

DESIGNING AND MANAGING ORGANIZATIONS

Fink, Jenks & Willits



IRWIN SERIES
IN MANAGEMENT AND THE BEHAVIORAL SCIENCES

Designing and Managing Organizations

Stephen L. Fink
R. Stephen Jenks
Robin D. Willits

© RICHARD D. IRWIN, INC., 1983

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.

ISBN 0-256-02628-9

Library of Congress Catalog Card No. 82-83831

Printed in the United States of America

1 2 3 4 5 6 7 8 9 0 MP 0 9 8 7 6 5 4 3

PREFACE

IN WRITING THIS BOOK we had to make some difficult choices. Should we cover all topics micro and macro, including individual, interpersonal, small group, and leadership, as well as such strictly macro topics as goals, control systems, and the environment? Should we orient it towards the traditional organization theory market, which we see as strongly research-oriented? Should we make it another principles of management text, with a strictly managerial emphasis?

We decided to write a book that would not only provide a framework for *understanding* the organization as a social system but also translate that understanding into its implications for the practice of management. Thus, it is primarily a macro book that contains some concepts that might be found in a principles of management book. We have sought to provide a framework for viewing, understanding, and managing the various activities that constitute organizational life, with an emphasis on the thought processes behind the dimensions and models discussed. That framework views organizations as holistic entities with their various dimensions (goals, structure, etc.) representing different cuts at the one being. It stresses the fact (especially in the last two chapters) that organizations grow, develop, and respond to the outside world in a *total* sense, along all the dimensions simultaneously. While the chapters present topics that are covered in most books on organization and management, they also present various “windows” through which one can view any organization. Each window provides a different perspective, but the scene inside is all of a piece.

The book introduces organizational concepts by way of a set of questions that everyone entering or working in an organization should ask. These questions set the stage for all the chapters in the book, since each pertains to an important dimension of organizational life. Furthermore, the book anchors most of the concepts to experiences familiar to students, as well as to examples of actual organizational life. In this way, even if you have had limited experience in work settings, you can still appreciate the practical value of good theory in a personal and immediate way.

Insofar as possible, the writing style is conversational and organized

in a way that makes it easy for you to grasp the concepts and see their application to designing and managing an organization. Thus, the flow of ideas is not constantly interrupted by reference upon reference to various theories and alternative ways of viewing organizations, as are many textbooks in the field. However, additional academic or scholarly material is introduced through an annotated bibliography at the end of each chapter and by means of boxes set apart throughout the chapters; the boxes are used to present material that requires more elaboration or detail than is possible in an annotated bibliographic item.

To use this book to its best advantage, it is important to appreciate the selection of cases. They represent a wide range of contexts: industrial, service, public, private, small, large, high-tech, traditional, innovative, typical, and unique. Some were based on student experiences, others on the authors' consulting work, and many were selected from other sources (International Case Clearing House, other books, etc.) to ensure a balance and rich variety. Some, intended to pose a challenge to one's analytical skills, are lengthy and complex; others serve mainly to illustrate the ways in which the various dimensions of organizational life appear in a particular setting. For those whose organizational experience has been limited in time or narrow in range, the cases can serve as an introduction to a rich variety of settings, with all their inherent problems and dilemmas.

As authors we like to think of this book as a journey into the world of management and organizational life. As with most journeys, it is important to have a map; the theories, concepts, and models offered throughout the book are intended to serve as that map. It is also important to have stopping places, to take the time necessary to appreciate the journey and to identify what can be learned from it; the chapters and sections within the chapters provide those stopping places. Your instructor will be your guide and will help you to know when to stop and when to move on.

Your most important responsibility is to take in and make personally relevant the ideas and insights afforded by those who have preceded you on this same journey. Don't just read the ideas and commit them to memory; apply them to the cases and to your own experience, and think of them as tools for understanding future experiences. By so doing you can become a better manager, both inside and outside an organizational setting.

Stephen L. Fink
R. Stephen Jenks
Robin D. Willits

ACKNOWLEDGMENTS

THIS BOOK has been more than four years in the making. We wish we could attribute that exclusively to the time and care that went into testing the material in the classroom and on different audiences. That was one major part of our efforts, but not the whole picture. The other side of the story really could serve as an additional case study in management, especially the management of time and the management of the enormous number of distractions and diversions that inevitably occur as one pushes forth on a hoped-for straight line to the finish. In other words, the writing of this book represented many aspects of the topics about which we were writing. We had our goals, division of labor, rewards (yet to come!), controls (in the form of deadlines), decision problems, performance evaluations (manuscript reviews), and problems with the external environment (you name it!). It is easier to write about organization and management than it is to organize and manage one's own life.

But we got there, and feel pleased with the result. We feel a stronger identification with those who manage in organizations—as well as a little compassion. We also wish to thank the many managers who, in taking our courses and seminars over the years, provided insightful and constructive feedback on the several drafts of the manuscript. Even though the book is intended for an undergraduate audience, we found the reactions and suggestions of practicing managers to be of enormous value in our attempts to make the material readable and practical.

In the actual preparation of the manuscript, a number of graduate students provided hours and hours of help, ideas, and just plain grunt labor. For their efforts we wish to thank Cynthia Easterling, Lindsay Schuyler, Tom Law, Hilary O'Donnell, and Harry Nelson.

Over the several drafts of the book we were very fortunate to have the critical, helpful, and sometimes painful comments of R. D. Irwin's consulting editors, Larry Cummings and Kirby Warren. As in previous projects with Irwin, we found Larry's and Kirby's efforts to be most constructive. Similarly, we benefitted from the comments of Allen Bluedorn, at the University of Missouri, and Jack Wimer, of Baylor University, both of whom offered extensive and thorough reviews of

every chapter. They were direct and constructive at every point, even though at times our own choices did not follow their suggestions. We thank them for the time and effort they gave us.

One of the most important developments in writing technology is word processing. We don't know who invented it, but thank you! And we thank most deeply the people who provided the typing support—both on and off the word processor—including Madeline Piper, Janice Bourque, Debbie Sayers, Pamela Dyson, and Mildred Prussing. But the person who deserves a gold medal for her efforts is Jane Gaskell, who came through with draft after draft of chapter after chapter. We can never really repay the kind of help and commitment she provided, especially during times when her normal work load was heavy. We can credit her for the fact that we did meet our final deadline.

It is also important that we thank the Whittemore School at the University of New Hampshire for providing the support and resources that made completion of the book possible. Dean Dwight Ladd and his assistant, Wayne Burton, were enormously supportive.

S.L.F.
R.S.J.
R.D.W.

CONTENTS

1. Dimensions of Organizational Life 3

Introduction, 4

1. Goals, 6
2. Structure, 6
3. Climate, 7
4. Reward Systems, 8
5. Controls and Control Systems, 9
6. Decision Making, 9
7. Human Resources Development, 11
8. External Influences, 11

The Special Role of Chapter 9 on External Influences, 12

Related Theory and Research, 13

2. Organizational Goals 15

Introduction, 16

How We Are Using the Term Goals, 16

The Importance of Goals to an Organization, 16

Superordinate Goals and Values, 17

Overarching Social Values, 19

The Means-End Chain of Goals, 22

Goal Categories, 24

The Categories as an Aid to Diagnosis, 27

Some Basic Dimensions of Goals, 31

1. General versus Specific Goals, 31
2. Long-Term versus Short-Term Goals, 34
3. Total-System versus Sub-System Goals, 34
4. High-Priority versus Low-Priority Goals, 36
5. Explicit versus Implicit Goals, 38

Overview of Goal Dimensions, 39

3. Organizational Structure 45

Introduction, 46

The Example of a Large Orchestra, 47

Classical Forms of Organization, 48

The Bureaucratic Model, 50

- 1. Responsibility and Authority, 52
- 2. Span of Control, 53
- 3. Line and Staff Functions, 55
- 4. Vertical and Horizontal Divisions of Labor, 57
- 5. Departmentation, 58

Implications for Goals, 60

Formal and Informal Structures, 61

Formalizing the Informal, 62

The Emergence of Modern Structures, 62

Matching Goals and Resources, 65

Variables Relevant to Organization Structure, 66

An Overview, 75

4. Organizational Climate. 91

Introduction, 92

Climate Defined, 92

Understanding Organizational Climate, 92

- Goals, 92
- Structure, 95
- Rewards, 95
- Size, 96
- Geographic Location, 97
- Physical Setting, 97
- Norms, 98
- Communications (Open and Closed Environments), 100

Dimensions of Climate, 101

Diagnosing Organizational Climate, 103

Consequences of Climate, 105

Changing Organization Climate, 106

5. Reward Systems. 113

Introduction, 114

Purposes Served by a Reward System, 114

- 1. Attracting and Holding People in the Organization, 115
- 2. Guaranteeing At Least Minimal Dependable Performance on the Job, 115
- 3. Encouraging Performance beyond the Minimum, 115
- 4. Encouraging Initiative and Creativity in Members of the Organization, 115
- 5. Promoting Collaborative Behavior, 115

Human Motivation, 117

What We Seem to Know about Human Needs, 117

- Maslow’s Hierarchy of Needs, 118
- Significance of Maslow’s Hierarchy, 123
- Herzberg’s Two-Factor Theory, 124
- Comparison of Maslow and Herzberg, 125
- The Nature of Rewards, 126
 - 1. Rule Compliance, 127
 - 2. General System Rewards, 128
 - 3. Individual Rewards, 129
 - 4. Intrinsic Satisfaction, 130
 - 5. Internalized Organizational Values, 131
 - 6. Social Satisfaction, 132
- The Entrepreneur—A Special Case, 133
- Overview, 134
- Rewards and the Individual, 135
 - Determinants of Effort and Performance: Attraction and Expectancy, 136
- Determinants of Attraction and Expectancy, 138
 - Organizational Context, 140
 - An Imaginary Experience with a Reward System, 144
- Design of a Reward System, 146
 - 1. Organizational Goals and Related Behavior, 146
 - 2. Nature of the Employee Group, 147
 - 3. Long-Run Development, 148
- 6. Control Systems..... 157**
 - Introduction, 158
 - What Is Control? 158
 - The Bank Line Example, 159
 - What Is a Control System? 160
 - Timing of Controls: Pre, Concurrent, and Post, 160
 - Postcontrol Consequences, 161
 - Purposes of Control Systems, 161
 - 1. Required Task Roles, 162
 - 2. Organizations as Institutions, 164
 - 3. Deviations from Standards, 166
 - Sources of Control, 178
 - 1. Supervisory Control, 179
 - 2. Self-Control, 180
 - 3. Social Control, 182
 - 4. System Control, 183
 - Assessing and Designing a Control System, 187
- 7. Decision Making..... 197**
 - Introduction, 198

- Phases of Decision Making, 200
 - A. Problem Discovery, 202
 - B. Problem Definition, 203
 - C. Goal Setting, 204
 - D. Developing Solutions, 207
 - E. Evaluating Solutions, 207
 - F. Choice, 208
 - G. and H. Implementation: Planning and Execution, 210
 - I. Outcome and Process Evaluation, 211
 - Data Gathering as a Repeated Step, 211
- Applicability of the Rational Approach, 212
- Behavioral and Emotional Aspects of Decision Making, 214
 - Behavioral Barriers, 214
 - Emotional Barriers, 217
- Dealing with Indecision and Barriers to Decision Making, 218
 - Developing Scenarios, 219
 - Exaggerating the Issues, 219
- Individual versus Group Decision Making, 220
- Group as Decision Maker, 224
- Organization as Decision Maker, 226

8. Human Resources Development 237

- Introduction, 238
- Human Resources Planning, 238
 - 1. Strategic Planning, 240
 - 2. Work Force Planning (Structure), 243
 - 3. Job Planning, 245
- Individual Responsibility and Development, 246
- Recruiting, Selecting, and Hiring, 247
 - Goals, 248
 - Structure, 249
 - Climate, 249
 - Rewards, 249
 - Controls, 250
 - Decision Making, 250
- Training and Development, 251
 - Career Paths, 253
 - Nonprogrammatic Methods: Mentoring, 254
- Management Succession Planning, 254
- Performance Appraisal, 255
 - Specific Purposes of Performance Appraisal, 256
 - Performance Appraisal Process, 259

9. The Organization and Its Environment 267

- Introduction, 268
 - Your Personal System, 270
- Multiple Environments, 270
 - Economic Environment, 271
 - Technological Environment, 272
 - Political/Legal Environment, 273
 - Social/Cultural Environment, 275
 - External Physical Environment, 276
- Static versus Dynamic Attributes of the Environment, 278
 - Static Attributes, 278
 - Environmental Complexity, 278
 - Environmental Routineness, 279
 - Environmental Interconnectedness, 280
 - Environmental Remoteness, 281
 - Dynamic Attributes, 283
 - Rate of Change, 283
 - Predictability of Change, 283
- Impact of External Attributes on Internal Operations, 284
 - Static Attributes, 284
 - Dynamic Attributes, 288
- Planning for the Future, 290
 - Desirable versus Undesirable Aspects of the Environment, 290
 - Open Systems Planning, 291

CASES 302

- Adirondack Preservation Council, 332
- An Administrative Decision, 304
- Associated Insurance Services, Inc., 306
- Blair, Inc. (1), 315
- The Case of the Missing Time, 326
- Chris Hammond (A), 338
- Chris Hammond (B), 348
- Conference at Miniaturics, 359
- Conflict at a Research and Development Laboratory, 376
- Decision at Zenith Life, 383
- Design and Delivery: The Dilemma at Eleanor Roosevelt, 412
- The Devon School Case, 430
- Dominion Acceptance Company Limited, 443
- The Eunice MacGillicudy/Marcus Warren Case, 451
- Evolution in the Mailroom, 454

The Fate of the Underwriters, 458
Fujiyama Trading Co., Ltd., 464
GenRad, Inc., 473
The Hampton Shipyard, 489
Highland College (Student Affairs Division), 498
The Hillcrest Commercial Bank (A), 508
Hovey and Beard Company, 519
Introducing a New Appliance Model, 524
Is There a Better Way, 527
Lewis Equipment Company, 529
Mailorder Merchandise, Inc., 544
The Mayfield Medical Center, 545
Merger Talks at Canal and Lake, 548
McMaster-Barry Communications, Inc. (MBCI), 558
The Montville Hospital Dietary Department, 568
Omega Aerospace Corporation, 576
Opportunities at Mid-State U., 588
A Promotion in Sri Lanka, 590
The Seacoast Mutual Insurance Co., 597
Southeast Municipal Association, 603
Techni-Cal, Inc., 608
Why Play Football? 616
Working for the Old Alma Mater, 624
Williston University, 632

INDEX 643

Designing and Managing Organizations

CHAPTER 1

Dimensions of Organizational Life

INTRODUCTION

THIS BOOK IS INTENDED to help you think as a manager might think. It is written not only to you as a student but also to you as a future manager. In understanding and managing organizations, there are no absolutes, no surefire methods, no best ways to do things for all situations. It is similar to understanding and managing your own life; different circumstances call for different insights and different ways of coping. What we wish to do is to increase your awareness and provide you with concepts and tools that will help you think more systematically and clearly about the problems and complexities of organizing and managing. If you're looking for easy answers, you won't find them. But if you want to build on and improve what you already know, this book is designed with that in mind.

Although you may think organizing and managing are activities that take place in business, industry, hospitals, and other organizations, people engage in these activities all the time. Such basic things as planning meals for a family, delegating chores around the house, organizing social events, and engaging in community activities all require planning, deciding who should do each task, coordinating the different tasks, monitoring progress and making sure people do what is expected of them, as well as recognizing and rewarding people's efforts. In other words, a great deal of what you normally associate with formal organizations may, in fact, be what you are doing (obviously on a much smaller scale) in your everyday life. By using your own experience as a reference point and by relating what we describe about organizations to that reference point, what you learn will stay with you in a more personal way.

One objective in writing this book is to help you use what you learn as a basis for making better choices about the organization for which you work or will work. Many, if not most, of you are nearing a time when you will make an important decision about a career and the setting in which you will begin that career. Some of you may even have made the initial employment decision and be considering whether to stay with your employer or shift to a different organization. In deciding whether or not a particular organization is the place for you, you might want to consider the following questions:

1. What are the goals and objectives of the organization?
 2. What kinds of jobs and tasks are there?
 3. What is the atmosphere like?
 4. What do people get in return for their efforts in the organization?
 5. Are people watched closely or given some freedom in their jobs?
 6. How are decisions made and carried out? Individually? In groups?
- From the top down?