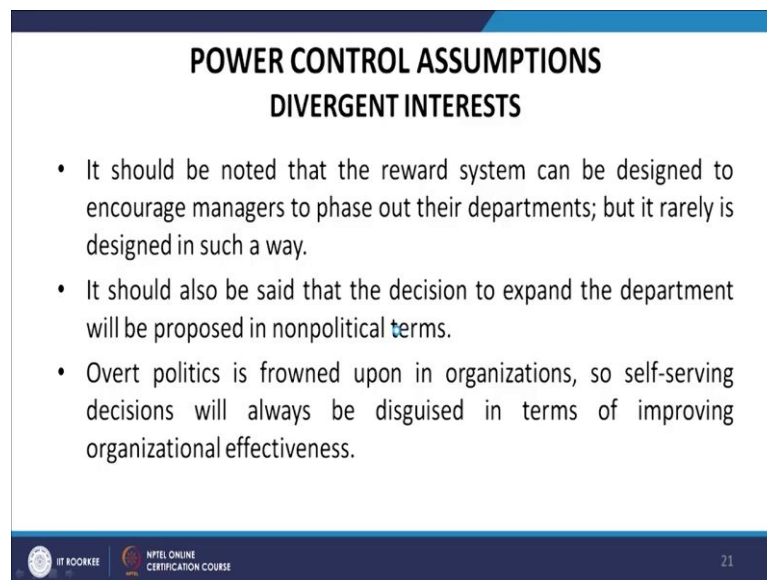
- For instance, phasing out one's department may be in the best interest of the organization, but rarely in the best interest of the decision maker.
- As a result, one could not expect managers to make that selection.
- But expanding ones department usually means greater responsibilities, status, and remuneration. Those are rewards that managers value.
- As a result, we can expect managers to try to increase the size and domain of their units regardless of the effect on the organization.

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For instance, phasing out one's department may be in the best interest of the organization, but rarely in the best interest of the decision maker. As a result, one could

not expect managers to make that selection. But expanding one's department usually means greater responsibilities, status, and remuneration. These are rewards that managers value. As a result, we can expect managers to try to increase the size and domain of their units regardless of the effects on the organization.

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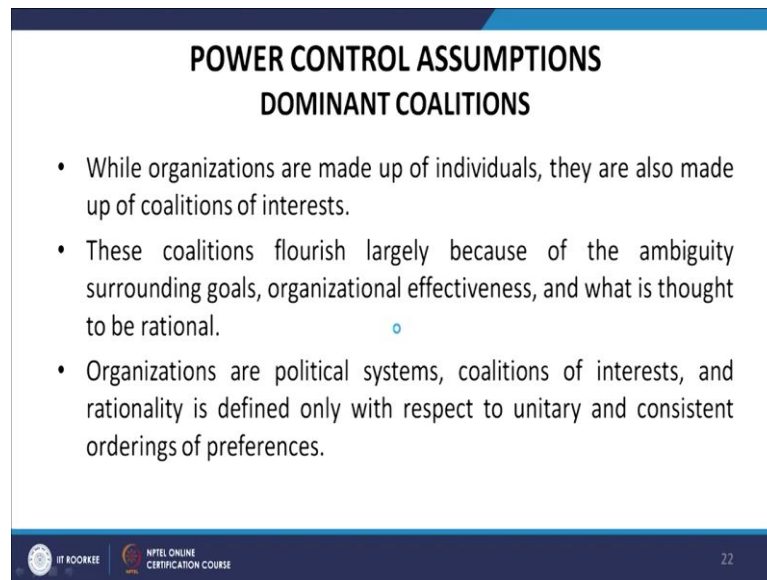
POWER CONTROL ASSUMPTIONS
DIVERGENT INTERESTS

- It should be noted that the reward system can be designed to encourage managers to phase out their departments; but it rarely is designed in such a way.
- It should also be said that the decision to expand the department will be proposed in nonpolitical terms.
- Overt politics is frowned upon in organizations, so self-serving decisions will always be disguised in terms of improving organizational effectiveness.

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It should be noted here that the reward system can be designed to encourage managers to phase out their departments, but it rarely is designed in such a way. It should also be said that the decisions to expand the department will be proposed in non-political terms. Overt politics is frowned upon in the organizations, so self-serving decisions will always be disguised in terms of improving organizational effectiveness.

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POWER CONTROL ASSUMPTIONS

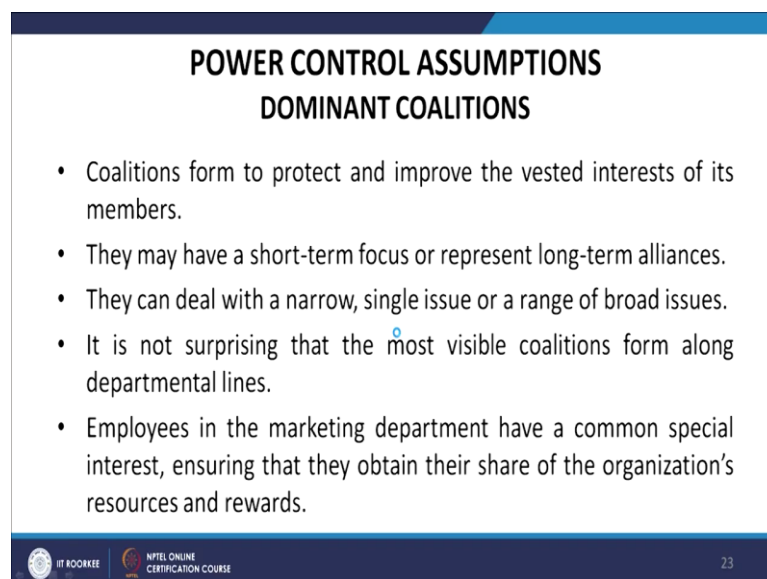
DOMINANT COALITIONS

- While organizations are made up of individuals, they are also made up of coalitions of interests.
- These coalitions flourish largely because of the ambiguity surrounding goals, organizational effectiveness, and what is thought to be rational.
- Organizations are political systems, coalitions of interests, and rationality is defined only with respect to unitary and consistent orderings of preferences.

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The next assumption talk about is dominant coalitions. While organizations are made up of individuals, they are also made up of coalitions of interests. These coalitions flourish largely because of the ambiguity surrounding goals, organizational effectiveness, and what is thought to be rational. Organizations are political systems, coalition of interests, and rationality is defined only with respect to unitary and consistent ordering of preferences.

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POWER CONTROL ASSUMPTIONS

DOMINANT COALITIONS

- Coalitions form to protect and improve the vested interests of its members.
- They may have a short-term focus or represent long-term alliances.
- They can deal with a narrow, single issue or a range of broad issues.
- It is not surprising that the most visible coalitions form along departmental lines.
- Employees in the marketing department have a common special interest, ensuring that they obtain their share of the organization's resources and rewards.

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Coalition forms to protect and improve the vested interests of its members. They may have a short-term focus or represent long-term alliances. They may deal with a narrow, single issue or a range of broad issues. It is not surprising that the most visible coalitions form along departmental lines. Employees in the marketing department have common special interest, ensuring that they obtain their share of the organization's resources and rewards.

Similarly, accounting, finance, purchasing and every other department will have their own coalitions. However, coalitions are not limited to horizontally differentiated units alone. Plant managers will have their coalitions as well different levels of middle managers and even the top management carder. The dominant coalition is the one that has the power to affect structure.

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POWER CONTROL ASSUMPTIONS
DOMINANT COALITIONS

- In a small company, the power coalition and the owners are typically one and the same. In large organizations, top management usually dominates.
- Any coalition that can control the resources on which the organization depends can become dominant.
- A group with **critical information, expertise, or any other resource** that is **essential to the organization's operation** can acquire the power to influence the outcome of structural decisions and thus become the dominant coalition.

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In a small company, the power coalition and the owners are typically one and the same. In large organizations, top management usually dominates. Any coalitions that can control the resources on which the organization depends can become dominant.

Any group with critical information, expertise, or any other resource that is essential to the organization's operation can acquire the power to influence the outcome of structural decisions and thus become the dominant coalition.

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POWER CONTROL ASSUMPTIONS

POWER

- The existence of divergent interests and dominant coalitions leads naturally to the discussion of the role of power in organizations.
- There is rarely agreement among organizational members on preference outcomes, and thus, coalitions wrestle in a power struggle.
- The power of the various coalitions determines the final outcome of the decision process.
- This power struggle comes because there is dissension concerning preferences or in the definition of the situation.

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The next type of assumption is power. The existence of divergent interests and dominant coalitions leads naturally to the discussion of the role of power in organizations. There is rarely agreement among organizational members on preference outcomes, and thus, coalitions wrestle in the power struggle.

The power of the various coalitions determines the final outcome of the decision process. This power struggle comes because there is dissension concerning preferences or in the definition of the situation.

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POWER

DIFFERENCE BETWEEN AUTHORITY AND POWER

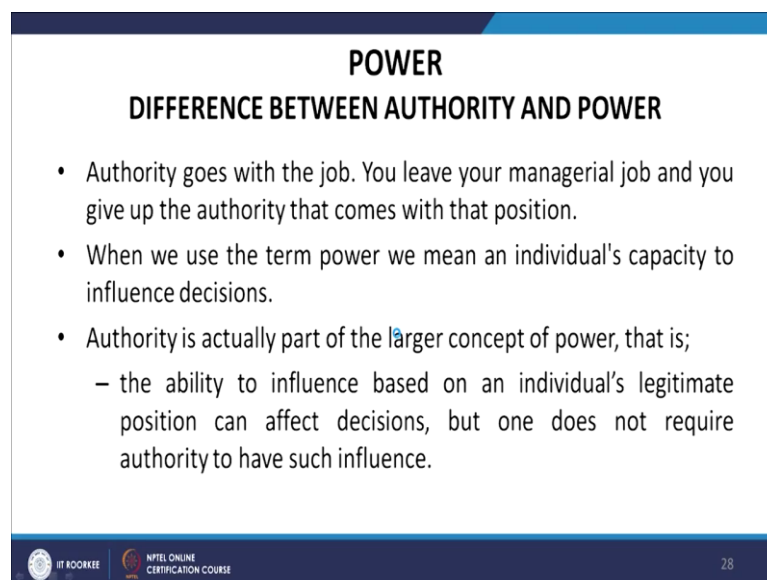
- Power and authority are frequently used synonymously and confused by students of management and organization theory.
- The differences between them are important because they differentiate the **power-control perspective** from that of **strategic choice**.
- We had earlier defined authority as the right to act, or command others to act, toward the attainment of organizational goals.
- Its unique characteristic was that this right had legitimacy based on the authority figure's position in the organization.

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Now, let us look at difference between authority and power. Power and authority are frequently used synonymously and confused by students of management and organization theory.

The differences between them are important because they differentiate the power-control perspective from the strategic choice. We had earlier defined authority as the right to act, or command others to act towards the attainment of organizational goals. Its unique characteristic was that this right had legitimacy based on the authority figure's position in the organization.

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POWER

DIFFERENCE BETWEEN AUTHORITY AND POWER

- Authority goes with the job. You leave your managerial job and you give up the authority that comes with that position.
- When we use the term power we mean an individual's capacity to influence decisions.
- Authority is actually part of the larger concept of power, that is;
 - the ability to influence based on an individual's legitimate position can affect decisions, but one does not require authority to have such influence.

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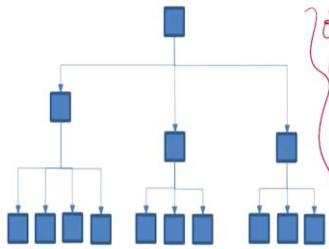
Authority goes with the job. You leave your managerial job and you give up the authority that comes with that position. When we use the term power we mean the individual's capacity to influence decisions. Authority is actually part of the larger concept of power, that is, the ability to influence based on an individual's legitimate position. It can affect decisions, but one does not require authority to have such influence.

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POWER

DIFFERENCE BETWEEN AUTHORITY AND POWER

- Figure 22.2(a) and 22.2(b) depicts the difference between authority and power.
- The two-dimensional hierarchical arrangement of boxes in Figure 22.2(a) indicates that
 - there are levels in an organization and
 - the rights to make decisions increase as one moves up the hierarchy.
- Power, on the other hand, is conceptualized best as a three dimensional cone.


Figure 22.2(a): Authority

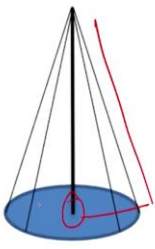

Figure 22.2(b): Power

Figure 22.2: Authority versus Power

Source: Robbins, S. P. (1990). Organization Theory: Structures, Designs, and Applications. Pearson Education India.

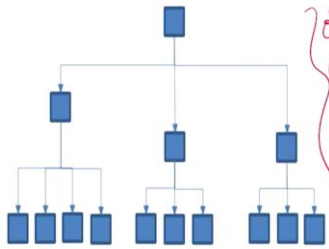
Figure 22.2 a and 22.2 b, depict the difference between authority and power. The two-dimensional hierarchical arrangement of boxes and figure 22.2 a indicates that there are levels in an organization and the rights to make decisions increase as one moves up the hierarchy. Power on the other hand, is conceptualized best as a three-dimensional cone.

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POWER

DIFFERENCE BETWEEN AUTHORITY AND POWER

Org Chart


Figure 22.2(a): Authority

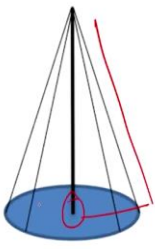
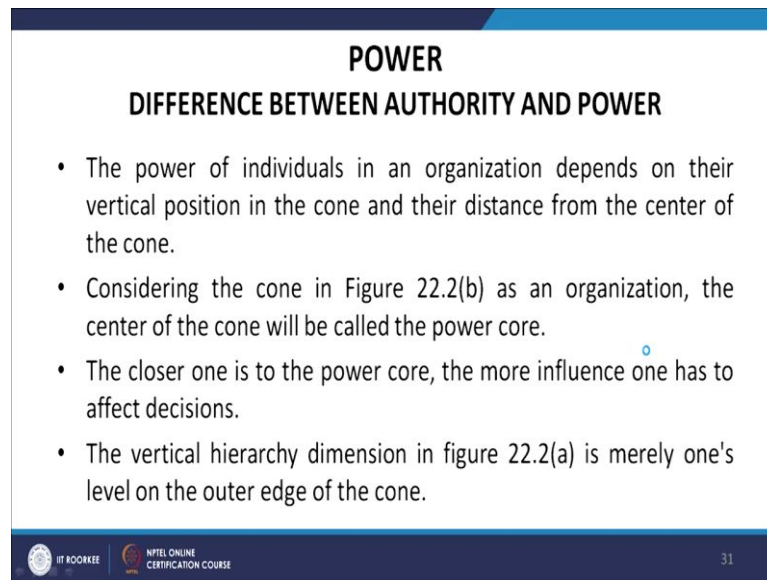

Figure 22.2(b): Power

Figure 22.2: Authority versus Power

Source: Robbins, S. P. (1990). Organization Theory: Structures, Designs, and Applications. Pearson Education India.

So, this is power, this is a three-dimensional cone, this is figure 22.2 b and this is authority. So, this may look as an organizational chart, but this is, how this authority moves.

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POWER

DIFFERENCE BETWEEN AUTHORITY AND POWER

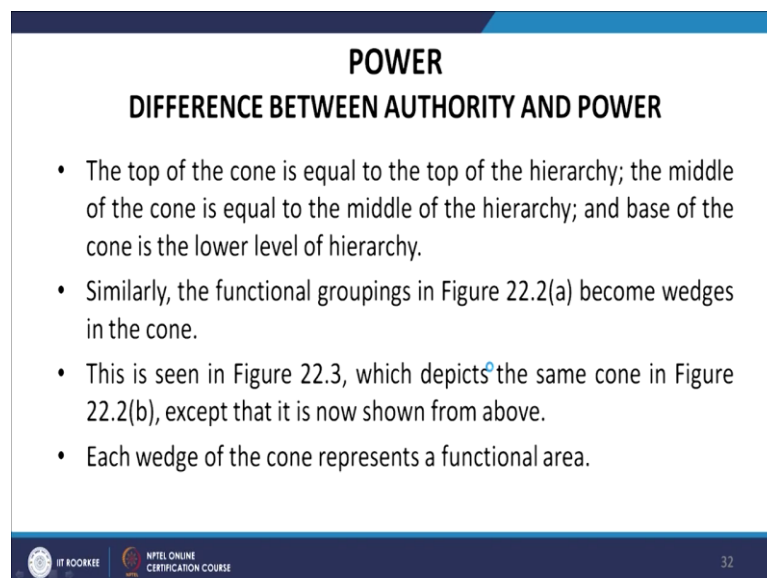
- The power of individuals in an organization depends on their vertical position in the cone and their distance from the center of the cone.
- Considering the cone in Figure 22.2(b) as an organization, the center of the cone will be called the power core.
- The closer one is to the power core, the more influence one has to affect decisions.
- The vertical hierarchy dimension in figure 22.2(a) is merely one's level on the outer edge of the cone.

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The power of individuals in an organization depends on their vertical position in the cone and their distance from the center of this cone, the vertical position and the distance from the center. Considering the cone in figure 22.2 b as an organization, the center of the cone will be called the power core. So, this is the power core, this center.

The closer one is to the power core, the more influence one has to affect decisions. The vertical hierarchy dimension in figure 22.2 a is merely one's level on the outer edge of the cone.

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POWER

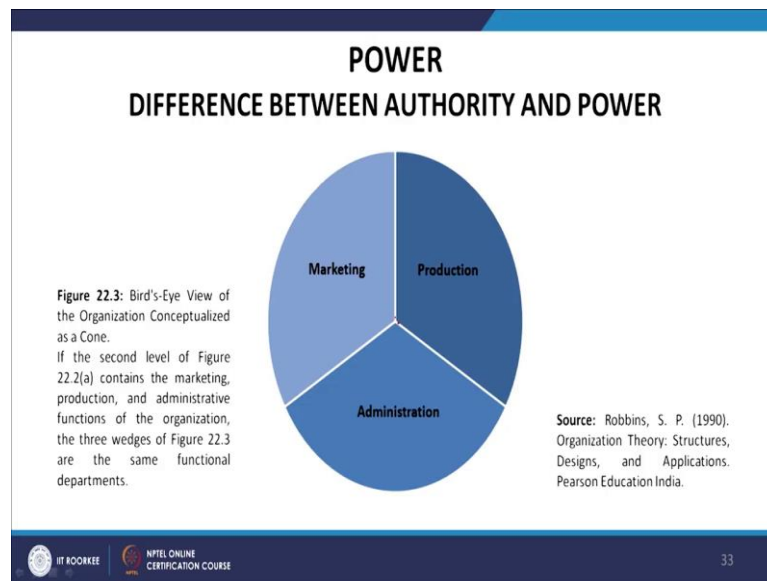
DIFFERENCE BETWEEN AUTHORITY AND POWER

- The top of the cone is equal to the top of the hierarchy; the middle of the cone is equal to the middle of the hierarchy; and base of the cone is the lower level of hierarchy.
- Similarly, the functional groupings in Figure 22.2(a) become wedges in the cone.
- This is seen in Figure 22.3, which depicts the same cone in Figure 22.2(b), except that it is now shown from above.
- Each wedge of the cone represents a functional area.

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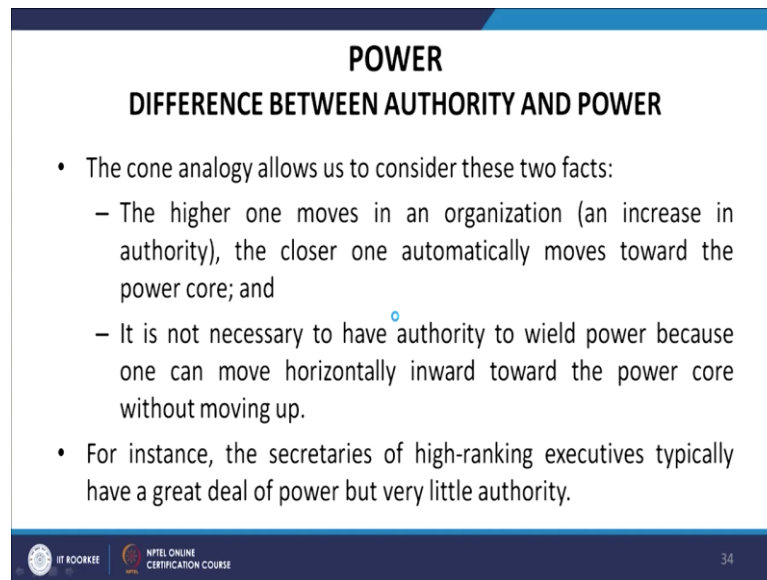
The top of the cone is equal to the top of the hierarchy; the middle of the cone is equal to the middle of the hierarchy; and the base of the cone is the lower level of hierarchy. Similarly, the functional groupings in figure 22.2 a becomes wedges in the cone. This is scene in figure 22.3, which depicts the same cone in figure 22.2 b, except that it is now shown from above. Each wedge on the cone represents a functional area.

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So, this is the bird's-eye view of the organization conceptualized as a cone. If the second level of figure 22.2 a, contains the marketing, production, and administrative functions of the organization, the three wedges or the figure 22. 3 are the same functional departments. So, this is the figure from the top and then there may be a center.

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POWER

DIFFERENCE BETWEEN AUTHORITY AND POWER

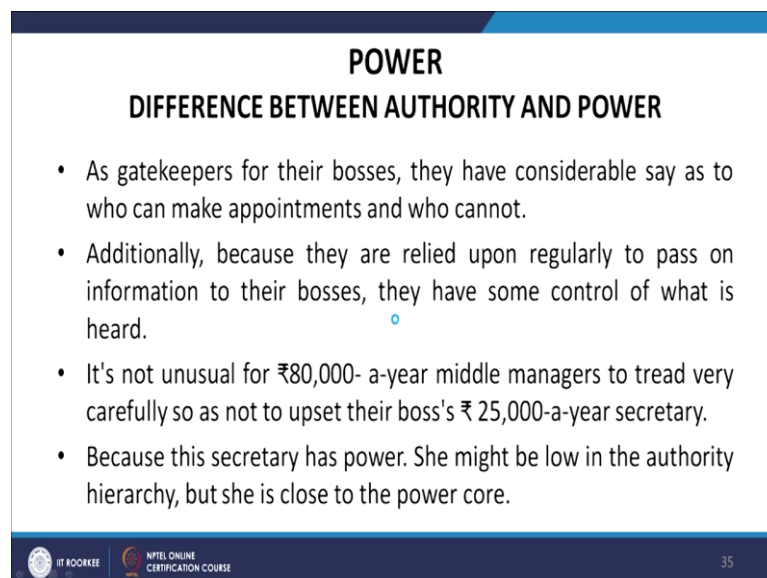
- The cone analogy allows us to consider these two facts:
 - The higher one moves in an organization (an increase in authority), the closer one automatically moves toward the power core; and
 - It is not necessary to have authority to wield power because one can move horizontally inward toward the power core without moving up.
- For instance, the secretaries of high-ranking executives typically have a great deal of power but very little authority.

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The cone analogy allows us to consider these two facts: One, the higher one moves in an organization an increase in authority, the closer one automatically moves towards the power core.

And two, it is not necessary to have authority to wield power because one can move horizontally inwards towards the power core without moving up. For instance, the secretaries of high-ranking executives typically have a great deal of power but very little authority.

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POWER

DIFFERENCE BETWEEN AUTHORITY AND POWER

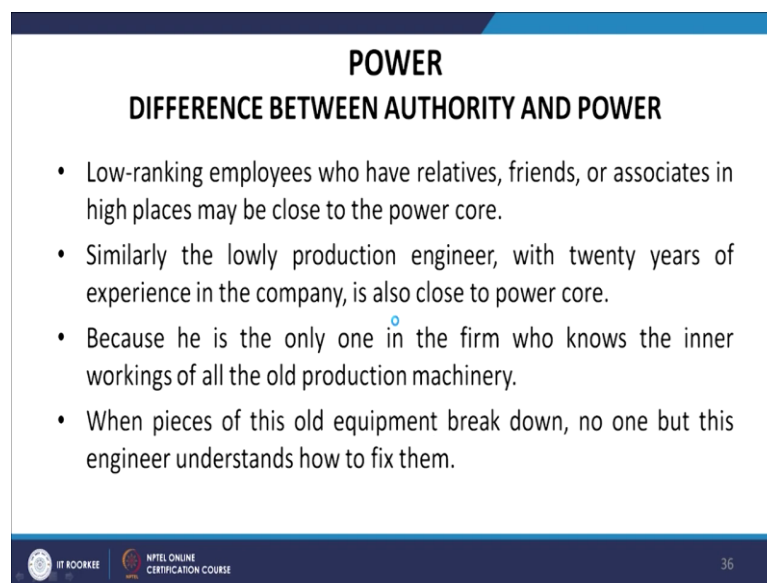
- As gatekeepers for their bosses, they have considerable say as to who can make appointments and who cannot.
- Additionally, because they are relied upon regularly to pass on information to their bosses, they have some control of what is heard.
- It's not unusual for ₹80,000- a-year middle managers to tread very carefully so as not to upset their boss's ₹ 25,000-a-year secretary.
- Because this secretary has power. She might be low in the authority hierarchy, but she is close to the power core.

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Additionally, because they are relied upon regularly to pass on information to their bosses, they have some control on what is heard. So, it is not unusual for rupee 80,000-a-year middle managers to treat very carefully so as not to upset their boss's rupees 25,000-a-year secretary. Because this secretary has power. She might be low in the authority hierarchy, but she is close to the power core.

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POWER

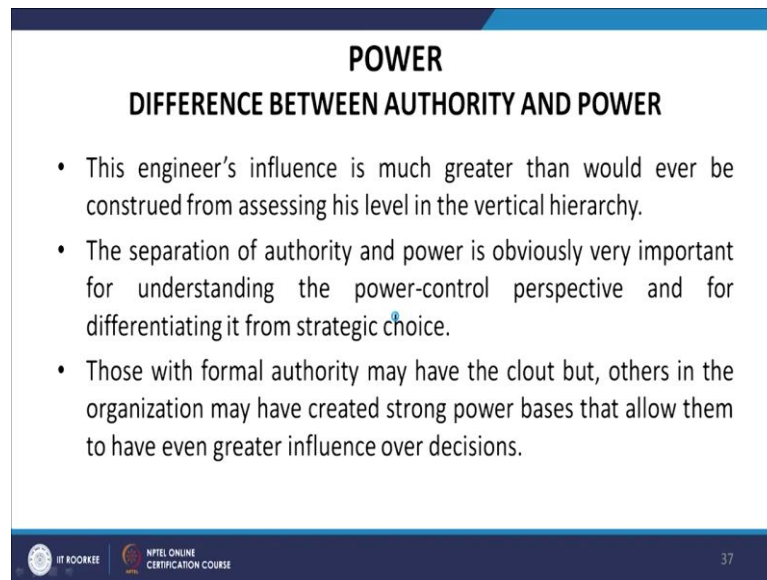
DIFFERENCE BETWEEN AUTHORITY AND POWER

- Low-ranking employees who have relatives, friends, or associates in high places may be close to the power core.
- Similarly the lowly production engineer, with twenty years of experience in the company, is also close to power core.
- Because he is the only one in the firm who knows the inner workings of all the old production machinery.
- When pieces of this old equipment break down, no one but this engineer understands how to fix them.

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Low-ranking employees who have relatives, friends, or associates in high places maybe close in the power core. Similarly the lowly production engineer, with twenty years of experience in the company, is also close to the power core. Because he is only one in the firm who knows the inner workings of all the old production machinery. When pieces of this old equipment break down, no one but this engineer understands how to fix them.

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POWER

DIFFERENCE BETWEEN AUTHORITY AND POWER

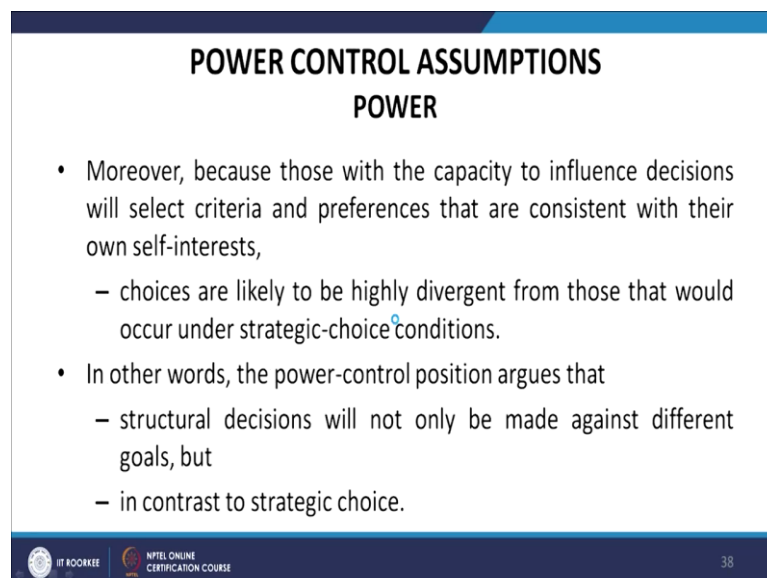
- This engineer's influence is much greater than would ever be construed from assessing his level in the vertical hierarchy.
- The separation of authority and power is obviously very important for understanding the power-control perspective and for differentiating it from strategic choice.
- Those with formal authority may have the clout but, others in the organization may have created strong power bases that allow them to have even greater influence over decisions.

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Those with formal authority may have the clout but, others in the organization may have created a strong power basis that allow them to have even greater influence over decisions.

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POWER CONTROL ASSUMPTIONS

POWER

- Moreover, because those with the capacity to influence decisions will select criteria and preferences that are consistent with their own self-interests,
 - choices are likely to be highly divergent from those that would occur under strategic-choice conditions.
- In other words, the power-control position argues that
 - structural decisions will not only be made against different goals, but
 - in contrast to strategic choice.

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Now, let us look at the power control assumptions. Moreover, because those with the capacity to influence decisions will select criteria and preferences that are consistent with their own self-interests, choices are likely to be highly divergent from those that would occur under a strategic-choice conditions.

In other words, the power-control position argues that, structural decision will not only be made against different goals, but in contrast to strategic choice.

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THE RISE OF FINANCIAL PEOPLE TO THE TOP IN LARGE CORPORATIONS

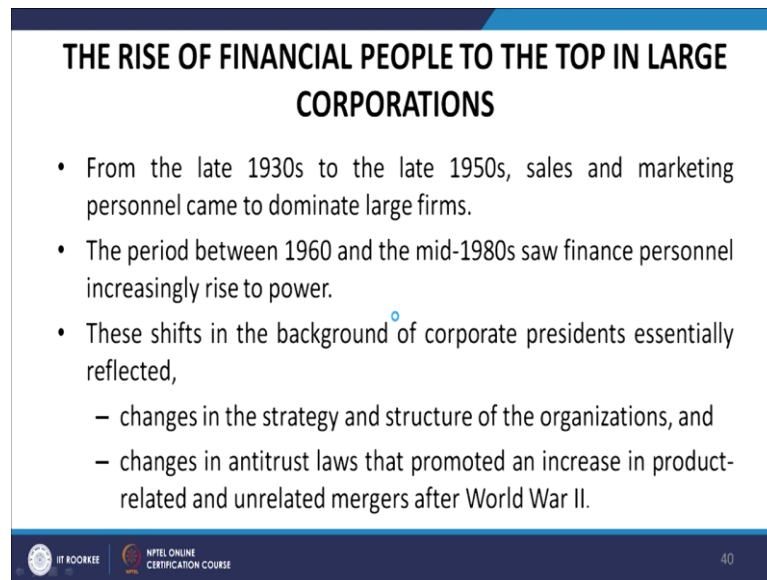
- Before we discuss about the ways to attain power in an organization, we trace the process of rise of financial people, or for that matter any group of individual, to the top in the large corporation.
- An understanding of power can help to explain this phenomenon in recent years in the one hundred largest U.S. corporations.
- Studies have investigated the background of presidents in large companies and found that manufacturing personnel and entrepreneurs rose to the top in the early part of last century.

IT ROOKIE NPTEL ONLINE CERTIFICATION COURSE 39

Now, let us look at the rise of the financial people to the top in large corporations. Before we discuss about the ways to attain power in an organization, we trace the process of rise of financial people, or for that matter any group of individuals, to the top in the large corporation.

An understanding of power can help to explain this phenomenon in recent years in the one hundred largest US corporations. Studies have investigated the background of presidents in large companies and found that manufacturing personnel and entrepreneurs rose to the top in the early part of last century.

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THE RISE OF FINANCIAL PEOPLE TO THE TOP IN LARGE CORPORATIONS

- From the late 1930s to the late 1950s, sales and marketing personnel came to dominate large firms.
- The period between 1960 and the mid-1980s saw finance personnel increasingly rise to power.
- These shifts in the background of corporate presidents essentially reflected,
 - changes in the strategy and structure of the organizations, and
 - changes in antitrust laws that promoted an increase in product-related and unrelated mergers after World War II.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 40

From the late 1930s to the late 1950s, sales and marketing personnel came to dominate large firms. The period between 1960s and the mid-1980s saw finance personnel increasingly rise to power.

These shifts in background of corporate presidents essentially reflected, changes in the strategy and structure of the organizations, and changes in antitrust laws that promote an increase in product related and unrelated mergers after World War II.

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THE RISE OF FINANCIAL PEOPLE TO THE TOP IN LARGE CORPORATIONS

- These changes shifted the power of subunits within corporations, which, in turn, resulted in new leaders coming out of those subunits.
- As noted, the early years of the century found corporations run by entrepreneurial types and those promoted out of manufacturing.
- This reflected the production emphasis and single-product strategies of these firms.
- But after World War II, large corporations began to develop multiproduct strategies and adopt multidivisional structures.

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This reflected the production emphasis and single-product strategies of these firms. But after World War II, large corporations began to develop multi product strategies and adopt multi divisional structures.

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THE RISE OF FINANCIAL PEOPLE TO THE TOP IN LARGE CORPORATIONS

- This put a premium on sales and marketing expertise and increased promotion opportunities at the top for individuals with these kinds of backgrounds.
- A new strategy emerged in the late 1950s that again changed the power position of subunits in large corporations.
- This was the creation of the conglomerate—a set of many, autonomous companies, operating in unrelated businesses.

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THE RISE OF FINANCIAL PEOPLE TO THE TOP IN LARGE CORPORATIONS

- Conglomerates like Textron, LTV, ITT, and Litton Industries were, actually, merely shells that contained dozens of other companies.
- In addition to the emergence of conglomerates, the government was also becoming more tolerant of large-scale mergers.
- As a result, corporations changed their strategies from growth through increased market shares to growth through acquisitions of different product lines.

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Conglomerates like Textron, LTV, ITT and Litton industries were, actually, merely shells that contained dozens of other companies. In addition to the emergence of conglomerates, the government was also becoming more tolerant of large-scale mergers. As a result, corporations changed their strategies from growth through increased market share to the growth through acquisition of different product lines.

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THE RISE OF FINANCIAL PEOPLE TO THE TOP IN LARGE CORPORATIONS

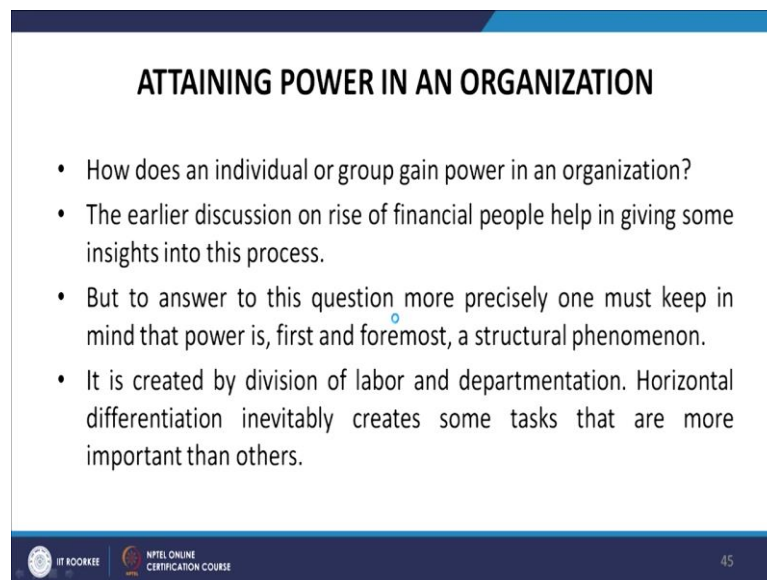
- The growth of conglomerates and mergers put less importance on the type of goods produced and sold.
- The emphasis had shifted to rapid growth through acquisitions and maximization of short-term profits.
- When large corporations are seeking rapid growth and investing in dissimilar businesses, the only criterion that could be used to evaluate investment decisions and the performance of business units was financial.
- Thus, explaining the rise of financial people in organizations.

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maximization of short-term profits. When large corporations are seeking rapid growth and investing in dissimilar businesses, the only criteria that could be used to evaluate investment decisions and the performance of business units was financial. Thus, explaining the rise of financial people in the organizations.

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ATTAINING POWER IN AN ORGANIZATION

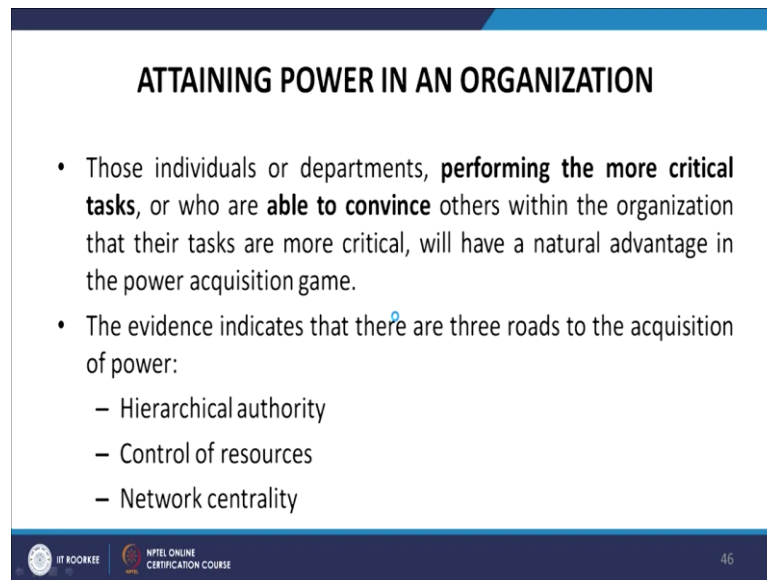
- How does an individual or group gain power in an organization?
- The earlier discussion on rise of financial people help in giving some insights into this process.
- But to answer to this question more precisely one must keep in mind that power is, first and foremost, a structural phenomenon.
- It is created by division of labor and departmentation. Horizontal differentiation inevitably creates some tasks that are more important than others.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE | 45

Now, let us talk about attaining power in an organization. How does an individual or group gain power in an organization? The earlier discussion on rise of financial people helps in giving more insights into this process.

But to answer this question more precisely one must keep in mind that power is, first and foremost, a structural phenomena. It is created by division of labor and departmentation. Horizontal differentiation inevitably creates some tasks that are more important than others.

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ATTAINING POWER IN AN ORGANIZATION

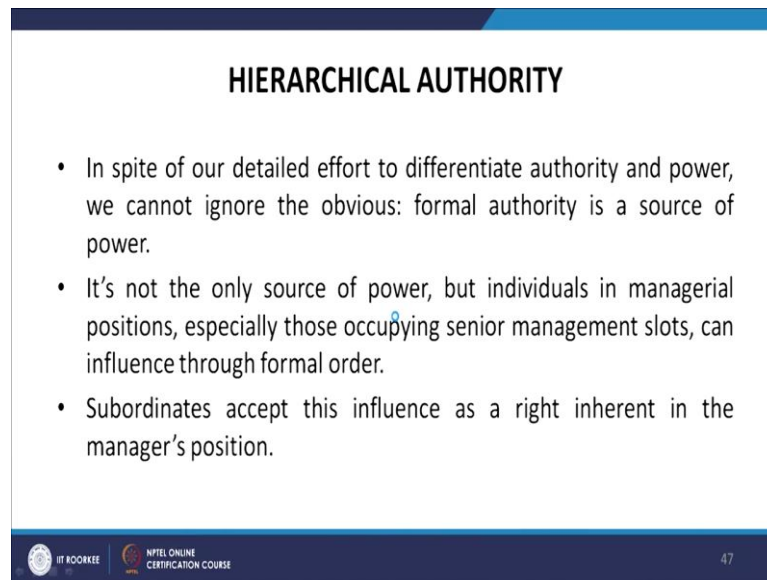
- Those individuals or departments, **performing the more critical tasks**, or who are **able to convince** others within the organization that their tasks are more critical, will have a natural advantage in the power acquisition game.
- The evidence indicates that there are three roads to the acquisition of power:
 - Hierarchical authority
 - Control of resources
 - Network centrality

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 46

Those individuals or departments, performing the more critical tasks, or who are able to convince others within the organization that their tasks are more critical, will have a natural advantage in the power acquisition game. The evidence indicates that there are three roads to the acquisition of power. The first is hierarchical authority, the second is control of resources and the third is network centrality.

So, what is this hierarchical authority? In spite of our detailed efforts to differentiate authority and power, we cannot ignore the obvious: formal authority is a source of power.

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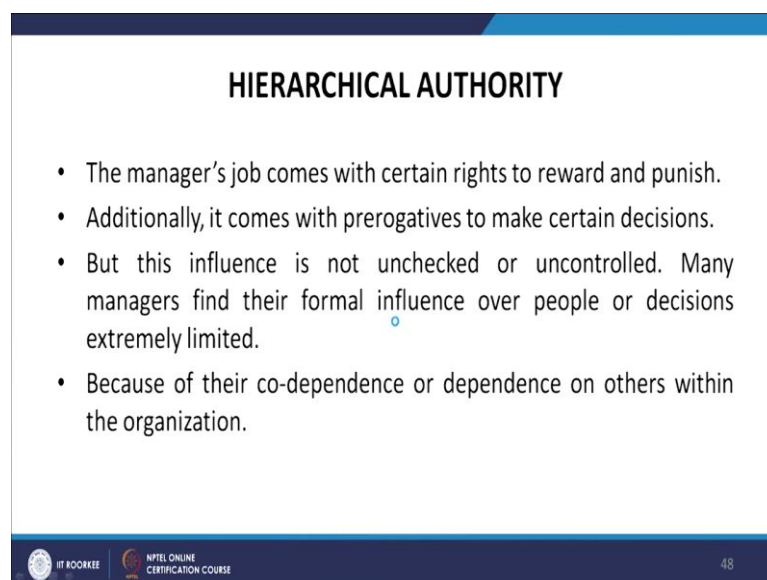
HIERARCHICAL AUTHORITY

- In spite of our detailed effort to differentiate authority and power, we cannot ignore the obvious: formal authority is a source of power.
- It's not the only source of power, but individuals in managerial positions, especially those occupying senior management slots, can influence through formal order.
- Subordinates accept this influence as a right inherent in the manager's position.

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It is not the only source of power, but individuals in managerial positions, especially those occupying senior management slots, can influence through formal order. Subordinates accept this influence as a right inherent in the manager's position. The manager's job comes with a certain, rights to reward and punish. Additionally, it comes with prerogative to make certain decisions.

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HIERARCHICAL AUTHORITY

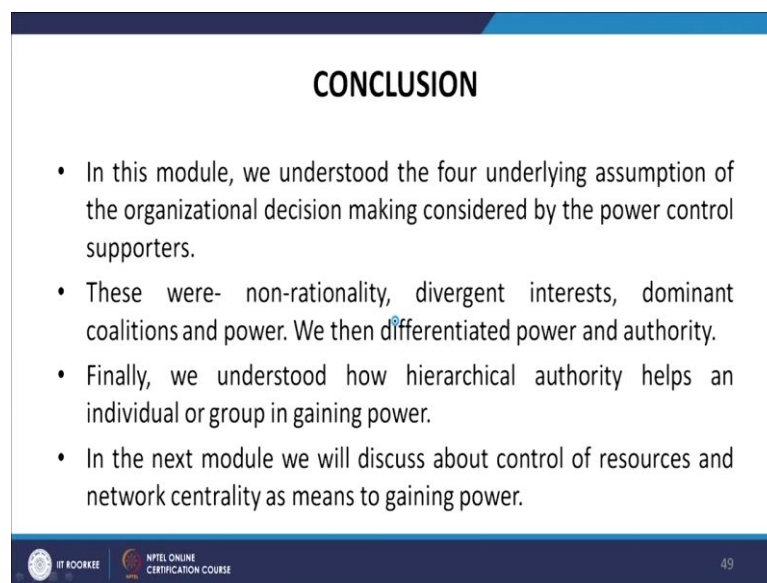
- The manager's job comes with certain rights to reward and punish.
- Additionally, it comes with prerogatives to make certain decisions.
- But this influence is not unchecked or uncontrolled. Many managers find their formal influence over people or decisions extremely limited.
- Because of their co-dependence or dependence on others within the organization.

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But this influence is not unchecked and uncontrolled. Many managers find their formal influence over people or decisions extremely limited. Because of their co-dependence or dependence on others within the organization.

So, in order to conclude in this module, we understood the four underlying assumptions of the organizational decision making considered by the power control supporters. These were non-rationality, divergent interest, dominant coalition, and power. We then differentiated power and authority.

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CONCLUSION

- In this module, we understood the four underlying assumption of the organizational decision making considered by the power control supporters.
- These were- non-rationality, divergent interests, dominant coalitions and power. We then differentiated power and authority.
- Finally, we understood how hierarchical authority helps an individual or group in gaining power.
- In the next module we will discuss about control of resources and network centrality as means to gaining power.

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Finally, we understood how hierarchical authority helps an individual or group in gaining power. In the next module, we will discuss about control of resources and networks centrality as means of gaining power.

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The slide is titled "REFERENCES" in bold, black, uppercase letters. It lists four references in a bulleted format. The first reference is by Robbins, S. P. (1990), titled "Organization Theory: Structures, Designs, and Applications", published by Pearson Education India. The second reference is by Jones, G. R. (2013), titled "Organizational theory, design and change", published by Pearson Hall. The third reference is by Roberts, J. (2007), titled "The Modern Firm: Organizational Design for Performance and Growth", published by Oxford University Press. The fourth reference is by Colombo, M. G. & Delmastro, M. (2008), titled "The Economics of Organizational Design: Theoretical Insights and Empirical evidence", published by Springer. The slide has a dark blue header and footer. The footer contains the IIT ROORKEE logo, the text "IIT ROORKEE", the text "NPTL ONLINE CERTIFICATION COURSE", and the page number "50".

REFERENCES

- Robbins, S. P. (1990). *Organization Theory: Structures, Designs, and Applications*. Pearson Education India.
- Jones, G. R. (2013). *Organizational theory, design and change*. Pearson Hall.
- Roberts, J. (2007). *The Modern Firm: Organizational Design for Performance and Growth*. Oxford University Press.
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And these are the 4 books used for this module.

Thank you.