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The interdependence of corporate and divisional expectations: an empirical investigation of managerial nexus based on a contingency perspective

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THE INTERDEPENDENCE OF CORPORATE AND DIVISIONAL EXPECTATIONS:

AN EMPIRICAL INVESTIGATION OF MANAGERIAL NEXUS

BASED ON A CONTINGENCY PERSPECTIVE

by

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In honour of the TRIPLE GEMS

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C.H.S.T.

SYNOPSIS

This thesis is the culmination of four years of research that was undertaken by the writer to study indepth the management and functioning of multidivisional organisations. It is an inductive piece of research wherein conclusions are drawn only when they can be supported by empirical evidence. Throughout the research study, the writer has borne in mind and stringently abided by the three all-important criteria for a Ph.D. thesis that are stipulated by the University of Durham.

(i)   That the doctoral candidate has conducted original investigation.

(ii)   That the doctoral candidate has tested his ideas or those of others.

(iii)   That the doctoral candidate has demonstrated his understanding of the relationship of the theme of his investigation to a wider field of knowledge.

This research is concerned with discovering and understanding the implications of those factors or considerations which are crucial to the effective management of divisionalised organisations. From initial a priori reasonings built on the work and academic experience of the writer, and backed by an extensive and detailed literature study of the key issues which senior management staff are likely to be confronted with, a conceptual scheme was developed which sets the areas and boundary where empirical investigation was undertaken to achieve a clearer insight of what contributes to divisional effectiveness. Essentially, this conceptual scheme laid down four major areas where empirical investigation was to be undertaken.

The first major area concerns the external environment of divisions and the manner in which senior managers interpret its conditions and adjust their internal organisational responses. As the available approaches to analysing the environment were found to be beset with conceptual and methodological deficiencies, the writer had to conceptualize the Three Order Task Environment Concept (TOTEC) as a basis for an alternative approach to analyse the environment. With this TOTEC Approach, the writer investigated the environment of the focal divisions at two levels. Firstly, at the Preliminary or Framework Level, those environmental sectors which are crucial to divisional functioning were isolated and their inter-relationship analysed. Secondly, at the Substantive or Process Level, the implications of the various states of these environmental sectors were established and examined.

The second major area concerns the manner and direction in which senior managers adjust their organisational choices of management in response to conditions in their external environment. To accomplish this task, the writer had to introduce a tripartite model of management philosophy to explore how the responsibility for managing the various environmental sectors was shared amongst corporate and divisional management staff. The outcome was a pattern of responsibility sharing which has been conceptualized as the Natural Order of Task Environment Control. Building on this conceptualization, the writer proceeded to investigate whether the pattern of responsibility sharing was changeable; and if so, how environmental conditions affect the direction in which change takes place. In addition, the impact of the strategic orientations of senior managers upon the choice of divisional functions where corporate involvement is perceived to be desirable was also examined.

The third major area concerns the interactional relationships

between corporate and divisional management staff. More specifically, the objective was to uncover specific areas, nature, and outcomes of interaction which occurs between dyads of managers, and to ascertain those underlying interactional contingencies which contribute to organisational states and effectiveness. As there is no model or methodology which is capable of capturing all the details of interaction between these two management groups, the writer had to first conceptualize all the key elements and processes of managerial interaction. These elements and processes were then incorporated into a model called The Three Dimensional Model of Interaction and from it evolved the basic methodology for tracing managerial interactions. Furthermore, to ensure that all the interactions between senior corporate officers and divisional managers would be systematically and comprehensively isolated for detailed examination, the writer developed and operationalized the Expectations Framework. This framework permits the writer to extract those contingencies which led to, or arise from, the manner which senior managers interact over specific key action areas and organisational issues.

The fourth, and final, major area concerns the attainment of a satisfactory organisational state and level of effectiveness. In this respect, the research focus is on discovering within which of the seven aspects of organisational life must appropriate corporate-divisional interactional adjustments be emphasized in order to secure the well-being of a division. By extension, this research task also helps to highlight specific key action areas and organisational issues where corporate and divisional management staff must manage satisfactorily if ultimate divisional effectiveness is to be attained.

In total, ninety-four propositions, supported by 113 tables of empirical data, were drawn from original ideas investigated in this

research study. Furthermore, these findings were related to a wider

field of knowledge by making 432 direct references to the works of

authors in a variety of scholastic disciplines which are germane to the

theme of this research study.

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P A R T   O N E

INTRODUCTION

SCOPE OF RESEARCH STUDY

A.   Major Management Issues

B.   A Systems and Contingency Perspective

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"The language of organisation has always suffered from some
want of words to express the true facts and circumstances of
human interaction. One usually asserts one aspect or another
of it at different times, such as the absolute independence of
the part, and again the need of co-ordinating and again the
concept of the whole with the guiding center." [1]

This writing by Alfred P. Sloan in the early 1920's represented the
earliest of many resounding calls and attempts made by management scholars
and practitioners to grapple with the issues of managing a multidivisional
organization consisting of semi-autonomous operating units and a separate
headquarters. Although Sloan was then expressing problems that were
applicable to a few large American enterprises such as General Motors,
Du Pont and Standard Oil, today they represent a crucial top management
issue for the increasing number of multiproduct, multinational enterprises
and the many large public institutions on both sides of the Atlantic.

Although such multidivisional organisations are pervasive in industrial
societies, relatively little research has been undertaken to investigate
the factors which are critical to such organisations' effectiveness, in
general, and the impact which corporate-divisional relationships have on
organisational effectiveness, in particular. Substantive studies had been
conducted by historians, economists, and scholars of business policy
[2, 3, 4, 5, 6] to provide a macro-societal perspective of large organisations.
Unfortunately, these studies are devoid of insights into the intricate
internal functioning and management of multidivisional organisations. Even
when one attempts to iniate a research in this direction, one is immediately

alarmed by the absence of a suitable, if not universally accepted, conceptual scheme which is capable of producing a knowledge base and a set of comprehensive concepts of sufficient latitude to encompass, and power to unravel, the complexities and facilitate the effective management of part-whole relationships of multidivisional organisations.

Considering that multidivisional organisations will continue to play a significant role in the creation of economic wealth and employment opportunities for society and the evident paucity of knowledge about factors which are critical to their effectiveness, the conduct of original research in this direction is both managerially necessary and academically compelling. It is in the light of this need that the research, on which this thesis is based, has been conducted to develop and apply a conceptual scheme capable of revealing and clarifying the critical factors which underscore the effectiveness of multidivisional organisations.

Before proceeding to discuss the systems and contingency theory platform upon which the conceptual scheme is based and explain the key facets of the scheme itself, let us explore and understand some of the problematic issues connected with managing a firm being a whole that is composed of diverse but interrelated parts.

A.   MAJOR MANAGEMENT ISSUES

The evidence of the importance and tenacity of the issues involved with managing on-going relationships between the corporate headquarters members and the divisional members is widespread. Chandler[7] has chronicled these issues in his study of the manner which multidivisional firms sought to effectively manage their diverse and widespread operations; the business press has cited these issues as underlying such firms' precipitous decline

in earnings of those businesses that they had acquired [8, 9, 10]; and three independent studies have highlighted these issues as accounting for nearly twenty-five percent of mergers which failed [11, 12, 13].

The key issues which confront executives who manage multidivisional firms are:

(1) How to constitute the operating units, or divisions, so that they can effectively cope with their particular industrial environments.

(2) How to achieve the necessary co-ordination between the divisional and corporate members concerning the key issues of business planning, budgeting and the allocation of the firm's resources.

(3) How to improve interaction between the divisional and corporate members around required or potential operating and behaviouristic relationships. For instance, this may be connected with undertaking some joint marketing and research efforts, sharing the responsibility for particular aspects of the planning and control functions, or seeking to satisfy each others' intrinsic aspirations and motivational needs.

More specifically, when dealing with these broad issues, the managers of divisionalised firms must come to grips with a number of complex questions. Though intended to be illustrative rather than exhaustive, these usually include such questions as

(i)   How much autonomy should a division be granted? How do the corporate office balance this autonomy with the necessity to maintain control over the firm's earnings and fund flows?

(ii) What activities should be centred at the corporate headquarters and in which areas should the corporate office set policy for the divisions?

(iii)   To what extent and under what situational conditions should

corporate executives be involved in efforts to cope with

specific elements of their divisions' external environments?

(iv)   How do corporate executives manage relationships with problematic

divisions? How do they intervene in a constructive way that does

not hinder the division's attempts to solve its own problems?

(v)   How do they balance the demands for yearly, shorter term profits

with the need for longer term development of the business, both

from the standpoint of individual divisions and the corporate

whole?

(vi)   How do they simultaneously signal divisional managers to focus

on their own particular industries and also to establish

effective relationships with sister divisions, especially those

that are vertically integrated?

(vii)   What sort of budgeting and reporting requirements should be

developed for the divisions, and how do these systems and the

manner which they are administered affect their managers'

behavioural attitudes and decision making effectiveness?

(viii)   Which corporate and divisional staff need to maintain efficient

dyadic relationships with each other in order to integrate the

parts into an effective whole?

(ix)   Which are the interaction areas upon which such dyadic

relationships should be focussed? Which are crucial and require

constant surveillance and which are of lesser importance and

thus, require only cursory supervision?

(x)   How are such relationships sustained, improved or disrupted?

What implications are in store under the different states of

corporate-divisional relationship.

More often than not, the above questions have been pigeonholed under

the convenient rubric of centralisation versus decentralisation. Clearly,

by addressing the questions in these terms would rapidly place one,

whether one is a practising executive or an academic researcher, in a

conceptual strait jacket for two reasons. Firstly, the notion of

decentralisation is difficult to define and operationalize. Frequently,

one hears of definitions which typically resemble that which is provided

by Simon in his study of the controller's department:

> "An administrative organization is centralized to the extent
>
> that decisions are made at relatively high levels in the
>
> organization; decentralised to the extent that discretion
>
> and authority to make important decisions are delegated by
>
> top management to lower levels of executive authority." [14]

This is admittedly a neat statement but in reality, it is not as

straightforward as it appears to be. One has to define first of all

what is "high" and what is "low" levels of "authority" in organizations

composed of multiple tiers and also explain what criteria determine the

number of tiers if comparative analysis between organizations is to be

possible. Furthermore, to the extent that decisions are made

continuously at all levels within the organization, one has to

distinguish between the various types of decisions. Assuming that if

one can satisfactorily define the levels of authority, organizational

tiers and decision types, one would still face the problem of deciding

whether the definition is at all descriptive of how decisions are

actually reached considering that information relevant to various decisions may come from several different locations and/or levels in the organization.

Secondly, the notion of decentralisation even if it could be linked to concrete events tends to focus on a small portion of factors which affect how executives make decisions in divisionalised organizations. For instance, those researchers who have devoted the greatest effort to unravel the problems of centralisation and decentralisation namely, the classical organization theorists [15, 16] and bureaucratic sociologists [17, 18], have focused mainly on the issues of formal structure and the delegation of authority. Clearly, other equally important factors connected with the environmental, economic, perceptual, informational and interpersonal issues have been deprived of due consideration in the study of corporate-divisional relationships in divisionalised organizations.

It is against this background of many unsolved issues pertaining to the relationship between corporate and divisional managements as they strive to better manage their division and the inadequacy of previous studies which had attempted to explain such issues through the rather restrictive notion of centralisation - decentralisation that this piece of research is initiated. It is obvious that these issues are both complex and abstract and therefore, of necessity, the principle research aim is to provide a comprehensive map which is capable of capturing the crucial aspects of these issues, making some sense of them, and pointing toward appropriate means to coping with them.

B.   A SYSTEMS AND CONTINGENCY PERSPECTIVE

In developing the conceptual scheme for studying the part-whole
relationship that spans between the corporate and divisional management
units, the writer has drawn upon the thinking which underscores the
principles of the general systems theory [*1] [19, 20, 21, 22]. As the
various studies which have just been referenced will adequately provide
a detailed description of the principles of G.S.T., they will not be
repeated in this thesis. Instead, in order to promote an appreciation
of the design patterns of the conceptual scheme which will be described
in the next section, only the quintessential systems propositions which
are germane to this epistemological inquiry will now be discussed.

-      Firstly, by proposing the relevancy of the holism principle of
       gestalt psychology [23], the systems approach suggests that
       theories should be based on both explicit and tacit forms of
       knowledge. In this respect, explicit knowledge arises from a
       focal awareness of a particular as a particular. Tacit knowledge,
       on the other hand, is an awareness of a particular as part of a
       whole and hence, serves as "a clue or an instrument pointing
       beyond itself" [24]. This shift between focal and subsidiary
       awareness is conceptualized as capable of altering one's gestalt
       in that it helps to change one's understanding of the particulars.
       In other words, a systems approach facilitates the process of
       comprehension by asserting the need for "a grasping of disjointed
       parts into a comprehensive whole." [25]

* Denotes that footnotes have been compiled and presented at the end
       of the chapter.

- Secondly, it suggests equal receptiveness toward both structuralist and interactionist stance in theory building. Neither position is any more or less intrinsically scientific, as each contributes a different type of knowledge. Structuralist perspectives focus on the relationships between organizations as a whole [26, 27, 28]; analyse social systems in terms of structures, processes and functions [29]; and regard organizational members as passive, reactive and instrumentally oriented [30]. Interactionist perspectives, on the other hand, focus on intra-organizational relationships [31, 32, 33]; and regard organizational members as proactive, self-directing, and continuously negotiating organizational settings [34, 35, 36]. In other words, what it proposes is the need to synthesize, reconcile and integrate analytical and fact finding elements of both structuralist and interactionist persuasions (Friedrich's notion of intertheory dialogue" [37]) into unified and broader multidimensional theories (Spinner's notion of a "republic of competing theories" [38]).

- Thirdly, it suggests that organizational theory will increasingly have an eclectic foundation. That is, the body of knowledge that is associated with organizational theory will be constructed from the knowledge inputs of other disciplines. For instance, such cross-fertilisation tendency can be observed in the case of Kurt Lewin [39] who found that purely psychological explanations of personality were inadequate and that sociocultural forces had to be taken into consideration; of Katz and Kahn [40] who argued that the psychological approach has generally ignored, or has not dealt effectively with, the facts of structure and social organization

and in response, they presented a comprehensive social-psychological theory of organization; and of the application of cybernetics [41] in biological and social systems although its original application was in the field of mechanistic engineering.

Viewed in totality, such systems thinking suggests that to comprehend the working relationships of corporate and divisional management units, it is imperative to map the basic patterns of their interrelatedness with one another and with particular segments of their external environments. Thus, one can avoid the traditional view of an organization as a set of formally defined positions and relationships but instead, treats organization as those states and processes which emerge from the dynamic interrelationships of the parts of an organization system with one another and with the system's environment.

Therefore, in the light of these G.S.T. theoretical propositions, we considered that a systems approach will be appropriate in guiding this research study toward achieving a comprehensive coverage of those relationships that exist between corporate and divisional managements. The wisdom of such choice is further supported when one considers the following remark of William G. Scott, the eminent organizational theorist:

> "The distinctive qualities of modern organization theory are its
> conceptual - analytical base, its reliance on empirical research
> data, and above all, its synthesizing, integrating nature. These
> qualities are framed in a philosophy which accepts the premise
> that the only meaningful way to study organization is as a
> system." [43]

The choice of a contingency approach in studying the relationships between corporate and divisional management units is deliberate and inspired by an increasing number of studies which sounded out the fallacy of traditional value-laden, universalistic theories in the fields of organization [44, 45, 46], structure [47, 48, 49], management style [50, 51, 52], and orientation to work [53, 54, 55]. In the main, these studies concluded that there is no one best way to organise but instead, the internal characteristics and organizational devices which will be appropriate and/or effective are contingent on the particular pattern of requirements posed by the firm's internal and external environment. Kast and Rosenzweig provided a succinct definition of the contingency approach along similar lines when they state·

"The contingency view of organizations and their management suggests that an organization is a system composed of subsystems and delineated by identifiable boundaries from its environmental suprasystem. The contingency view seeks to understand the interrelationships within and among subsystems as well as between the organization and its environment and to define patterns of relationships or configurations of variables. It emphasizes the multivariate nature of organizations and attempts to understand how organizations operate under varying conditions and in specific circumstances. Contingency views are ultimately directed toward suggesting organizational designs and managerial systems most appropriate for specific situations." [56]

Viewed in this context, the task of this study under the auspices of a contingency approach is two-fold.

- Firstly, to identify the areas and nature of interrelationships
  that link the corporate and divisional subsystems into a dynamic
  force to cope with the demands and opportunities of the external
  environment.

- Secondly, to unravel the specific situational conditions which
  lead to the evolvement of such interrelationships, both in terms
  of their processes as well as resultant states.

By this approach, one would be able to trace the situational conditions
which are related to particular patterns of interaction between the
corporate and divisional management units, and to the form of
management systems in use. Of course, we are not inferring that there
is a cause- and -effect relationship between any pairs of variables
analysed but principally, to establish whether a functional relationship
or association exists between them.

Through this systematic uncovering of basic corporate - divisional
relationships, we seek to overcome one of the major problems of
contemporary concepts, that is, their lack of parsimony. The abundance
and dangers of over complex concepts is best highlighted by Lorsh when
he states·

> "Many of these concepts are so complex that managers need to
> learn how to define the concepts and their relationships before
> they can apply them. All this takes time and naturally, makes
> these ideas less appealing to the busy line executive. By their
> preference for complex and elegant theories that greatly exceed
> the needs of most managers, academics have compounded the problem.
> Rather than worrying about how to help managers, many academics

seem preoccupied with impressing their colleagues. In my own experience, moreover, it is the relatively simple concepts that managers find most useful." [57]

Therefore, by focusing on a comprehensive set of corporate - divisional relationships and the contingencies that underscore their evolvement, we aim to develop what Sheldon has called "friendly" models [58].

By this, he means theories that are not so complex as to intimidate potential users and yet, are complete enough to enable them to deal with the real human complexities they face.

In review, the choice of both systems and contingency approach for this research study is necessary as they complement and compensate each other for any inherent weaknesses that they may possess. On the one hand the systems approach provides us with a comprehensive framework with which to conduct this research as it:

> "seeks to wed behavioural and mechanistic views, and to consider the organization as an integrated whole whose goal is to achieve overall systems effectiveness while harmonizing the conflicting objectives of its components." [59]

Admittedly, the systems approach is abstract but the emphasis it gives to the whole rather than the parts and its open systems concept is important in identifying the systems boundaries, particularly the interface between external and internal systems, and in determining the relationships of various external and internal subsystems. In addition, systems concepts such as entropy (a system will become disorganised over time), equifinality (a system can reach the same final state from different paths of development), and others as noted by Forrester (and quoted below) provide fundamental and important

premises for launching organizational analysis.

"Complex systems have many important behaviour characteristics
that we must understand if we expect to design systems with better
behaviour. Complex systems (1) are counterintuitive; (2) are
remarkably insensitive to changes in many system parameters,
(3) stubbornly resist policy changes; (4) contain influential
pressure points, often in unexpected places, from which forces
will radiate to alter system balance; (5) counteract and
compensate for externally applied corrective efforts by reducing
the corresponding internally generated action (the corrective
program is largely absorbed in replacing lost internal action);
(6) often react to a policy change in the long run in a way
opposite to how they react in the short run; (7) tend toward low
performance." (42)

On the other hand, the contingency approach is more pragmatic and directly
applicable to management theory and practice in that it strives to develop
functional relationships between identifiable environmental variables and
organizational processes, behaviour and systems. Hence, the contingency
approach has microconcerns and yet can incorporate systems concepts and
techniques as well as those of other management schools. Comprehensiveness
is not sacrificed for needed pragmatism in the contingency approach.

C.   THE CONCEPTUAL SCHEME AND RESEARCH BOUNDARY

The particular areas which this research study will be concerned with
have been diagrammatically depicted in Figure 1-1. As can be observed,
these areas of concern have been classified by the dotted lines into

five major spheres of study which are designed to illuminate the key

bases of corporate - divisional relationship. *2 (60 to 72)

Environmental Sectors

The first study sphere concentrates on the external environments of the

focal divisions. In this context, we will focus on the relevant output,

input, and regulatory sectors of the environment in order to understand

the character and diversity of the external elements which the divisions

have to coexist with. Obviously, to avoid falling into a kind of

generality trap, we need to trace those particular elements which the

divisions must interact with in order to survive and prosper. Otherwise,

being a spatial and temporal phenomenon which is both broad and abstract,

the study of the environment will rapidly degenerate into observations

and conclusions which are subjective and value-laden.

Sectoral Texture

The second study sphere serves as a necessary and logical extension to

the study of particular elements of the environment. The emphasis here

is on the texture of the relevant external sectors which the focal

divisions have to contend with. More specifically, we shall consider

(1) the manageability of the sectoral elements, that is, the extent which

the divisions are able to exert influence over the sectoral elements for

their input resources, output patronage, and regulatory legitimacy in

the face of competitive intrusion; (2) the erosiveness of external

competition, that is, the extent which the profitability of the divisions

will be impaired as a result of disruption by prevailing competition in

their relationships with the sectoral elements: and (3) the survival

curtailment of the divisions, that is, the sum pressure which has been

exerted on the survival prospect of the divisions as a result of

continuing disruptions by competitive forces in their relationships
with the sectoral elements. Furthermore, we will also be interested
in establishing the extent which corporate and divisional views
concerning the texture of their environments are in common or in
divergence. This information is necessary to furnish us with a basis
for further investigation into their attitudes toward corporate control,
and their decision choices pertaining to the strategies and mechanisms
for coping with external demands and opportunities.

Organizational Choices of Management

The third study sphere seeks an insight of the organizational and
management set-ups which have been employed by the focal divisions to
adapt to their respective environmental conditions. In the main, we
will focus on (1) the philosophy that the focal firms have chosen to
govern the limits and direction of corporate involvement in the management
of the different environmental sectors which confront their divisions;
(2) the strategic considerations which have led to the choice of their
respective management philosophy; and (3) the pattern which responsibility
for the key divisional functions have been shared between or wholly held
by the corporate and divisional management units in the focal firms, and
the rationale which underlies their respective pattern of distributing
functional responsibilities.

Internal Adjustments Resulted and
Regulative Arrangements Affected

The fourth study sphere examines in detail the actual interaction between
corporate officers and divisional managers as they strive to manage their
responsibilities within those external and internal constraints mentioned
earlier. More specifically, the research will focus on the states of

corporate - divisional interaction in four key functional areas. These

being (1) the translation function which transforms the broader challenges

of the division into appropriate ones for unitary individuals and groups

of individuals, (2) the facilitation function which assists the unitary

individuals and groups of individuals to fulfill their challenges; (3)

the control function which ensures that the unitary individuals, groups

of individuals and finally, the whole division effectively discharge their

challenge obligations; and (4) the integration function which co-ordinates

and synthesizes the separate challenges into a whole which is consistent

with the interest of the division and its parent organization. In

conjunction with this study scheme, attention will also be focused on

the direction and manner which the divisional decision-making processes,

leadership patterns and systems configuration will be affected as the

corporate and divisional management units interact with each other.

Ultimate Impact of Environmental Challenges, Choices, Adjustments and their "Fit"

The fifth study sphere investigates the implications of corporate -

divisional interaction and relationship for the organizational states

and overall effectiveness of the focal divisions. More specifically,

the "fit" between external needs, internal regulative arrangements, and

corporate - divisional interactive adjustments will be analysed to reveal

the contingencies which affect the divisional states and effectiveness.

Clearly, what has just been described is a short-hand overview of the

primary features of the conceptual scheme which forms the basis of this

research. As each chapter unfolds, more specific and detailed issues

will be raised for investigation. Finally, it remains to be pointed out

that the first and second study spheres will be treated and presented in

chapter five; the third study sphere in chapter six; the fourth study sphere in chapters seven, eight, nine and ten, and the fifth study sphere in chapter eleven.

CHAPTER 1   FOOTNOTES

*1   For an excellent theoretical discourse of the principles of

       the general systems theory, please refer to Buckley's

       "Sociology and Modern Systems Theory"[19], von Bertalanffy's

       "General Systems Theory"[20], Ashby's "Design for a Brain"[21];

       and for an account of the richness of insights that were

       obtained when a systems approach was employed in studying a

       British business organization, please refer to Tai's

       "A Systems and Expectations Approach to Planning and Control

       in an Industrial Subsidiary"[22].

*2   A relationship can be said to exist when two persons interact

       during a period of time. Studies of communication, work and

       friendship relationships have been made (Allen and Cohen[60],

       Davis[61], Kipnis[62], Stogdill[63], Read[64], Weiss[65]),

       but there has been little agreement about how to deal in

       conceptual terms with a person's position in a network of

       relationships. The most common solution to this problem has

       been to describe his position on the basis of the frequency

       of his contacts with others (Allen and Cohen[66], Blau[67],

       Brewer[68]). Unfortunately, this type of measure fails to

       reflect the structural character of an organization because

       it ignores the question of who is interacting with whom.

       Indeed, and not of lesser importance, it has failed to reveal

       the contents and implications of such interaction. Several

       theoretical articles have proposed measures of an individual's

       position in a matrix of relationships (Taylor[69], Katz[70],

       Harary[71]), but there has been no empirical test of these

       measures. Laboratory studies of communication nets have

defined an individual's position in the structure in terms of centrality (Shaw [72]), but again there has been little or no application of this concept to actual organization. Therefore, one of the objectives of this research scheme is to develop appropriate measures to study the positions of corporate officers and divisional managers in an interaction structure, as opposed to formal hierarchical structure, and to comprehensively track the contents and purposes of their interactive relationships.

DESIGN OF THE STUDY

A.   Selection of Companies

B.   Data Collection and Sample Breakdown

C.   Instrument Design and Pilot Study

A.   SELECTION OF COMPANIES

In selecting the conglomerate firms for this research study, the writer

attempted to control for several factors. Firstly, he decided to avoid

the highly acquisitive, or "go-go", conglomerate [1] and to concentrate

on firms whose continued performance seemed to depend as much on their

management's effectiveness as upon their merger activities. Put it

differently, firms which are more established and have several years

of experience in managing divisions were given preference. Secondly,

larger size firms with annual sales in excess of £250 million were

chosen. Thirdly, all the firms selected had to be in the manufacturing

sector of the economy and be involved in the areas of producer durables,

consumer durables and non-durables, and defence. Firms which are

strictly in the primary-extractive and service sectors were omitted as

it was felt that their business orientations and environmental challenges

may be different and thus, preventing any meaningful comparative analysis

to be undertaken.

Guided by these three criteria, a total of 98 firms were selected from

various compendiums of companies [2, 3, 4]. Such a large number of firms

were approached on the pessimistic assumption that a high percentage of

firms would eventually refuse to participate. In any case, considering

the detailed and vigorous investigation that was planned for this

research, the writer had estimated and planned that three but certainly

no more than six firms could be investigated satisfactorily within the

time period that is available. Moreover, in a study of this nature which

involves senior corporate (group) and divisional managements, maximum

time allowance must be given to the respondents to complete their research materials. They are basically volunteers to the study and thus, the whole investigation programme must be geared to their convenience. From the writer's past research experience in academic and commercial fields, any hint of coercion would cause interest to wane or worse, to result in the respondents resigning completely from the study. This cautious and conservative planning of sample size is borne out when the actual time needed to cover and complete the actual field investigation for the three focal firms took a full sixteen months (Appendix 1). Thus, any attempts to work with too large a group would jeopardize the writers' ability to conclude the research satisfactorily within the time period allowed for a doctoral study.

Initial contacts were made through an introductory letter written by the writer's research supervisor to the chairman or chief executive of the firms concerned and outlined such details as (Appendix 2)

- The objectives and benefits of the research.

- The specific management levels where co-operation and assistance will be required.

- The nature of co-operation and assistance that will be required of the participants.

- The amount of time which each participating firm is expected to devote to the research project.

- The funding status of this research project. In this case it was pointed out that no funding was required from the participating firms.

- The date and time when the writer would phone to answer any

tentative queries and to arrange a suitable appointment when the

writer could present himself to answer in detail any further queries.

Phone calls were made on the appropriate dates and outright refusal to

assist reduced the number of potential firms to 62 (Appendix 3).

Of these 62 firms which had expressed interest in the research, 30 firms

required the writer to call and explain in person the nature, requirement

and benefits accruable from his research (Appendix 4). For the

remaining 32 firms, lengthy conversations were only held over the phone

to explain the research project. In total, this endeavour to persuade

firms to participate consumed approximately nine months of the writer's

time.

Eventually, the results of the firms' decisions arrived and

disappointingly, only five firms agreed to participate in the study.

In the main, the reasons why the other firms had refused to help can be

attributed to:

-   External demands which exerted heavy pressure on senior management

    and thus prevented them from participating in the research

    (Appendix 5).

-   Internal difficulties which required senior executives to give

    absolute priority to their organizational duties and avoid non-

    essential matters like giving co-operation to academic researchers

    (Appendix 6).

Just before the main fieldwork could commence, two of the five firms

who had initially consented to participate in the research were dropped

from the sample. One firm was dropped because it finally decided to

only allocate a corporate and a group executive to the research project.

Clearly this minute allocation is unacceptable as the data produced will

not be substantial enough to provide an accurate insight into the

interactions between corporate and divisional managements. As for the second firm, it was dropped because it wanted the writer to modify his questionnaire and expectations analysis forms to "suit the prevailing atmosphere of the organization" (verbatim quote of the management development director of this firm). After careful consideration, the writer decided against consenting to any modification in order to keep the research on its original track and to prevent the quality of the research and its findings from being compromised.

At this stage, the research programme was entering into its twenty-third month and as soon as the final consent was received from the three focal firms, the main fieldwork was immediately launched. Even as the study of the three focal firms was in progress, vigorous attempts were made to persuade another 6 firms who had previously expressed interest but had refused to participate because of the pressure from their organizational duties to reconsider their decisions (Appendix 7). As some six months had elapsed since they were first approached, the writer had hoped that by the time a second approach was made, the firms might find themselves in a more conducive situation to offer their help. Unfortunately, this was not the case and the writer had to make the best of the situation and work as productively as possible with the three firms who actually participated.

In order to preserve the anonymity of the three focal firms, they were code-named ALPHA, BETA and SIGMA. In addition their respective divisions which had been selected for detailed study were code-named Alpha, Beta and Sigma (Note the capital letters reference for the firms and small letters reference for the divisions).

B.   DATA COLLECTION AND SAMPLE BREAKDOWN

With hypothesis testing and case analysis as the objective of this
research, more than one data collection method and different measures
were used for each variable to secure broader empirical coverage. In
addition, as the thrust of this research is toward hitherto unexplored
grounds, this multimethod and multimeasure data collection approach which
though is more time-consuming, is necessary to ensure that the
investigation will be systematic and comprehensive. In the main, the
data was collected from the three focal firms by the following ways·

-    Through the examination of documents that were made available by

     company management; for example· organization charts, performance

     data, written goal statements, planning and budgetary documents,

     capital project requests, and procedure manuals.

-    Through the conduct of semi-structured but open-ended interviews

     based on a standard schedule (Appendices 8, 9, 10).

-    Through the administering of the NOCAM Questionnaire (Appendices 11, 12).

-    Through the administering of the Expectations-Analysis Forms

     (Appendices 13, 14).

The sequence which the data were collected was time phased so that each
successive step could provide the writer with an opportunity to explain
the purpose, instructions, and offer assistance to the respondents to
complete their newly received research documents as well as an
opportunity to raise any queries concerning the information which they
had provided in their previously submitted documents. In this way,
useful elaborations, incident-exemplications or elucidations can be
obtained to substantiate and clarify the more complex organizational

issues that were raised by the respondents in either the questionnaire or expectation forms.

In total, thirty-five respondents participated in the research study and they were all senior executives at the corporate, group and divisional level in the focal firms. The sample breakdown for the corporate and divisional groupings as well as the number of interviews, questionnaires and expectation-analysis forms that were obtained from them is shown in Table 2-1. The position titles of the respondents are listed in Appendix 17.

C.   INSTRUMENT DESIGN AND PILOT STUDY

1.   Expectations Analysis Forms

The key areas where corporate officers and divisional managers are likely to encounter work challenges and conduct interactive relationships with each other were originally conceived by the writer and aided in the process by extensively surveying a large volume of relevant contemporary literatures $(5 \text{ to } 30)$. Following the pilot study and upon the suggestions of those respondents who participated in the test run, the expectation analysis forms were slightly modified along the following lines.

- The terms of four of the key areas were rephrased to ensured their individual distinctiveness.

- The definitions of six of the key areas were reworded to improve readability and clarity.

- The answer codes for ascertaining the relative importance and satisfaction of expectations were reversed to allow the respondents to remain in the same frame of mind as evolved when answering the previous question.

The full version of the expectation analysis forms is presented in Appendix 14 and the instructions for guiding the completion of the forms as well as the definitions of each of the 29 key areas are presented in Appendix 13.

2. The Nature of Organizational Configuration, Arrangements and Milieu (NOCAM) Questionnaire

This questionnaire was designed to capture information pertaining to 40 major aspects of managing divisionalised organizations. Two versions of the questionnaire were designed to suit the different background of the corporate (group) and divisional respondents. For example the question about how divisional managers feel about the leadership quality of their corporate officers is strictly reserved for divisional respondents and as such, has been omitted from the version that was administered to corporate respondents.

This questionnaire was also pre-tested in the pilot stage and the important amendments as suggested by the respondents and undertaken were.

- The rewording of seven question items to improve readability and clarity.

- The omitting of six introductory questions about the background characteristics of the focal firms. It was felt that these questions need to be answered once and that more accurate answers can be obtained by directing the questions to appropriate respondents during the interview session. Thus, questions about inter-divisional purchases were directed to the procurement director or sales turnover to the marketing director.

The full version of the divisional questionnaire and the corporate questionnaires are presented in Appendices 11 and 12.

3. Interview Formats

In addition to those questions that were incorporated in the expectations analysis forms and the NOCAM questionnaire, entirely different sets of questions were used to structure interviews with the participating members of the focal firms who played an important role in corporate-divisional relationships. These namely, are the major corporate executives, corporate staff, group executives, divisional general managers, and divisional functional managers.

The full version of the interview formats for these members are presented in Appendices 8, 9 and 10.

4. The Pilot Study

The purpose of undertaking this pilot study can be summarized as:

-   To pre test and improve on those fieldwork instruments described above.

-   To estimate the length of time each respondent will need to devote to the research exercise so that a time-table for checking on progress and preventing bottlenecks can be drawn up.

-   To determine the critical points of the research exercise when the writer must then be physically present to assist and encourage the respondents to complete their given research materials.

-   To decide on the best time schedule for administering the fieldwork instruments so that the respondents will be given ample opportunities to query and seek help on any areas where they may have doubts or difficulties.

-   To analyse and check the respondents' suggestions as well as the data they may provide in their research documents so as to ensure that

there is no compelling reason to require a strategic or tactical change in the theoretical reasonings or data capture approach to be used in the main field study.

The pilot study proper was conducted amongst the following respondents·

- The corporate chairman, corporate financial director and group managing director of firm ALPHA.

- The divisional plant director, procurement and personnel managers of firm SIGMA

Originally, the writer had planned some respondents, from each of the three focal firms, to represent each of the four senior corporate and divisional management levels to participate in the pilot study. However, such a plan had to be abandoned when great difficulty was encountered in trying to secure the co-operation of more respondents to participate in the pilot as well as the main field study and as the research programme was then entering into the fifteenth month, further delays in launching the pilot study could have detrimental effects on the ability to conclude the whole research within the three year full-time period scheduled for. (see Appendix 1 for a progress breakdown of this research programme) Moreover, the writer felt that with the help of those respondents named earlier, the primary objective of seeking a representative spread over the four management levels had already been met and any additional respondents would only contribute marginally to the pilot study results. Therefore, rather than risk any adverse complications to the whole research programme, the pilot study was promptly conducted amongst the six available respondents.

STATISTICAL DESIGN AND METHOD

A.   Level of Measurement

B.   Nonparametric Statistical Tests

C.   Statistical-Inference Parameter

D.   Statistics Employed

E.   Validity and Reliability

A.   LEVEL OF MEASUREMENT

The variables that were investigated in this research were measured and scored along three levels. [1] Full description of these variables can be found in Appendices 11, 12 and 14.

1. The Norminal or Classificatory Scale

A minority of the variables belonged to this level of measurement. Typically, the variables were so measured because they could be straightforwardly classified in accordance to their presence or absence, equivalence or similarity, or non-equivalence or dissimilarity.

For example: in establishing the absence or presence of the different key expectation areas in each of the sampled firms, a norminal scale was employed which ranged from 1 (present) to 2 (absent).

2. The Ordinal or Ranking Scale

A majority of the variables belonged to this level of measurement. Typically, the variables were so measured because the relations amongst cases in different categories of a scale could be established. Some common relations amongst cases included being more or less desirous, more or less satisfied, of greater or lesser importance, or of greater or lesser propensity.

For example· in establishing the level of desirability as held by different cases for a particular approach for managing divisions, an ordinal scale which ranged from 1 (completely undesirable) to 5 (very desirable was employed.

3. The Interval Scale

A minority of the variables belonged to this level of measurement.

Typically, the variables were so measured because the intervals or

distances between sets of two numbers on a scale were of known size.

For example: in establishing the actual level of profitability of a

firm where the equivalence, difference or ratio of any two intervals

could be ascertained, an interval scale which ranged from 1 (representing

up to 20% of the planned level of profitability) to 5 representing 100%

of the planned level of profitability) was employed.

B. NONPARAMETRIC STATISTICAL TESTS

Due to the exploratory nature of this research and the relatively small

but detailed field study that was undertaken, the writer considered it

best not to make any claims about the parameters of the population from

which the sample was drawn. Moreover, no assumption about whether the

population is normally distributed or whether the population has the

same variance or a known ratio of variances can be made or argued for

as no large scale survey information of the population exists to justify

making such assumption. Therefore, faced with this inability to make

such antecedent assumption about the population, parametric statistical

tests have to be rejected for this research study. (2)

The alternative course is to employ nonparametric statistical tests

for analysing the acquired field data. With the exception of requiring

that the observations are independent and that the variables under study

have underlying continuity, non parametric statistical tests do not

specify conditions about the parameters of the population. Moreover,

non parametric tests do not require measurement so strong as that

required for the parametric tests, that is, most non parametric tests

can readily accomodate data measured in an ordinal and nominal scale,

as well as small sample without any significant effects upon their power-

efficiency or power to reject the null hypothesis (Ho) [3]. It is

after weighing these considerations that non parametric statistical tests

were decided as appropriate and accordingly, selected for analysing the

data of this research study.

C.   STATISTICAL-INFERENCE PARAMETER

Since the sample of industrial firms chosen for this research study is

in no way a random representation of some larger population, no inference

of universal applicability is intended beyond our immediate sample.

Essentially, this is a contingency piece of research which probes the

unique situations of the focal firms and the manner which they manage

their divisions. Thus, the intent of the statistical tests is primarily

to establish whether or not any relationships observed could have been

attributed to chance variations in the data. However, where there are

other industrial firms which possess similar organizational characteristics

and situational challenges as those of the focal firms, it is possible

that any relationships which proved unlikely to be due to chance alone

may be applicable to them as well.

D.   STATISTICS EMPLOYED

The Michigan Interactive Data Analysis System (MIDAS), as developed by

the Statistical Research Laboratory (SRL) of the University of Michigan,

and the Statistical Package for the Social Sciences (SPSS), as developed

by the University of Chicago, were used to conduct the following tests.

In addition, a two-part programme written in Fortran and code-named

IFAME I & II (Indices Formation And Means Extraction) was specially

designed to compute the means of indices or categories of separate items

serving to measure some larger phenomena, concepts or constructs (source

documentation is presented in Appendices 15 and 16).

1. The Mann-Whitney U Test

This test requires at least ordinal measurement and is used to test

whether two independent groups have been drawn from the same population.

It has a power-efficiency which approaches $3/\pi$ = 95.5 per cent as N

increases and is close to 95 per cent for moderate sized samples [4].

In addition, it has the capability to make appropriate correction for

tied responses so that the value of the probability (p) associated with

the observed data under H_0 will be slightly smaller or "conservative"

in nature.

2. The Kendall Coefficient of Concordance (W)

This test requires at least ordinal measurement and is used to measure

the relationship amongst several rankings of N objects or variables.

For example· W was used to express the degree of association amongst

K sets of rankings to test the degree of reliability of certain variables

that were employed in the research questionnaire.

3. The Sign Test

This test requires at least ordinal measurement and is used to test

whether two conditions are different. Each subject is used as his own

control in the testing of some extraneous variables. The power

efficiency of the sign test is about 95 per cent for N = 6, but it

declines as the size of the sample increases to an eventual (asymptotic) efficiency of 63 per cent [5].

4. The Wilcoxon Matched-Pairs Signed-Ranks Test

Unlike the Sign Test which only considers the direction of the differences with pairs of conditions, the Wilcoxon Test considers both the relative magnitude and the direction of the differences. As such, this test which has a power-efficiency of 95.5 per cent is a more powerful test. Moreover, as this test could accomodate a sample of N > 6 without significant effect on the test efficiency, it serves as a useful complement to the Sign Test [6].

5. The Spearman Rank Correlation Coefficient (r_s)

This statistic, sometimes called rho is used to measure the degree of association between pairs of variables. The main consideration underlying the usage of this statistic is that both variables must be measured in at least ordinal scale so that the objects or individuals under study may be ranked in two ordered series. As for the level of power-efficiency, this statistic, when compared to the parametric Pearson Correlation, is about 91 per cent [7]. That is, if a correlation between X and Y exists in that population, with 100 cases Spearman will reveal that correlation at the same level of significance which Pearson attains with 91 cases.

6. The Friedman Two-Way Analysis of Variance by Ranks (Xr^2)

This test requires at least ordinal measurement and is used to test whether the K related samples could probably come from the same population with respect to mean ranks. That is, it is an overall test of whether the size of the scores depended on the conditions under which

they were yielded. Though the exact power of the Xr^2 test is not documented, Friedman [8] has reported very favourable results for the Xr^2 test when compared with the parametric F test. According to Friedman's information, it is virtually impossible to state which of the two tests is more powerful. Moreover, the Xr^2 test has the further advantage of being able to compute probabilities even for a very small sample, that is for $K \geq 3$ and $N \geq 2$.

E.   VALIDITY AND RELIABILITY

1. Validity

The objective of checking for validity is to ensure that the research instrument used in this study measures what it is supposed to be measuring, and not something else [9, 10].   The principle steps taken to ensure validity are.

-   Pre testing the NOCAM (Nature of Organizational Configuration, Arrangements and Milieu) Questionnaire and Expectations Analysis Forms at the pilot stage of the research. This step is taken to ensure that the questions will be clear and free from any ambiguities. Any uncertainties raised about the questions were promptly removed by making appropriate modifications or changes to them.

-   Discussing with the respondents the adequacy of the scales used. This is to ensure that the scales would be adequately anchored to minimize any interrespondent errors in magnitude perception.

-   Requesting the respondents to elaborate on various aspects of their answers, as they had provided in their questionnaire and expectation analysis forms, during the interview sessions. By this process, one

can check that the instruments are powerful enough to extract
appropriate information of the required kind.

- Discussing with the respondents the significance and implications
  of the different questionnaire items. Wherever single items are
  suspected to be inadequate to serve as sole indicator of a
  phenomenon, concept or construct, indices comprising of multiple
  items are constructed to serve as the measure.

- Comparing the respondents' answers with documents that are made
  available by the company management. By this process, one can
  check that the questions do discriminate in ways which would be
  theoretically expected and thus, have construct validity.

2. Reliability

The objective of checking for reliability is to ensure that any
variation in results is not due to inconsistencies in the measuring
instruments. To a large extent, the precautions taken to ensure the
validity of the measuring instruments have contributed to improving
its reliability. In addition, two steps were also undertaken to
ensure reliability.

- Firstly, as pointed out by Siegel [11], in behavioural scientific
  research the very precise measurement of a variable which has
  underlying continuity is unlikely and the probability of obtaining
  non-tied scores is virtually nil. Fortunately, Siegel had advised
  that such imprecision can be ameliorated and reliability enhanced
  by giving tied observations the average of the ranks they would
  have had if no ties had occurred. Accordingly, this advice has
  been adhered to whilst computing the statistics for tied observations.

- Secondly, as it has often been pointed out, all that is normally required for a high degree of reliability is adequate "control over the testing conditions" [12]. As such, every effort was made to ensure that directions for completing the research documents are clear, the environment is comfortable, and ample time is given to the respondents to complete their research documents in order to enhance the reliability of the measuring instruments.

Notwithstanding these precautionary steps, a final check of reliability was made by applying the Kendall Coefficient of Concordance (W) test to certain items of the NOCAM questionnaire. The rationale underlying this test is that if a measure is reliable and if the variable which is being measured is of an impersonal and factual kind, then there should be at least some concordance amongst the answers of the different respondents.

As for the choice of measure to be tested, it was decided that the Expectations Analysis Forms would not be suitable for testing as the instrument has been specially designed to tap the unique expectations of each respondent and as such, the responses obtained for each variable may inherently be different or at variance to each other. As for the NOCAM questionnaire, only those items not designed to capture the subjective opinions of the respondents or where previous estimate of reliability is unavailable were selected for testing. Taking these considerations into account, a total of 97 question items covering issues about competition, management philosophy, goal set and management systems were tested.

From the results as compiled in Table 3-1, once can interpret a high or significant value of W as meaning that the respondents "are applying essentially the same standard in ranking the N objects under study" [13].

This allows us to conclude with reasonable assurance that the agreement amongst the respondents for the different items tested is higher than it would be by chance. The very low probability under H_o associated with the observed value of W enables us to reject the null hypothesis that the respondents' ratings are unrelated to each other. Thus, one can conclude that the instrument as tested is reliable.

P A R T   T W O

EXTERNAL DIVERSITY AND ADMINISTRATIVE TENDENCIES

CHAPTER 4:   BACKGROUND INFORMATION ON FIRMS STUDIED

CHAPTER 5:   ENVIRONMENTAL STATES AND KEY CHALLENGES

CHAPTER 6:   ADMINISTRATIVE AND STRATEGIC ORIENTATIONS

BACKGROUND INFORMATION ON FIRMS STUDIED

A.   Background Information on Firm ALPHA

B.   Background Information on Firm BETA

C.   Background Information on Firm SIGMA

A.   BACKGROUND INFORMATION ON FIRM ALPHA

Firm ALPHA had its inception in 1851 and over a period of a century and

a quarter the 'theme' of its growth has been the design and manufacture

of light engineering and electronic devices and systems, and the

exploitation of the markets for such products.

Recently, largely by acquisition, firm ALPHA has entered the quite

separate business of distribution whereupon a number of subsidiary

companies are involved to varying degrees of specialisation as

wholesalers or retailers of various product items. These items are not

manufactured within firm ALPHA and are used generally in 'motoring',

and in the servicing of vehicles, industrial plants and machinery.

The rationale underlying this move is to control distribution networks

through which other saleable products flow and which also have the

potential for handling its own products.

Firm ALPHA employs 21,000 people in the United Kingdom. The main

overseas subsidiaries are established in Australia, South Africa, Sweden,

U.S.A. and Canada. In addition, the products and services of the

United Kingdom activities are represented by a substantial network of

agents and distributors covering most countries of the world.

At the time of this research study, firm ALPHA consisted of twenty-four

divisions clustered into six major group organisations, each under the

control of a Group Managing Director. The business of these groups

included the manufacture of vehicle, aerospace, marine, medical,

tubing and building, air moving and hydraulic equipment, clocks, radios,

ceramics and industrial equipments.

Division Alpha had its origins as a privately owned company which was

founded at the beginning of the last war. Its modest beginning was in the business of manufacturing dental products from plastic materials. The company pioneered various manufacturing techniques such as the blowing of nylon film and the extrusion of nylon tubing in sizes and shapes which had never been tackled successfully before. Its fame as an innovative company grew and eventually came to the notice of firm ALPHA who in 1957 acquired and absorbed it into the parent group. The basic reason for the acquisition was to obtain for one of the other subsidiaries the know-how that was urgently needed in the manufacture of nylon tubing for aircraft and automobiles, the mainstay of the subsidiary's business.

Though the acquisition meant giving away technical expertise in an area that was virtually exclusive to division Alpha, it also meant that by belonging to a larger company, it can reap the benefits of financial security and a firm organisational base from which to develop further into the medical and surgical fields. Today it is the only division within the company which specializes in medical products, a sharp contrast to other sister divisions which concentrate on the traditional business of manufacturing industrial and light engineering products. Nevertheless, with the exception of a short period immediately following the oil crisis of 1973 which threw the whole plastic industry into disarray, division Alpha has managed to achieve uninterrupted sales growth throughout the world. This growth has been formally recognised when on two occasions it was presented with the Queen's Award to Industry.

B.   BACKGROUND INFORMATION ON FIRM BETA

Firm BETA began in the 1820s as a family steel business in Sheffield

and became a public company some forty years later with a share capital
of £155,000. Following the next half century it developed a leading
role in British industry, not only in steel, but also in engineering,
shipbuilding, armaments and aviation. The need to establish positions
of strength in new commercial activities was forseen in the 1960s; major
acquitions were made in 1965, 1966 and 1969 which resulted in firm
BETA expanding from its traditional business into the office equipment,
lithographic, printing, optical, and sea bed engineering business.

Firm BETA employs some 40,000 people, of which 31,000 are employed in
the United Kingdom. Although it has major factories in France,
West Germany and Holland, the substantial part of its overseas
investments is concentrated in Australia, and Canada. It owns a total
of twenty-seven different divisions which are clustered into five
major groups. Each of these groups has a Chief Executive who is
answerable to the Managing Director of the Company for the conduct of
his Group's activities.

<u>Division Beta</u> which belongs to the Engineering Group emerged some
fifteen years ago from what was originally an aircraft design team and
since then it has pressed forward in establishing itself in a variety
of commercial projects. The division employs designers, engineers,
planners, draughtsmen and allied staff to undertake complete multi-
disciplinary type projects. Their skills range from instrumentation and
electrical power systems to complex structural designs, hydraulic
systems and mechanical handling installations. These technical
specialists are backed up by experienced project managers and commercial
staff.

Although the division is independent, it also draws upon the supplies,
expertise and support of other divisions in the Group when they meet

the required standards. It is concerned with assessing, impartially, the technical, commercial and financial merits of both internal and external equipment supplies in order to ensure that their performance and operational reliability are adequate and are procured at a competitive price for its clients.

The division's activities are divided into separate groups, handling both product lines and special projects. The Special Projects Group provides the ability to control projects requiring innovative design and new technological thinking. The other groups, however, provide specialised but more established technology within defined product areas such as mechanical handling, malting and generator main connections.

C.   BACKGROUND INFORMATION ON FIRM SIGMA

Firm SIGMA was established in the early 1920s to distribute sodium lamps and navigational equipments.   Between 1930 and 1940, it entered a new phase in its history by starting to manufacture various small electrical appliances under licence. Following the end of World War II, major diversification was made into the manufacture of domestic appliances, audio-visual equipments, medical systems, business equipments and aerospace electronic components. In recent years, firm SIGMA has also ventured into the micro-processor business in partnership with an American corporation based in California's silicon-chip valley. Today, it has fourteen product divisions which are clustered into four major groups, namely, the Electronic Component Group, Audio-Visual Group, Large Domestic Appliances Group, and the Medical and Business System Group.

Division Sigma belonging to the Electronic Component Group, was originally a privately owned company which manufactured and marketed valves for radio until it was acquired in the 1950s. With its knowledge of the

audio technology, it rapidly was able to acquire know-how of the visual

technology and to command a central position within the group to

manufacture monochrome and colour television tubes. The manufacturing

process is such that it occupies an intermediary position along a

vertically integrated chain. Hence, it receives all the necessary

glassware, cathodes, shadowmasks, and other precision piece-parts for

electron gun assembly from feeded divisions and supplies its cathode-

ray tubes to other divisions for assembly into finished products.

During the mid-1960s, there was a growing concern amongst its management

that the market for colour television in Western Europe would expand

rapidly in the coming decade. As a result, an expansion programme was

launched which boosted the production of division Sigma who by the turn

of the 1960s was producing well over a million tubes a year.

Unfortunately, over the last five years intensive foreign and local

competition in the audio-visual industry has brought a steep decline

in its firm's market share of television sales and this in turn meant

a fall in demand for its tubes as well. Although this drop in

demand has been partially compensated by an increase in sales to

overseas subsidiaries, in particular to those in more affluent countries

of South America and Far East, some rationalisation and cut-back in

production was necessary.

As for the future, the senior executives of division Sigma have

expressed much personal optimism about their command of market share for

the 1980s. Their main strategy for realizing this optimism hinges on

the introduction of novel products based on ideas and materials that

may spin-off from the micro-processor business which their parent

firm is presently investing in and concentrating its efforts on. However,

the official outlook of division Sigma, as outlined in its five year

strategic planning document commencing from 1980 to 1985, appeared to

project a more conservative estimation of what it is capable of achieving.

ENVIRONMENTAL STATES AND KEY CHALLENGES

A.   Review of Past Studies and Analytical Approaches

B.   A TOTEC Approach for Environmental Analysis

C.   Data Discussion

D.   Summary and Conclusion

A.   REVIEW OF PAST STUDIES AND ANALYTICAL APPROACHES

The study of organizational environment and the nature of its

direct and indirect impact upon organizational processes and

outcomes, though growing in importance, is still in a formative

state. With the introduction of the open-system theory [1],

which postulates that the external environment provides direct

input into internal organizational operations, the traditional

acceptance of the environment as given and the belief that it

has no role to play in either the understanding or the practice

of management is steadily losing its appeal. Instead, there is now

an increasing appreciation of the importance of the environment and

an acceptance that as the environment becomes more complex, the

organization must adjust its internal structure and processes to

maintain or increase its effectiveness. However, there is little

consensus beyond this point. Essentially, disagreements are

centred on two main issues.

1. Mapping the Environment

Firstly, what portion of the total universe should be considered

relevant for an organization and as such, should be delimited for

attention. One suggestion is that all forces believed to have

influences, no matter how weak they are, should be considered.

Farmer and Richman [2], Schein [3], Clark and McCabe [4] and
Hesseling and Konnen [5] are proponents of this theme and have
invariably grouped these forces into economic, educational,
legal-political and social cultural categories. In a sense,
these categories represent broad segments of the macro
environment and have aggregated within them a range of interest
groups, associations and constituencies. Clearly the difficulty
with this approach is that it is overly broad and general. In
a simplified manner, this definition of the environment represents
a state, nation or geographical area within which the organization
must operate. It is difficult to specify and analyse operationally
since interest groups, associations and constituencies not only
overlap, but form and reform in attempts to alter and/or adjust to
macro environmental conditions. In fact, this difficulty of deciding
the parameters for analysis also forms the basis of severe criticism
of the open-system theory, the harbinger of this approach for
defining the environment. Stated in simplest terms, this approach
stresses the analysis of all external forces that materially affect
the total system. The number of forces is obviously limitless. At
what point does the analyst stop? Where does he close the boundaries
for analysis?

Another approach is to concentrate on that portion of the environment
which is relevant for organization goal setting and goal attainment
[6, 7]. It is a convenient approach which also permits a wide

latitude of perspectives to be taken in the study of the effects of

the environment upon managerial activities. For example, several

studies have emerged which show how conditions in this environmental

segment may affect managerial perceptions of uncertainty [8], the

time spent in internal versus external contacts [9], the goals set

by the organization [10], the level of differentiation and integration

of internal structure and operations [11] and the choice of structural

strategies [12]. Though this approach offers greater vision and

specificity, through suggesting which broad sector of the total

environment to examine, it is not without its problems. Firstly,

the operational definitions of the relevant task environment are

numerous and unstructured. In some cases, general economic and

societal variables are given considerable emphasis [13]. In other

studies, the operational definition is limited to suppliers,

distributors and stockholders [14]. On the whole, most analyses of

the environment place an emphasis on those external entities with

which the organization under study interacts. Authors of the

treatises within this field are content merely to select particular

sectors of the environment and relating these to some internal

arrangements without exploring the ground rules governing the

external overtures and internal reactions that are made by the

organization under observation. More specifically, the formation,

direction and dynamics of influence interflowing between the

organization and its task environment is not given the slightest

prominence. Small wonder that without understanding the reasons

why organizations have to influence their task environment and the difficulties encountered whilst doing so, authors in this field are often in conflict over which particular sectors of the environment are considered relevant for an organization.

2. Measuring Environmental Texture and Implications

The second issue of contention is in ascertaining the state of the environment and its impact upon the survival of the organization. One approach is to look at the rate of change of the task environment and the level of risk it poses to the organization. Terreberry[15] and Bennis[16] have suggested that change involves a newly developing dynamic homeostasis and that until an organization can estimate the direction of change and the emergent form of stability, it cannot appropriately expect to adapt. However, as the Lawrence and Lorsh[17] study shows, there are various conceptual and operational problems of using change to denote the level of environmental risk. Perhaps, the most crucial being that change may not increase risk at all. In fact, organizations may partially, though deliberately, alter the composition of task environment if they believe it to be their best interest. For example, a change in suppliers may be desirable to reduce cost. Such alteration, however, would spuriously increase the estimate of risk if it were equated to change. Thus, it would be wrong to assume that change can simply be equated with risk.

Another risk related approach suggested for assessing the state of the

environment is that concerning the extent of task environment

heterogeneity. The rationale underlying this measure is that where

elements of the task environment are restricted to organizations,

they are likely to serve different societal needs and/or are controlled

by different societal groupings and they may have separate goal

structures, methods of operation or constituencies. As the variety

of interacting environmental elements increases, the variety of

responses of the group of elements toward an organization also

increases. The probability that the actions of one environmental element

will be accepted by all others decreases as the heterogeneity of the

interacting elements increases (Aldrich [18], Thompson [19]). In

other words, as heterogeneity among task environment elements increases,

the probability of a stable equilibrium decreases and the risk

increases for the organization as a whole. Two major shortcomings of

this approach can immediately be discerned. Firstly, it is unlikely

that an organization would ever be challenged by a perfectly homo-

geneous task environment and as such, it is impossible to operationalize

an accurate measure of the level of heterogeneity without first having

a homogeneous baseline. Suppliers, customers, financial institutions,

etc. are basically heterogeneous in character and in empirical terms,

it is nearly impossible to ascertain the extent that they are different

from each other. Secondly, the postulation that a heterogeneous task

environment contributes to the level of stability and risk

presented to an organization may not always be true. The very

presence of diverse environmental elements by themselves does

not affect the level of stability and risk that is encountered

by the organization. Instead, it is the actual challenges that

are posed to the organization by environmental elements, who may

be homogeneous or heterogeneous, which is the crucial determinant

of stability and risk. These challenges provide the very basis

for the organization to justify its existence. They serve to

sustain the life of the organization when they are efficiently

coped with. However, when they are of a formidable nature and are

not dealt with successfully, their continued presence can only

prove fatal to the survival of the organization. In later sections,

the writer will elaborate on the forms of challenges an organization

may encounter but for the present, it suffices to note that in the

final analysis it is the nature of such challenges and not the

homogeneity or heterogeneity of externalities which forms the risk

factor for the organization.

Environmental dependency is another common approach used to assess

the state of the environment. Fundamentally, the level of dependence

is determined by the extent which an organization relies upon

specific elements in the environment for growth and survival and the

extent to which these crucial environmental elements affect each other.

Conceptually, this notion of dependence is derived from the Parsonian

analysis of organizational functions [20], and the view that

environmental elements affect each other can be traced to the general

system analyses of von Bertalanffy [21] and Boulding [22]. This

general system proposition is that the environment should be viewed

as if it was an ecosystem. Each environmental element is dependent

on each other to a greater or lesser degree. By the same token, as

the ecosystem becomes more sophisticated and complex, the level of

interdependence amongst the elements becomes progressively greater.

In general, analysis of the macro environment has indicated that

dependency, when measured in terms of socio-economic development,

is positively associated with organizational results or outcomes

(Kelly [23]). However, when it comes to assessing the impact of

task environment dependency, there appear to be conflicting opinions.

Schein [24] has implied strongly that increased dependency among

organizations facilitates specialization of tasks and goals. Litwak

and Hylton [25] contended that high dependency leads to extensive

co-operation and co-ordination among related organizations for the

benefit of all. Warren [26], on the other hand, argued that

increased interaction which is based on goal and transformation

dependency increases the probability of output by all members. If

taken alone, environmental dependency, as it has been studied by the

authors quoted, appears to have a positive impact on organizational

outcomes. However, when taken in conjunction with the risk involved,

the resultant effect appears to have a negative impact on

organizational outcomes. For instance; Thompson[27], who proposed

that dependency may be viewed in terms of constraints, has stated

that as the number of constraints increase, involving a proportionate

increase in the level of dependency, contingencies and risk, the

management of the task environment and organizational domain becomes

more difficult. Similarly, Aldrich[28], who viewed these variables

through a power perspective, proposed that as dependency increases,

interactions between dominant and captive organizations become more

one sided. As a result, risk to the captive organization increases

and the benefits from interaction decrease. As just seen, there

seems to be little consensus amongst organizational theorists about

the likely effects that would befall an organisation as a result of

its dependence upon environmental elements. Even more alarming, in

the writings of the authors just reviewed there appear to be an

absence of insight into the nature of intervening forces that could

either disrupt or enhance the linkage between an organization and

its environmental interdependencies. The different authors have

taken an "either-or" stance in making their propositions concerning

the positive or negative outcomes of dependency relationships. Without allowing for, and investigating into, the possible existence of some third forces which may intervene in such dependency relationships, the writers cited may have made the error of merely proposing idealistic and over-simplified relationships and outcomes.

To summarize the foregoings, the major weakness underlying previous attempts in studying the behaviour of organizational environment is the lack of a systematic approach that could cope with issues concerning the isolation of relevant environmental elements and the assessment of the implications of their respective states upon the functioning of organizations. At best, only ad hoc attempts have been made to study each issue separately and even then, the focus seems to be concentrated on a single aspect within the issue chosen. Without empirically relating the various disjointed aspects to each other, only a blurred picture of the environment would emerge. Thus, what is urgently required is an approach that could systematically integrate the relevant specific and general elements of the environment and unravel the implications of their presence and behaviour for the organization under study.

B.   A TOTEC APPROACH FOR ENVIRONMENTAL ANALYSIS

In the light of such shortcomings of conventional approaches to environmental analysis, the writer has developed and then researched a new approach to analysing environmental states called TOTEC (acronym for Three Order Task Environment Concept). Essentially, this approach offers two levels of analysis which are designed to solve the two contentious issues of environmental study as outlined earlier.

1. At the preliminary or framework level, the aim is to search for, and identify, a comprehensive range of external elements with whom the focal organization must interact either directly or indirectly. In other words, the concern here is with finding those elements whose continuous transactions with the organization are vital for its profitable existence. Following this, the aim extends to imposing order on those elements using justified and clear criteria so as to permit a systematic analysis of the derived collections of elements as they relate to specific functioning of the organization.

2. At the substantive or Process Level, the aim is to achieve an "integrated" understanding of the state of the environment. As is evidenced in the last section, management writers have the tendency to oversimplify by concentrating their discourses on

either the issue of organizational "risk" or "dependency" to

reveal the state of the environment. In contrast, the aim here

is to analyse these two issues plus the issue of "mutual

organization - environmental influence" and then synthesizing

them to achieve a more accurate measure of the environment.

In addition, to facilitate this analysis, the notion of

competition and its effects spanning over the time span of

"past - to - present" and "present - to-future" will also be

conceptualized to highlight the internal dynamics which underscore

the relative strength of bonding between the organization and its

externalities.

For the rest of this chapter section, the writer will elaborate on

the various conceptualizations which underlie these two levels of

analysis. In the next section, actual field data will be analysed

along a similar line of inquiry to reveal the nature and implications

of the environmental states which confront the three divisions studied.

1. Preliminary or Framework Level of Analysis

Figure 5-1 summarizes the plethora of elements that an organization

has to contend with. At the outer rim, there is the macro environment

which is common to every organization and is best understood as

consisting of four broad sub-environments. Firstly, there is the

Social sub-environment which reflects societal values, cultural norms

and the overall social climate. Secondly, there is the Political -

Legal sub-environment which reflects the political and legal systems
governing and regulating the whole society for the explicit purpose
of achieving order and stability. Thirdly, there is the Economic sub-
environment which reflects the monetary, fiscal and commercial
orientations and institutions employed to propel the whole society
toward a higher standard of living. Finally, the Scientific sub-
environment reflects the whole spectrum of knowledge resource which
the society draws upon to rationalize and optimize its cultural,
preservation and productive activities.

Clearly, the macro environment reflects a purely abstract and
intangible construct or phenomenon rather than any definitive elements.
As previously explained, such abstraction is not directly useful for
the study of those external forces which organizations have to
contend with. Nevertheless, it has been incorporated into the
framework in order to place into perspective the key parts which
in aggregation form the backdrop against which the crucial task
environments are set.

(i) The Three Order Task Environments

Moving inward, nearer to the focal organization, is depicted the

task environment. This environment consists of elements that

actually interact with the organization and as such, represents

those portions of the total environment that are crucial to the

survival of the organization. As discussed earlier, the difficulty

at this point is in ascertaining those elements that cross into the

boundary of the organization and transact with its members. To

offer a solution to this problem, the writer proposes the Three

Order Task Environment Concept or TOTEC, for short. The usage

of the word "Order" is deliberate and intended to accomodate

elements of the task environment which may be organizations, such

as financial institutions or government departments, or individual

persons, such as single customer or supplier. Essentially, TOTEC

first seeks to accord some order to the rather diverse task

environment. It proposes to achieve this by classifying each

known element in accordance with the nature of its transaction

with the focal organization. Through this line of enquiry, one

could avoid the clouding of significant input - output problems

inherent in organizational boundary spanning transactions. *1 (29)

More specifically, elements of the task environment can be grouped

into three distinct orders.

Within the <u>First Order Task Environment (FOTE)</u>, there will be the

customers of the organization. They serve as a depository for the

output of the organization by acting as patrons and recipients of

its products. As shown in Figure 5-1, this task environment is shown

as a dotted arrow-head leaving the organization. In relative terms,

a substantial proportion of the organization's energy must be devoted

to the management of this order of the task environment, for instance;

in setting competitive prices, promoting its products imaginatively,

establishing reliable channels of distribution, providing prompt

services, offering appropriate product range and quality, ensuring

timely deliveries and portraying a superior corporate image. Even

on a conservative estimate, one can regard this order as the singularly

most important task environment that confronts the organization. In

fact, its genesis and continuous existence is dependent entirely on

the presence and nurture of this task environment. Clearly, any

failure in coping with the challenges posed by elements of this order

can only jeopardize the future of the organization.

Within the <u>Second Order Task Environment (SOTE)</u>, are elements such as

suppliers, employees / trade unions, stockholders / potential

investors and financial institutions. The distinguishing characteristic

of this order is that they are the providers of inputs required for

the functioning of the organization. For example: the suppliers

providing primary materials and technological know-how, employees /

trade unions providing manpower resources and stockholders / potential

investors and financial institutions providing financial resources.

In Figure 5-1, this environmental order is symbolized by a dotted

arrow-head heading toward the focal organization. Ceteris paribus,

the organization requires less energy to cope with these elements when

their relationships are based on a straightforward exchange of some

external resources for some monetary considerations.

Within the Third Order Task Environment (TOTE), are elements that

regulate the behaviour of the organization and they could collectively

be categorised under the headings of government and general public.

The former includes all governmental agencies such as the Panel of

Mergers and Acquisition, the Department of Trade and Industry, the

Monopolies Commission, the Prices and Incomes Board and all their

associated directives and regulations which the organization has to

comply with. In general, the pervasiveness of these elements is

directly dependent on the extent to which the ruling Administration

wishes to deviate from a laissez faire policy. As for the second

category of elements, the general public would include pressure

groups such as professional institutes, consumer advisory bureaux,

environmental protection societies, etc. In the main, the primary

goal of this element is to ensure that the organization is conscious

of its social responsibilities and more important, discharges them

with decorum and propriety. Though this environmental order is growing in importance, the amount of energy that is channelled to cope with its challenges is conceivably smaller as compared to the amount that is devoted to the First and Second Order Task Environment. The reason for this low expenditure of energy is because the functioning of the organization does not require any inputs from this environmental order. At most, what transpires is only an abstract exchange of legitimacy for good corporate behaviour. Provided that the organization conducts its operations in accordance with what it has officially declared it would do, and with means that are legal, there is little else that it needs to undertake to secure its acceptance as a good corporate citizen.

From Figure 5 - 1, this third order task environment is depicted as revolving round the organization and at the same time, spanning over the two other environmental orders. This is intended to highlight its pervasiveness and intervening influence in regulating the interaction between the organization and elements within the first and second order task environment. By distinguishing this third order task environment from the other two, one could untangle the problem of overlapping task environments. With TOTEC, elements that play different boundary spanning roles can be systematically

separated and analysed. In addition, unlike previous attempts

aimed at trying to ascertain the composition task environments through

isolating those elements that could influence the attainment of goals

[30, 31], this proposed concept makes no assumption about the

formulation or attainment of organizational goals - who contributes

to whose goals is purely an empirical question. By keeping the

conceptual scheme as parsimonious as possible, one can avoid the

difficult problems posed by conceptual distinctions that have no

relationship to an underlying theoretical dimension, as in the case

with the cui bono typology of organizations [32, 33].

2. Substantive or Process Level of Analysis

(i) The Significance of Competition

Although competition is a common feature of modern capitalistic

societies, it is usually only associated with the economist's

notion of monopoly, oligopoly, monopolistic competition or pure

competition. If ever there are any attempts to view competition

from a management standpoint, it is mainly on how it affects the

price and output decisions of firms [34] In contrast, the writer

would like to propose that this much under-rated notion of

competition could be usefully utilised to cast light on the state

of the task environments and to clarify its effects upon the well-

being of the focal organization.

Referring to Figure 5 - 1, competition is depicted as a spatial force which engulfs the organization. Contrary to common assumption this force presents a range of challenges that exceed the usual one of "trying to win over the organization's customers". To fully comprehend the range and potency of these challenges, one must first visualize the competitive force as an encircling barrier and regard the main preoccupation of the focal organization as trying to breach through this barrier to reach its task environments. Clearly, from the figure, this means having to engage the competitive forces along three crucial fronts, namely, along the borders of the first, second and third order task environments.

At the first order task environment, the number of areas where the organization may encounter competition is relatively numerous. For example: in areas such as pricing, promotion of products, channels of distribution, customer service, product quality - range - delivery and image projection. For each area where competition is not effectively warded off, a link in the total organizational effort to reach elements within this environmental order would be weakened and undermined. Of even more dire consequence, the organization could eventually be deprived of their patronage which is vital to its survival. This outcome is inevitable if competitive forces persist to impair the relationship between the organization and this task

environment. Referring to Figure 5 - 2, the effects of competition

can be seen to influence the task environment's Level of Dependence

on the organization, the Level of Risk faced by the organization and

the organization's Level of Control over the task environment. When

the organization encounters a high level of competition in any of the

areas mentioned, elements within this environmental order are

presented with more alternative organizations which they can channel

their patronage to. As a result, they are less dependent on the

focal organization for their needs and in turn, the organization

finds itself less certain of receiving their patronage. When this

situation prevails, the organization not only finds the uncertainty

of receiving patronage threatening its survival, it also finds itself

in a somewhat less influencial position. Organizations thrive by

being able to lead in a particular market and being able to influence

its customers in product taste, quality, price, etc. However, when

this leadership is challenged and alternative standards of product

taste, quality and price are available, the organization's control

over the elements will be undermined. In other words, it no longer

finds itself the only organization that could influence the elements

into accepting a particular standard of output, output presentation

or transaction ethics.

The effects of competition upon the attempts of the focal organization

to reach its second order task environment is equally forbidding.

Though the number of areas where competition could challenge the

organization is relatively more limited, mainly in promoting a

superior image of credit worthiness and benevolent employership,

and offering satisfactory considerations in exchange for inputs,

the impact of competition could still have far reaching consequences.

Turning to Figure 5 - 3, in a situation of high competition, the

organization would experience many challenges to its control of

vital sources of input. In a world of shrinking resources and

rapid obsolescence, such competitive attempts to directly or

indirectly draw away elements of this task environment are particularly

dangerous to the organization. An immediate effect of such

competition is that as alternative outlets become available, the

elements would progressively become less dependent on the

organization. Of greater importance is the possibility that

competitive forces could offer the elements new benchmarks with

which to judge the viability of transacting with the focal

organization. Thus, when competition offers an element more

lucrative transaction terms, the organization has to make a counter

offer that is as, or more, attractive if it is to avoid losing the

support of the element. Under this pressure of new transaction

standards and changing expectations, the organization would find

itself constantly having to readjust its exchange tactics to suit

new demands. With such a state of flux, the organization would

naturally find itself increasingly uncertain of receiving a steady

flow of inputs. Besides, as the organization becomes one of the

many sources which the environmental elements could draw precedents

to base their terms of transaction, the organization's influence

over them is diminished. If this challenge is left unchecked, this

diminishing influence could either lead to a complete loss of control

over the elements as their relationships are terminated, or to a

partial loss of control as when any 'special" status accorded to the

organization is withdrawn. When this happens, the consequences are

not difficult to see. In the former and more extreme situation, the

organization would need to find alternative elements to supply future

resource input and to initiate a new cycle of nurture so as to

consolidate the newly established relationship. In the latter

situation, the organization would need to pay a premium for future

transactions as it reverts to being an "ordinary" trading partner,

for example: when it has to bear higher interest charges for financial

resources, to receive a lower rate of discount for material purchases

or to enjoy less harmony with suppliers of labour resources.

Before continuing to examine the impact of competition upon the focal

organization's relationship with its third order task environment, it

is necessary to first explore the purpose and procedures with which

the relationship is initiated and stabilized. In recent years, the
interest of the government and the general public (elements of this
third order task environment) in the nature and implications of
business organizations' behaviour has been steadily growing.
Historically, this interest was originated from America, stemming in
part from the growth of the Corporate Urban Affairs programmes, when
attempts were made to rehouse ghettos and retrain the long-term
unemployed, following the traumas of 1967 when cities such as Watts
and Detroit erupted in violence. A small number of companies
participated in these programmes and it was not long before their
successful participation demonstrated how companies could play a
useful role in improving the quality of life of the society as a
whole. Quite unfortunately, the reverse is also true since it has
become apparent that irresponsible corporate behaviour can also
generate detrimental consequences for society as well. The emission
of pollutents into the atmosphere, faulty automobile design posing
potential danger to drivers and dumping of high tar tobacco products
to underdeveloped countries all bear testimony and support to this
side of the argument. The ensuing debate rapidly spread and it was
not long before the behaviour of companies became a major area of
public interest in this country, as is evidenced by the emergence
of independent groups investigating and reporting on British
companies such as those on Tube Investments [35], Coalite and
Chemical Products Ltd. [36] and Cortaulds' British Celanese Plant [37].

In response to such interest in its behaviour by elements of the third order task environment, the focal organization must strive to project an image of itself as an exemplary corporate citizen. As illustrated in Figure 5 - 4, this image could be achieved through improvements in its Transactional and Social Behaviours. The former would necessitate the conduct of a satisfactory and acceptable interaction with its first and second order task environments. This meant that the organization should not only concern itself with maximising the return to its stockholders but must also attempt to satisfy the needs of elements within these two task environments as well. With a growing, governmental willingness to rescue those organizations whose collapse would spell hardship to members of their task environments, by means such as the National Enterprise Board, an organization's transactional behaviour is a contributory factor that is increasingly becoming important to the kind of image that it finally projects. If this growing demand for organizations to be more conscious of their social responsibilities continues, it would not be surprising if in due course, organizations may even be required to endow property rights both to its immediate stockholders and to elements within its first and second order task environments. The growing anonymity of stockholders in conjunction with an increasingly institutional nature of large companies and the growing willingness of the government to abandon a laissez faire policy all point to a possible move in this direction.

Equally important for the promotion of its image is the manner which the organization conducts its social behaviour. With a growing concern for the well-being of society as a whole, the organization's fulfilment of its social responsibilities is constantly being monitored by various elements belonging to its third order task environment. The profusion of consumer advocates, environmental protection groups and governmental watch-dog committees as seen over the past few years have brought immense pressure on the organization to justify its behaviour and develop a favourable public image.

In exchange for owning a superior image, the organization stands to receive the recognition of legitimacy necessary to sanction its continued existence. However, because of the difficulties involved in the quantitative appraisal of corporate image, elements of this task environment often can only resort to sets of favourable past behaviour or precedents as a form of yardstick with which to measure present and future behaviour. As in courts of law, where the passing of judgement on an accused is based on an evaluation of the charges in question against some acceptable standards of behaviour, the final judgement on an organization is similarly based on a comparison of its behaviour with some acceptable precedents. These precedents may be derived from some acceptable standards of past behaviour of the organization, from some standards set originally by elements of this third order task environment or from a combination of the three.

Having explored the relationship between the organization and its third order task environment, the way is now opened to examine the effects of competition upon this relationship. Unlike the competitive forces that disrupt the relationships between the organization and its first and second order task environments, the competition encountered here may not be entirely caused by commercial rivals. Instead, they could be organizations from a different industry which have no connection with those elements that belong to the organization's first and second order task environment. The crucial point to note is that their behaviour and activities could provide new standards and alter the nature of precedents against which the focal organization will be judged. For example The National Cancer Institute may declare a particular chemical, which the organization is using in the manufacture of its products, to be a carcinogen and likely to cause cancer. Naturally, any further usage of this chemical would be condemned and the image of the organization would be severely tarnished if the organization fails to adjust to the new precedent by adopting some safer chemical substitute. In this case, the National Cancer Institute provides a challenge to the image of the organization as a provider of safe products by confronting it with a new precedent, namely, that it should not use the suspect chemical in future products. Another example is when a rival manufacturer instals a more advanced pollution control system and so directly competes with the organization for a better image of

of being the organization that cares more about the ecological

health of the country. In this case, the special pollution control

system and the resultant reduction of more atmospheric effluent

becomes the new precedent with which the third order task environment

would use to judge the focal organization. Recent breach of the 5%

pay code by the Ford Motor Company and subsequent government attempts

to impose punitive sanctions by the withholding of contracts provide

yet another example of the initiation and enforcement of a precedent

by an element of the TOTE.

Looking at Figure 5 - 5, one can see that when competitive forces

are actively engaged in challenging the behaviour standards of the

focal organization, the image that it could present to the third

order task environment would be less than superior and at best,

unstable until such time when it could improve its own behaviour

to match the newly accepted standard. In addition, when presented

with new precedents with which to judge the organization, the

environmental elements' confidence of the organization as an

exemplary corporate citizen would be subjected to rethinking and

reappraisal. Naturally, when the elements begin to have doubts

about the organization, complete sanction and recognition of the

organization would not be so freely granted. Under this situation,

the organization may find it less certain of obtaining the legitimacy

that is necessary to sustain its existence. In extreme situations

when the organization is regarded as a physical hazard or ethical
embarrassment, such as the London Capital Group when under the
stewardship of the discredited John Stonehouse, total legitimacy
would be withdrawn and the organization forced out of existence.
Even without experiencing such extreme situations, the organization
may find its less confident task environment quite impervious to
using its behaviour standard as a benchmark with which to judge
others. Until it can halt this declining confidence and reassert
an improved image, the organization would find its influence and
control over its task environment rapidly diminishing. The case
of Vauxhall Motor Corporation and its superior image as model
conservator of heating energy is a classic example of how an
organization is able to influence and control its third order
task environment, namely, the Department of Energy when it cited
Vauxhall in its energy conservation campaign, by asserting its
standard of behaviour as a precedent which others could emulate.
"Take a tip from Birmingham Battery. It saved them £38,000 p.a.
on fuel" is an advertising slogan which is an example of precedence
replacement when the Department of Energy later cited Birmingham
Battery and Metal Company instead of Vauxhall when it decided that
the former is a more suitable model whose energy conservation
programme should be emulated.

(ii) Time Perspective

Hitherto, the underlying facets of the proposed framework have been described and its ability to mirror the state of the environment at a particular moment in time explored. However, if the writer is to stop at this point, the framework would suffer from an inadequacy that is common with previous attempts to study the environment, namely, that of not making any allowance for the impermanent and dynamic nature of the environment. Though Terreberry is correct in expressing that "the selective advantage of one intra or inter organizational configuration over another cannot be assessed apart from an understanding of the dynamics of the environment itself" (39), previous studies of the environment appear to have not responded to this call for first untangling and understanding the environmental "dynamism" involved. This is evidenced by the manner which authors are prone merely to propose some criteria with which to assess the state of the environment and then proceed to relate their findings against some internal organizational configurations. When this line of inquiry is adopted, it is not difficult to see that only a moment in time snapshot of the environment has been obtained.

Perhaps, some authors may resort to a "contingency" excuse to justify the adoption of this rather restricted vision of the environment, claiming that it alone is sufficient to account

for the internal configuration of the organization. Take, for

example, the Aston study which uses a moment in time view of

organizational dependence upon external elements to account for

the internal organizational arrangements of authority, structuring

of activities and line-control of workflow[40]. Surely, if one is

to hold the apriori view that all organizations would strive to be

rational and effective, by planning their internal arrangements on

the basis of past experiences and future expectations of environmental

demands, then such Aston line of reasoning is not easy to assimilate.

By simply highlighting the state of the environment at a point in

time and trying to impute some relationship with internal

configurations, one is deliberately ignoring the influence of

past and future environmental state upon organizational design and

modes of functioning.

Further, by using this analytical approach, one is decrying, perhaps,

unintentionally, the possibility and potency of managing by "learning"

from the experience of adapting to the environment in the past and

using this learning to plan for a more effective adaptation to the

environment in the future. Figure 5 - 6 serves to illustrate the

conventional treatment of environmental time span. Graphically,

the environment is differentiated into a set of past, present and

future time-points, with the present time-point being shown as the

chosen analytical path of previous scholars of environmental states.

As a result, past experiences and future expectations of the environmental state have been ignored in the final correlational analysis. This is highlighted by the two dotted-line arrows leading toward the two diamond-shaped outcomes.

In contrast, the writer's proposed frame of analysis seeks to incorporate these two additional factors, that is, past experience and future expectations, to form a composite perspective of the state of the environment. This is a deliberate step to take into consideration the rational and more realistic behaviour of "learning" and "planning" as organizational members strive to cope with environmental demands and challenges. Figure 5 - 7 gives a display of how this proposed framework intends to analyse the environmental forces as they span over different time period. Using the previously described facet of competition, the strength of the competitive challenges, as encountered when the organization is striving to reach its three order task environments, would be ascertained for the past and future time-points. The information obtained would serve to indicate the state of the environment which the organization had encountered in the past and that which it expects to encounter in the future. This composite picture would reflect an environmental state of a more realistic time span than that normally presented, that is, a point in time view. With this composite understanding, one can more confidently proceed to examine the influence of the external environment upon the design and construction of the organization's internal arrangements.

(iii)   The Intervening Synthesis

A final facet of this proposed approach that has yet to be elucidated
concerns the antecedents which prompt the focal organization to
undertake particular courses of action in adapting to changing
environmental conditions.   Previous environmental studies are content
to only suggest that certain organizational arrangements are in operation
when a particular environmental state is observed.   Clearly, what is
missing is some fundamental explanations of how one environmental
state can lead to a particular set of internal configurations or
regulative arrangements.   In this respect, at least some indications
should be given as to the manner which knowledge of environmental
conditions is being translated into organizationally actionable terms.
Frequently, the state of the environment is presented as an undifferentiated
mass [15, 16, 18, 41] and it leaves the reader with the confusion of not
knowing the demands of which part(s) is selected for permeation through
the organizational boundary.   At best, the environment may be presented
as more or less uncertain for, risky to, or dependent on, an organization.
However, such terms by themselves border close to a philosophical
abstraction that indicates very little about what the environment
actually means in terms of the impact upon the operational efficiency
or survival potential of an organization.   Thus, without first isolating
the critical parts of the environment and then unravelling the
implications of those demands and opportunities which they present to

the organization, it is small wonder that many propositions concerning

the state of the environment and their related imputations that such

state bears some relationships to a particular organizational configuration

or management practice appear to be oversimplified and not entirely

convincing.

To overcome this shortcoming, the writer proposes that an intervening

process, capable of extracting and deciphering the implications of

different environmental conditions, should be employed. In connection

with the writer's framework of analysis, this would necessitate

isolating all the key competitive forces and drawing out those aspects

that hold the greatest significance for the focal organization. Figure

5-8 outlines a model which highlights the main steps that will be

involved for this purpose. The steps in question are as follows:

Firstly, as has been previously elucidated, the concept of competition

provides the most complete and integrated indicator of the state of

the environment in terms of the level of its dependence upon the

organization, the risk it presents to the organization and the level

of control the organization could exercise over it. Hence, by first

ascertaining the relative strength of competive forces in each of

the three task environments, one will be able to isolate the sources,

nature and extent of constraints which surround the organization.

More important, such information will help to highlight the degree to

which the operational efficiency of the organization is likely to be

impaired by external forces. For instance, acute price war or
financial resource acquisition competition may force an organization
to abandon certain managerial or technical control systems which
require expensive staffing or maintenance, even though such moves
might prove detrimental to the long term operational efficiency of
the organization. Or, intense marketing may cause serious contraction
of market share and necessitate a corresponding reduction in production
output. However, when such a situation arises and until sufficient
employees can be laid-off, (a task which is not simple without
antagonising the trade union elements of the second order task
environment), the productive efficiency per man hour will fall though
the cost of administering the labour force will remain the same or even
creep higher if redeployment and retraining for other jobs prove too
costly. In both cases, the operational efficiency of the organization
will be impaired.

Secondly, by ascertaining the relative importance which the focal
organization attaches to the different competitive forces which are
encountered whilst striving to establish satisfactory relationships
with elements within its three order task environments. The purpose
of this step is to assess the relative damage which competition in
each of the three task environments is perceived to be capable of
inflicting on organizational profitability. The outcome of this
assessment is to obtain clearer definition of the critical nature
of each of the task environments as well as a better understanding
of the inherent capability of the organization to sustain a profitable
existence in the event of competition.

Thirdly, by synthesising the outcomes of the first and second step

in order to gauge the actual environmental pressure which the

organization faces. By computing the multiplier product of the

actual strength of competition and the perceived damage which

competition can inflict on profitability, one can obtain a reasonable

measure of the real implication of the state of the environment. In

other words, by ascertaining the level of environmental pressure, one

will be closer to knowing the extent to which the survival of the

organization is being curtailed, as well as providing a clearer

explanation of the contingency relationship between the choice of

particular adaptive changes in its internal configuration and

regulative arrangements and the nature of the state of the environment

when such choice is made. Without such intervening synthesis, the true

implications of the environment for the organization will be lost and

the study of the process of its internal adjustment and construction

difficult to pursue.

3. Summary

This proposed approach is designed to facilitate a systematic study

of environmental constituents, the manner in which they permeate through

the organizational boundary and their ultimate impact upon the well-being

of an organization. It is also intended to reveal the intervening role

of competition and the manner in which competitive forces affect the

relationship between environmental elements and an organization.

The TOTEC approach recognises that environmental constituents are

numerous and each has its own unique characteristics. It rejects

any blanket classification of the environment into what is popularly

known as "placid" or "turbulent" conditions [41]. Instead, it

proceeds along a path of selective "isolation" and "examination"

in order to understand how various environmental elements, abetted

by competitive forces, have created different environmental states

for the organization. Each state is distinctly different both in

the challenges and demands made upon the organization and in the

time period when they are made. Broad generalisations of the

environmental state are too convenient and simplistic. To accept

them would amount to professing that all environmental constituents

are common in their characters and behaviour patterns and as such,

are amenable to being reasoned as capable of collectively causing

an environmental state of one form or another. One element may

contribute to an environment of calm and certainty, whilst another

may cause uncertainty and risk to an organization. When confronted

with such a situation, how can one reconcile the two contradictory

pulls and claim that their amalgamation would cause the environment

to be either placid or turbulent? In addition, by accepting generalised

dichotomies of environmental states, one would be denying the

environmental elements their dynamic nature and rights to shift

their allegiance from one organization to another. Perhaps, this

stance is unavoidable as authors have rarely considered how or why
environmental elements would change their behaviour patterns and
in the course of doing so, cause great consternation for the
organization concerned.

In contrast, this approach strives to unravel knowledge about the
environment by first discerning those elements that are appropriate
for the focal organization. Next, it conducts an examination of
the causes and processes which different elements adopt to alter
their relationships with the organization concerned. From this
knowledge, the different states of the environment and the
implications they hold for the organization can be deduced to provide
further insights into the reasonings underlying the formation of
different adaptive strategies and internal configuration that the
focal organization may eventually employ.

C.   <u>DATA DISCUSSION</u>

In the last section, the writer has proposed and described an

alternative approach for analysing the state of the external

environment. The various facets of the approach have been conceptualized

and developed with the specific aim of overcoming the shortcomings of

approaches that were introduced by other management writers. Equipped

with this new approach, the tasks that have to be accomplished in this

section can be summarized as follows:-

1. To operationalize the approach and construct an "environmental"

   profile of the focal divisions under study. This profile will

   serve as a necessary prelude to later discussion on the management

   philosophy, structural forms and decision making processes that

   are employed for the administration of the divisions.

2. To utilize the approach to define the orientations of the corporate

   and divisional personnel toward the environmental states which

   confront their division. This information is necessary to

   facilitate a clearer understanding of the interaction processes

   and climate of divisionalised organizations when the expectations

   of these two management groups are examined in later chapters.

3. In the course of accomplishing the above tasks, to draw conclusions

   about the behaviour patterns of the environment whenever data that

   are extracted by the approach permit.

1. Environmental Profile

This approach was operationalized by Q.29 which contained seventeen items designed to represent key elements of the three order task environments. In addition, each of these items was investigated for the level of competition that was experienced in the past, expected in the future and the perceived impact of such competition upon divisional profitability. In total, fifty-one question items were presented to each respondent.

(i) Level of Competition

When the level of competition that was experienced and is expected by the three focal divisions was compared and analysed (comparative profile is recorded in Table 5-1 and graphically represented in Figures 5-9, 5-10 and 5-11), it appears that division Sigma has the most problematic environment. This conclusion is drawn when one considers the following environmental features of division Sigma:

- Its overall level of competition as well as competition in each of the three task environments are expected to increase significantly over the coming years. Such a change which will inevitably bring with it new demands and constraints suggests that the future environment of division Sigma will be unstable (see Table 5-2)

- Its overall level of competition and more specifically, in the FOTE and TOTE is expected to be higher than those of divisions Alpha and Beta (see curves B and C of Figures 5-9 to 5-11).

Recalling our exposition in the last chapter section on how and why competition is capable of causing a decline in an organization's ability to influence and control its external interdependencies, it is reasonable to conclude that such high level of competition is likely to result in division Sigma having an environment which is most difficult to manage.

As for the other two divisions, division Beta appears to enjoy a more stable environment because unlike division Alpha, any increase in competition for the coming years will not be significant. (see Tables 5-3 and 5-4). However, in terms of environmental manageability, division Alpha may be more fortunate. Such a conclusion is based on the trends as outlined in Figure 5-10 and 5-11 which show that division Alpha's overall level of competition that was experienced and is expected will be lower than those of division Beta. Even when competition in each of the task environments is compared, the trend remains the same except for a higher level of competition in the FOTE which division Alpha expects.

In summary, one can state that insofar as environment stability is concerned, division Beta is the most stable, followed next by division Alpha and then by division Sigma. However, when the interest is in environmental manageability, division Alpha has the most manageable environment, followed next by division Beta and then by division Sigma which appears to have the most difficult environment to manage.

(ii) Importance of Competition

In examining the "importance of competition" curves of tne three focal

divisions, one can observe the following trends concerning the

potential threat which competition in their respective environments

can cause to their profitability (see curve A of Figures 5-9 to 5-11

and its source data at Table 5-5).

- The profitability of division Beta appears to be most vulnerable

   to being eroded by competitive forces as it attaches a higher

   level of importance to its overall competition and more specifically,

   to competition in its FOTE and SOTE than by division Alpha or Sigma.

- Division Alpha, however, appears to be the division whose

   profitability is next most vulnerable to being eroded by external

   competition. When compared to division Sigma, the perceived

   importance of overall competition and more specifically, in its

   SOTE and TOTE to its profitability is certainly higher.

In summary, it has emerged that the potential erosive effect of

competition upon profitability is highest on division Beta, moderate

on division Alpha and lowest on division Sigma. When this ranking is

contrasted with the previous rankings on environmental stability and

manageability, one can immediately notice that there is no linear

relationship between them. Thus, an environment which is less stable

or more difficult to manage will not necessary mean that it will have

a correspondingly high erosive effect on organizational profitability.

The reverse will also be true as when a more stable and manageable environment does not necessarily mean a diminished erosive effect on profitability.

For instance, in division Alpha, although the FOTE is relatively unstable and difficult to manage as competition is expected to be quite high, the potential impact on profitability is not perceived to be correspondingly high. Another more pronounced example relates to the TOTE. In this case, the environment is relatively stable and manageable as the competition level is quite low but, nevertheless, its importance to profitability is still perceived to be quite high (see Figure 5-10).

This characteristic adds further credibility to the mainstream argument of the TOTEC frame of analysis that the condition of the environment as it relates to its component sectors should not be confused with the effects it is capable of engendering for an organization. Returning to our cited division, Alpha, the primary reason why the potential effects of competition at its TOTE is held at such high level although the actual competition is low is because it manufactures soft medical products essential for surgical operations of all sorts. As such, any challenge (competition) to their reputation as a manufacturer of safe or quality products will immediately cause sanctions to be imposed on it by government health agencies, medical personnel and even condemnation by the general public should deaths

actually result from the use of its products. Thus, without revealing this potentially erosive consequence of competition in this TOTE, one may spuriously ascribe a conservative estimate of risk to profitability simply because the level of competition experienced or expected is low.

(iii) Environmental Pressure

By synthesising the actual level of competition experienced and expected with the perceived erosive effect of competition on profitability, one can now obtain a "survivability and learning" profile of the focal divisions. More specifically, such a profile will help to improve our insights into the following areas

-   The extent to which the survival of the divisions has been threatened in the past by conditions in the different task environments. By extension, this allows us to isolate the critical environments of each division.

-   The extent to which the survival of the divisions will be threatened in the future by conditions in the different task environments. By extension, this allows us to establish the relative success of the divisions in learning to contain the threats from their environment and thus, improving or stabilizing their survival prospects.

In examining Table 5-6 and Figures 5-9 to 5-11, one can see that division Sigma has experienced the greatest pressure from its external environment, followed next by division Beta and then by division Alpha with experience of the least pressure (see curve E of graphs).

Furthermore, when the task environments are separately analysed, the FOTE has emerged as the most critical environment as the greatest pressure was experienced from this source by all three divisions. As for the SOTE, it only ranks as the second most critical environment for division Beta. In contrast, the second most critical environment for division Alpha and Sigma is that of the TOTE.

When examining the shifts in environmental pressure, it has emerged that division Sigma will be confronted with significant increases in all its task environments (see Table 5-7). This highlights that this division has not been able to contain its competitive challenges with sufficient effectiveness as to prevent such significant changes in environmental pressure. Division Alpha appears as the firm with the next most difficulty in containing further external threats to its survival. As can be observed from Table 5-8, it expects to be challenged with significant increases in pressure from its FOTE and SOTE. In contrast, division Beta appears to be in best control of its environment as the level of pressure is not expected to increase with any significance in any of its task environments (see Table 5-9).

In summary, this analysis has shown that the survival prospect of division Sigma has been most threatened by external forces. Even more important, it appears that the organizational learning [2] (42) of this division has not advanced effectively enough to prevent further significant inroads being made by competitive forces in

jeopardizing its future survival prospect. In the case of division Alpha, though its survival prospect is under marginally less threat from external forces than division Beta, the writer is inclined to believe that its learning and adaptation effectiveness, in particular to the challenges of its FOTE and SOTE, is in some doubt. In comparison, division Beta appears to have adapted most successfully to external challenges as the nil increase in pressure from all its task environments will attest.

2. Orientation toward the Environment

Frequently, one hears of divisionalised organizations being confronted with such corporate-divisional linkage problems as communication malfunction, slow and indecisive corporate reaction to real or impending divisional crises, and the polarizing of managerial values and attitudes [*3(43, 44)]. Invariably, the root cause of these problems has been attributed to the notion of temporal and spatial distance spanning between these two management groups [*4 (45, 46, 47)] which inevitably increases as the number of divisions which the corporate office has to manage expands. In this study, we shall seek to refine this notion by ascertaining the precise areas which distance can actually affect. To begin with, we shall establish whether it can affect the commonality of corporate-divisional views concerning the state of the environment which confronts their division. Moreover, considering that an "individual's reaction with a situation is a

function of his perception of the situation rather than his interaction

with a solitary combination of 'real' stimuli and constraints" [48],

this task is especially germane if one is to be able to explain at

a later stage the accuracy of corporate officers' perception of

divisional situation and the adequacy of their response to its needs.

To accomplish this task, Q.29 was administered separately to both

corporate and divisional respondents in all the three firms studied.

This question establishes the perception of these two management

groups of the level of competition that was experienced and is

expected by their division (Tables 5-10 to 5-12), of the importance

of such competition (Tables 5-13 to 5-15) and of the environmental

pressure that was experienced and is expected by their division

(Tables 5-16 to 5-18). From these source data, statistical tests

were conducted to determine the degree of alignment between the

views of the two management groups. (Tables 5-19 to 5-21). Following

that, the following observations were made and conclusions drawn.

- Out of twenty areas where the views of the two management groups

    were analysed, divisions Sigma and Alpha had only one area (5% of

    total) and division Beta had two areas (10% of total) where

    significant disparity was observed. As these disparities are

    extremely small, the writer concludes that for these firms,

    neither spatial nor temporal distance has any significant

    influence on the accuracy with which corporate officers perceive

    the state of their divisional environment.

Views concerning the extent of competition which prevails in the
SOTE has emerged as the only area where disparity has arisen
consistently for all three focal firms. In addition, such
disparity has arisen because corporate officers held a more
conservative estimate of competition in this task environment
than their divisional colleagues (see Tables 5-10 to 5-12).
From personal interviews and in conjunction with the writer's
concept of 'The Natural Order of Task Environment Control',
which is fully elucidated in chapter six, the writer is inclined
to suggest that because of the shared responsibility for elements
of this task environment, neither party is willing to accept
completely the other party's view of the extensiveness of
competition that has been experienced or is expected. As the
group financial controller of firm SIGMA hinted when asked about
the disparity of views concerning the SOTE,

> "Our financing, purchasing and labour recruitment ('all 'input'
> dealings with elements of the SOTE) operations are managed
> on a mixed and hopefully, happy approach. You see, in these
> operations, we reasoned that some central involvement is
> imperative if we are to reap economies of scale. I admit
> that there are certain things like the handling of customers
> ('output' elements of the FOTE) which is best left to the
> divisional boys and H.Q. should rightly lay off,

but things like funding, buying and employee relations should

form part of our responsibility. Besides, I think our active

interest in them is good, we know the situation and we can't

be bullied into approving fatty budget requests by units who

tell us they are in command and know the situational needs

better."

In contrast, the commercial director of division Sigma presented a

rather opposing point - of - view when he states

"Corporate people have a tendency to underestimate our problems

and needs. I can well understand as they are the custodian of

corporate resources and must be watchful of our dealings.

However, they must not lose sight of the fact that we are in

actual, day - to - day contact with grass root problems which

not even the most powerful pair of corporate binoculars could

catch sight of in all its fine details. We are the best judge

of our problems, I always say . . . in some areas we are allowed

to be the judge, but in others like fundings and procurement,

there is quite a bit of hustling going on. We have to argue

and persuade, sometimes we succeed in bringing them to see our

views but sometimes we don't".

From such conversations, it is clear that the temporal and spatial

distance between corporate officers and divisional managers does not

by itself result in any significant divergence of views about the state of divisional environment. Instead, the writer suggests that the key to whether views about the state of a particular task environment will concur or diverse will depend on whether one of the two management groups has a natural control over it. Thus, in the case of the FOTE where divisional management has a predominant responsibility and of the TOTE where predominant responsibility rests with corporate management, the situational assessment by the management group who is predominantly responsible will be more accepted and divergence of views less likely (see Tables 5-19 to 5-21). However, when neither group has a predominant responsibility but instead the responsibility is being shared, as in the case of the SOTE, the tendency toward contradictory assessment of the situation, uncertainty and indecision will be greater [*5] [49, 50, 51].

D.   SUMMARY AND CONCLUSION

By applying the TOTEC Approach, considerable information has been yielded about the texture of the different sectors of the environment. More specifically, the relative stability, manageability and importance of the environment have been established. No less valuable, the performances of the focal firms in coping with the different sectoral challenges both in the past and in the future have also been revealed.

Clearly, this information demonstrates that the environment is not a unified entity which presents uniform and consistent demands and

opportunities to the firms. Even more important, they suggest the

undesirability and diseconomy of initiating structural readjustments

for the whole organization as a response to environmental challenges

(52, 53, 54). The uneven texture of the environment, the question of

unbearably high structural development costs, wide spread system

dislocations and in the case of divisionalised organizations where

corporate members, to a greater or lesser extent, do participate in

divisional affairs, protracted efforts to reconcile divergent interests

across extensive structural points down grade the wisdom of such a

move. Instead, selective readjustment of those aspects of organizational

structure most vulnerable to environmental variances and deployment of

adaptation programmes across specific points of the boundary appear

to be a more viable alternative. In later chapters, we will examine

whether corporate and divisional managements have adopted such an

alternative course and if they did, how they co-operated to steer

themselves through it.

CHAPTER 5   FOOTNOTES

*1   A serious flaw in Chester-Bernard's treatment of the environment

is his neglect of this vital aspect when he simply lumped

investors, clients, suppliers and other elements as members of

the "co-operative system" [29]. He failed to take into

consideration the different value which the elements hold for an

organisation and by the same token, the disparate attention

which needs to be devoted to managing the elements.

*2   The term 'organisational learning' is used in the same manner

as defined in Cyert and March's A Behavioural Theory of the

Firm, that is, viewing it as the process by which organisations

adapt over time. [42]

*3   Two organisations which had to endure some of these problems

are RCA [43] and Spillers [44]. As in other similar cases,

prolonged failure to curb such problems can eventually lead

to serious profit crisis for the particular division as well

as for the parent organisation.

*4   Management writers like Lawrence and Lorsh [45], Blau [46]

and Williamson [47] have often argued that due to their

differing roles and environmental contacts, headquarters and

divisional units could develop very different cognitive

orientations, and ways of organising work. Invariably, such

differences have been termed as corporate - divisional

differentiation and centre on such issues as the formality

of structure, and orientations toward time, goal and interpersonal relationship as measured along a task versus social continuum.

*5 To observe such problematic outcomes of shared responsibility and joint decision-making, one has only to look at the Japanese style of management. They favour joint decision-making which involves a wide network of corporate and divisional managers. However, each management group will bring with them views and offer decision-choices which reflect their local interests and aspirations. As a consequence, Japanese firms are often noted to be plagued with prolonged and antagonistic discussions before final decisions can be reached if ever they are reached [49, 50, 51].

ADMINISTRATIVE AND STRATEGIC ORIENTATIONS

A.   Management Philosophy

B.   Functional Interests and Strategic Orientation Alignment

C.   Summary and Conclusion

In the preceding chapter, the writer has presented and analysed the views held by senior management in the three focal divisions concerning the environment with which they have to contend. More specifically, a clearer insight of the different sectoral interests which the divisions have to satisfy both in the past and in the future has been presented. In the light of such insight, the next task is to identify and reveal what administrative and strategic postures the executive officers of each firm have chosen to adopt in response to their particular external diversity.

To accomplish this particular task, the research was directed to seek answers to three main questions

1   In which of the focal divisions' three different task environments is corporate involvement in its management desirable and what factors can influence the form which involvement takes?

2   Corporate Officers' interests must necessarily extend beyond any exclusive devotion to the welfare of the focal division in order to safeguard the well-being of the total organization. To what extent are their beliefs about the appropriate functional areas in which they should be concerned in agreement, or in conflict, with those of their divisional colleagues?

3   How do corporate and divisional views of administrative propriety fit in with the strategic orientations that are necessary for coping with the changing demands of the environment?

In this chapter, the writer will discuss these questions with reference to the three focal firms and analyse those contingencies which underscore their administrative and strategic orientations.

A.   MANAGEMENT PHILOSOPHY

We will first seek answers to the first question by examining the
administration assumptions and philosophy of management that are held
by the corporate and divisional managements of each firm. The research
data facilitating this task was obtained from responses to Q.7 which
was designed to reveal the managers' preferred management style (part 1
of question) and their views of the style that is actually practised in
their organizations (part 2 of question). In addition, to relate their
responses to two polaristic and one mid-way management styles so that
inter-style comparative analysis can be made, five items which are
common to both parts of the question were used. As this is an exploratory
study, these three management styles have been specially conceptualized to
represent the extreme and middle points of a continuum which epitomises
the relative depth of corporate involvement in divisional affairs.

The first management style, indexed by item 1 of Q.7, is simply called
the Administrative Approach. Under this approach, the interest of the
corporate office is conceptualized as focusing mainly on the end
achievements of its division. In this context, the concern of the
corporate office is primarily in supplying the necessary financial
resources in exchange for some satisfactory returns. Any joint decision
making is strictly confined to financial planning, for example, regarding
the size of divisional profit contributions and approval of capital and
major expense projects.

The second management style, indexed by items 3 and 5 of Q.7 is called
the Operational Approach. Under this approach, the interest of the
corporate office is in both the ends which its division should seek, and
the means with which to seek such ends. Typically, such an approach is
characterized by a corporate office with intimate understanding of
divisional operations and which emphasizes active leadership in employing
those resources which are placed at the disposal of its division. This

emphasis is normally realized through committing the corporate staff

to search out and develop solutions to problems with divisional personnel.

The third management style, indexed by items 2 and 4 of Q.7 is called

the Selective Involvement and Control or S.I.C. Approach. Illustratively,

this approach can be depicted as falling in the middle of a continuum

that is polarized by the two approaches described earlier. In practice,

this approach is typified by a corporate office which is more than just

a rubber stamp agency for proposals submitted by the operating divisions.

It tends to take an active but limited interest in divisional operations

and management development. And, the role of corporate staff is strictly

confined to providing specialized services, such as in industrial

relations, legal matters, design of information systems and interpretation

of financial reports for subsequent decision making by corporate executive

officers.

1. Literature Pronouncement versus Actual
Management Assumptions and Practices

With this tripartite model, we will first see how the trend of contemporary

literature which advocates the transfer of power, influence and decision-

making to organizational members directly charged with managing some

localised activities or a wider employment of the administrative approach,

can stand up in practice. Though the underlying rationale for this

advocacy, which include the satisfaction of higher level needs [1], the

importance of self-direction [2], increasing felt responsibility and

co-operation [3], the psychological integration of individuals into the

system [4], the advantages of a substantial interaction-influence system

[5], and the effective use of human resources [6], is theoretically

attractive, some doubts remain.

The first doubt is raised when one analyses the views of corporate and divisional managers, in the form of their statements of what they regard as the most desirable form of approach for managing their divisions (views were obtained by administering Q.7 of the NOCAM questionnaire). In particular, this analysis provides us with an indication of whether they would like power and influence to be substantially transferred to divisional managers, because if they do, the results would indicate a significant preference for the administrative approach. The questionnaire responses which pertain to their perceptions are analysed and presented as Table 6-1. From it, one can see that the approach which is significantly preferred over others by the respondents of firms ALPHA and BETA is the S.I.C. approach. In essence, this approach permits divisional management to have a fair amount of federalised authority but at the same time, does not compromise away the controllership of corporate officers over certain key areas. In the case of firm SIGMA, although the difference amongst the approaches is not statistically significant, the sum of ranks has distinctly showed that the administrative approach is the least desired approach of the three. Therefore, it appears that insofar as these divisionalised organizations are concerned, any attempt to shift absolute, or near absolute, control or influence to those involved in localised activities will not be desirable.

Why then has the S.I.C. approach emerged as the most favourable? Indeed, why has it also appeared that when the other two approaches are jointly analysed, as shown in Table 6-2, no significant trend emerges to indicate whether the administrative or operational approach is more desirable?

The reason will become evident if we recall the rationale, as pointed out earlier in this chapter, in support of more transfer of power and influence to the locus of mainstream activities. In this context,

although an administrative approach may fully satisfy the intrinsic aspirations of divisional managers, by granting them greater control over the functioning of their organization, the adverse effects associated with the corresponding loss of control may as a result be felt by the corporate officers. The reverse would, of course, be also true. Thus, when an operational approach is enforced, the fulfilment of the corporate officers' intrinsic aspirations may be countered by a corresponding failure to fulfill those aspirations of divisional managers. In short, when these two polaristic approaches are employed, one of the two management groups has to be deprived of those benefits accruable from controllership.

As a consequence, those individuals who are able to exercise some control over their own and others' activities may experience satisfaction whilst those who are not able to exercise control but who are, instead, being controlled by others, may find dissatisfaction and alienation from their activities [7]. Thus, one would expect that when these two management groups are presented with a choice, they will naturally select the approach which will grant them the highest level of controllership. And, when the effects of these conflicting self-interests are jointly considered, no clear trend will emerge to indicate which particular approach will be more favoured. In contrast, the S.I.C. approach is one which is capable of fulfilling at least some of the control aspirations of both management groups and as such, would be distinctly preferred over any others. To summarize these analyses, three propositions will now be drawn:

Proposition 1

The management approach that is adopted for administrating divisions must recognise the control aspirations and cater to the intrinsic needs

of both corporate officers and divisional managers. An approach which

is unable to fulfill such needs is unlikely to be accepted by both management

groups.

Proposition 2

The use of an administrative or operational management approach tends to

fulfill the control aspirations of either the corporate officers or

divisional managers. As a consequence, neither of these two approaches are

held to be particularly desirable by the two management groups.

Proposition 3

The use of an S.I.C. management approach tends to fulfill the control

aspirations of both the corporate officers and divisional managers. As a

consequence, it is held to be most desirable by the two management groups.

The second doubt as to whether the transfer of power and influence can be

a generally applicable philosophy for managing divisions is raised when

we examine the management approaches that are actually employed in the

firms studied. The frequency with which these approaches have occurred

in the management of the focal divisions was established by administering

Q.7 of the NOCAM questionnaire. In the case of firm ALPHA, the approach

which occurs with most significant frequency is the S.I.C. approach. As

for firms BETA and SIGMA, none of the three approaches can be discerned

to have occurred significantly more frequently than others, suggesting

that the three approaches have been applied interchangeably (see Table

6-3). Clearly, some intervening conditions are at play which influence

the usage of the three approaches. What these conditions are will be the

subject of later discussion. For the present, it is sufficient to note

that the advocacy by various management writers mentioned earlier for a

more substantial transfer of power and influence to local managers does

not accord with the views expressed by senior management in the firms

studied. One can, thus, add another proposition·

Proposition 4

In spite of some strong arguments, relating mainly to the enhancement
of individual motivations, which advocated a more complete fulfilment
of the control aspirations of divisional managers, empirical data show
that such fulfilment has not completely taken place in the focal firms.
This suggests the possibility that considerations other than those
which relate to the innate personality drives of divisional managers
must have been taken into account when deciding the extent which their
control aspirations can be fulfilled.

2. Considerations underlying the Choice of Management Approaches

In the light of the findings just described, what intervening conditions
or considerations are crucial for influencing the choice of management
approaches? The answer was sought by exploring the relationship,
between the states of the external environment and various management
approaches that were employed, or perceived to be appropriate, for
coping with the demands of those states. The data for this task were
derived from Q.7 and Q.29 and the appropriate correlations were computed
and recorded in Tables 6-4 to 6-9. In addition, three diagrammatical
representations of these tables are presented as Figure 6-1 (for Tables
6-4 and 6-5), Figure 6-2 (for Tables 6-6 and 6-7) and Figure 6-4 (for
Tables 6-8 and 6-9).

(i) Overall Environmental Considerations

Firstly, in analysing the bold lines in Figure 6-1, one can
isolate three sets of primary links which can help to explain the
conditions that favour the use of an administrative or operational
management approach. These primary links, all significant at $p < .05$,
which reflect the linear relationship between the two management
approaches and various states of the environment at division Alpha are

of the following nature

1. A strong positive correlation between the level of competition,
    experienced and expected, and the level of desirability for an
    administrative approach.

2. A strong positive correlation between the perceived importance
    of competition and the level of desirability for an operational
    approach.

3. A strong positive correlation between the level of environmental
    pressure, experienced and expected, and the level of desirability
    for an operational approach.

In addition, the following primary links, all significant at $p < .05$,
have also been found in Division Sigma (see Figure 6-2).

4. A positive correlation between the perceived importance of
    competition and the occurrence of an operational approach.

5. A positive correlation between the level of environmental pressure
    experienced and the occurrence of an operational approach.

From these correlations, one can immediately distinguish two separate
collections of environmental conditions which are capable of influencing
the choice of either an administrative or operational approach.
Recalling the previous discussions in Chapter 5 that the level of
competition merely represents the volume of concerted efforts that are
needed to cope with external challenges whilst the importance of
competition and the level of environmental pressure represent the
extent which the survival of a division will be curtailed, it appears
from these two collections of environmental conditions that the key
consideration in choosing a specific approach is whether the divisional
management is seen by corporate officers as capable of effectively
managing their division. Thus, when the management of a division is

ineffective and causing, or likely to cause, risk to its survival,

corporate officers are expected to respond by taking a more direct

interest in the management of the division concerned. This rationale

helps to explain the second and third correlation between a high level

of environmental risk and the strong desire for an operational approach,

as well as the fourth and fifth correlation between a high level of

environmental risk and the occurrence of an operational approach.

As for the first correlation, a possible explanation is one of wishing

to grant the divisional management a freer hand in managing their

organization under situations of intense competition so that greater

innovativeness and adaptability can be attained. This rationale in

support of an administrative approach clearly falls in line with the

contingency theory of organizations that a decentralised structure of

authority is more appropriate for relatively dynamic environments whilst

a centralised structure of authority is more desirable for organizations

which operate in relatively stable environments [8, 9].

In terms of the S.I.C. approach, Table 6-1 and Figures 5-10 and 5-11

show that it is significantly preferred in a situation of relatively

low level of competition and risk. The strong negative correlation

between the occurrence of an S.I.C. approach and a situation of high

competition and environmental pressure, as shown in Figure 6-1

provides further evidence to suggest that an S.I.C. approach is most

desirable in a situation which is held to be calm and risk free.

The marketing director of division Alpha probably gives the clearest

explanation of the thinking underpinning the decision to switch from

one management approach to another.

".... surely, when we are charged with running this division, we are entirely responsible for upkeeping it in as near perfect order as possible. Occasionally, we may come across problems in handling customers, suppliers or government people, but this does not mean that we immediately dash to those chaps at H.Q. for help. We like to stretch ourselves and run the show in the way we feel suitable until perhaps, we got things in a mess or someone tells us we got it all seriously wrong. Then, and only then, do we feel that the hands of people from the centre should reach out to this division"

From these discussions, additional propositions are now in order·

Proposition 5

The higher the intensity of competition, the more the corporate and divisional managements will desire the administrative management approach.

Proposition 6

The higher the environmental pressure and risk perceived, the more the corporate and divisional managements will desire the operational management approach.

Proposition 7

The lower the intensity of competition and environmental risk, the more the corporate and divisional managements will desire the selective involvement and control (S.I.C.) management approach.

(ii) Specific Task-Environment Considerations

Up to the present, the writer has extracted and elucidated the various conditions of the overall external environment which might affect the choice of management approaches. The next task is to determine whether conditions within each of the task environments can influence the choice of management approaches and if so, in which direction will such

influence be exerted. This appeals as a logical progression especially when one considers that the elements within each of the three task environments are different and that corporate officers or divisional managers may have special vested interests in some of them. Take for instance, the case of the first order task environment (FOTE). By virtue of the fact that its elements are the customers of the division, one would expect its management and nurture to fall naturally on divisional managers. In fact, the very concept of a profit centre, and each of the focal divisions are such, revolves round the idea of a business unit being charged with the responsibility of attracting and retaining customers for profitable transactions and gains. Thus, no shared responsibility for the management of this task environment is organizationally desirable or practical without blurring the limits within which divisional management can be held wholly accountable for its ultimate performance.

As for the second order task environment (SOTE), the location of those elements who supply the division with its financial and material inputs, some shared responsibility between the corporate and divisional managements seem inevitable. For instance, there is a strong tendency for corporate management to be involved in the control and management of those elements who supply financial resources for the division. The interest by corporate officers in these elements is a natural act to accord themselves some minimum control over a federalised division. Such vested but varying amount of corporate interest in these two task environments is clearly reflected in the responses of both corporate and divisional members to the question of what they regard as the areas [*1] which corporate officers should be concerned with when evaluating and considering the potentialities of new ideas for their division (refer to Q.32). Two supporting outcomes emerged from this

line of questioning. Firstly, corporate officers perceived themselves, as well as by their divisional colleagues, to be more interested in matters concerning the commitment and supply of funds (financial area) than in matters relating to the handling of customers (marketing area). Secondly, the difference in perceived corporate officers' interest in these two areas are analysed to be significant at the $p < .025$ level for firms ALPHA and BETA. (see Table 6-10). Although the difference in firm SIGMA is not statistically significant, it does show a similar trend as corporate interest is perceived to be higher for the SOTE than for the FOTE.

Finally, for the third order task environment (TOTE), the interest of the corporate officers in its management may, relative to the other two task environments, be the greatest. The elements concerned, such as governmental agencies, labour organizations and the general public, usually expect a reasonable standard of behaviour throughout the whole organization before they are willing to grant the necessary legitimacies. As such, the policies that are required to cope with these elements at different parts of the organization must have fairly consistent and mutually supporting theme. Purely from a practical standpoint, the corporate management appears to be best equipped for this task, as is evidenced by the tendency to centralise external affairs, industrial affairs or legal affairs department in conglomerate firms of the present day. These departments are usually managed by corporate staff with a view to achieve a common behaviour standard that is acceptable to the external elements concerned [10, 11, 12]. This is clearly the case with the focal firms which maintain a central control over such elements of the TOTE.

The model presented as Figure 6-3 summarizes, ceteris paribus, the manner

which control responsibility for the different task environments are postulated to be distributed. For ease of discussion, this separation of control responsibility will be called and referred to later as The Natural Order of Task Environment Control.

Further analysis of the secondary links between the "non-risk" entailing situation of the task environments and the three primary management approaches shows that they tend to lend support to this postulated order of control. Two sets of correlations significant at p<.01, six sets significant at p<.05 and one set significant at p<.1 can be extracted from the dotted lines of Figures 6-1, 6-2 and 6-4 to show that the approach adopted for the management of particular task environment tends to follow closely the implicit and natural distribution of control responsibility (Figure 6-1 is a diagrammatical representation of Tables 6-4 and 6-5, Figure 6-2 is of Tables 6-6 and 6-7, and Figure 6-4 is of Tables 6-8 and 6-9). The correlations in question are as follows:

1. In division Alpha, the strong positive correlation between the desire for an administrative approach and a high level of competition that is expected at the FOTE (whose responsibility is naturally referenced to the divisional managers).

2. In division Alpha, the strong positive correlation between the desire for an operational approach and a high level of competition that is experienced at the TOTE (whose responsibility is naturally referenced to the corporate officers).

3. In division Alpha, the strong positive correlation between the desire for an operational approach and a high level of competition that is expected at the TOTE (whose responsibility is naturally referenced to the corporate officers).

4. In division Sigma, the strong positive correlation between the desire for an operational approach and a high level of competition that is experienced at the TOTE (whose responsibility is naturally

referenced to the corporate officers).

5. In division Sigma, the strong positive correlation between the desire for an operational approach and a high level of competition that is expected at the TOTE (whose responsibility is naturally referenced to the corporate officers).

6. In division Sigma, the strong positive correlation between the occurrence of an operational approach and a high level of competition that is experienced at the TOTE (whose responsibility is naturally referenced to the corporate officers).

7. In division Sigma, the strong negative correlation between the occurrence of an operational approach and a high level of competition that is expected at the FOTE (whose responsibility is naturally referenced to the divisional managers).

8. In division Beta, the strong negative correlation between the desire for an administrative approach and a high level of competition that is expected at the TOTE (whose responsibility is naturally referenced to the corporate officers).

9. In division Beta, the strong negative correlation between the occurrence of an administrative approach and a high level of competition that is expected at the TOTE (whose responsibility is naturally referenced to the corporate officers).

In addition, analysis also points to the following correlation which is significant at $p < .05$. This correlation further demonstrates the existence of a natural order of task environment control; in this case, showing the shared corporate-divisional responsibility for the SOTE.

10. In division Alpha, the strong positive correlation between the desire for an S.I.C. approach and a situation where competition at the SOTE is perceived to have high importance on divisional profitability.

At this point, one may query as to why other secondary links are running counter to the natural order. More specifically, the anomaly which arises from the following correlations which are all significant at the $p < .05$ level. (see Figures 6-1 and 6-2).

1. In division Alpha, the strong positive correlation between the desire for an operational approach and high importance of competition at the FOTE (although responsibility is naturally referenced to the divisional managers).

2. In division Alpha, the strong positive correlation between the desire for an operational approach and a high level of pressure that is expected from the FOTE (although responsibility is naturally referenced to the divisional managers).

3. In division Alpha, the strong positive correlation between the desire for an administrative approach and a high level of pressure that is experienced at the TOTE (although responsibility is naturally referenced to the corporate officers).

4. In division Alpha, the strong positive correlation between the desire for an administrative approach and a high level of pressure that is expected from the TOTE (although responsibility is naturally referenced to the corporate officers).

5. In division Sigma, the strong positive correlation between the occurrence of an operational approach and a high level of pressure that is experienced from the FOTE (although responsibility is naturally referenced to the divisional managers).

6. In division Sigma, the strong negative correlation between the occurrence of an operational approach and a high level of pressure that is experienced from the TOTE (although responsibility is naturally referenced to the corporate officers).

7. In division Sigma, the strong positive correlation between the
   occurence of an operational approach and a high level of pressure
   that is expected from the FOTE (although responsibility is naturally
   referenced to the divisional managers).

In seeking an explanation for these apparent contradictions, one must
recall the earlier theory that the "strong arm" of the corporate office
is unlikely to be extended over divisional matters except in situations
where it perceives that local managers have mismanaged the division to
the point of subjecting its survival to unacceptable risk. As such, it
is reasonable to explain the first, second, fifth and seventh correlations
on the grounds that divisional management will be compelled to relinquish
some of their natural controllership of the FOTE when its mismanagement
has created dire consequences for the total division.

By the same rationale, one can also explain the apparent contradictions
of the third, fourth and sixth correlations along the lines that
corporate management may also be compelled to relinquish their natural
controllership of the TOTE when it is believed that they are unable to
cope effectively with the demands of this particular environment. In
the words of the chairman of the engineering group (to which division
Beta belongs),

> "Being the deputy head of this whole organization as well as
> being the chairman of this group, I have the best overview of what
> the head office ought to do and what it should leave to the
> divisions. Sure, we run a tight ship but at times we need to
> relent our hold. Take for instance, recently, we sent a team from
> division ......(Beta) to Brazil to conclude a multi-million pound
> project. The contracts were so overwhelmingly technical that our
> legal boys from head office were just unable to handle it. I guess,
> roughly, some 90% had to be sorted out by the engineers and directors

from the division. Had we stuck to conventional practices and let the head office staff iron it out, I wouldn't be surprised if the whole deal still hadn't been lifted off. I guess, we need to follow the same procedure when this division embarks on its next major project in China"

Such increased use of either an administrative or operational approach in situations where risk is proving unacceptable is further reflected by the corresponding decline in use of the S.I.C. approach. The following correlations, all significant at p<.05. would attest to this point

1. In division Alpha, the strong negative correlation between the occurrence of the S.I.C. approach and high importance of competition at the TOTE.

2. In division Alpha, the strong negative correlation between the occurrence of the S.I.C. approach and a high level of pressure that is experienced at the FOTE.

3. In division Alpha, the strong negative correlation between the occurrence of the S.I.C. approach and a high level of pressure that is expected at the FOTE.

To summarize the above discussion, various propositions will now be drawn up. However, before proceeding to do so, the writer must reiterate that all the propositions stated are derived from a detailed research of a small sample of firms and besides being rather explorative in nature, no universal applicability is being claimed.

Proposition 8

Ceteris paribus, the separation of control responsibility between the corporate and divisional managements for the three task environments follows a definite pattern that has been described as The Natural

Order of Task Environment Control. More significantly, this natural

order provides the basis for guiding the choice of appropriate

approach(es) for the management of divisions.

Proposition 9

When a task environment poses no risk to a division, even though it may

be highly competitive, the natural order of control will remain

unaltered and its referenced management group will continue to be

largely responsible, that is, tending toward the naturally referenced

management approach.

Proposition 10

When a task environment where divisional management has a natural

control responsibility poses high risk to the division, a strong

desire to alter the natural order and involve corporate officers in its

management will arise, that is, tending toward an operational

management approach.

Proposition 11

When a task environment where corporate management has a natural

control responsibility poses high risk to the division, a strong

desire to alter the natural order and involve divisional managers in its

management will arise, that is, tending toward an administrative

management approach.

3. Interim Conclusion

In the light of the findings and propositions just discussed, the

writer will conclude this chapter section by amplifying their implications

for the first major question which is raised at the beginning of this

chapter. In the main, this query the extent of corporate involvement

in divisional affairs and the considerations which may affect such

involvement.

To begin with, it is clear that the common belief of a conglomerate
firm adopting either a centralised or decentralised approach for the
management of its division (13, 14, 15) is an oversimplification of
the true nature of organizational requirements and behaviour. We have
revealed that divisions need to cope with a variety of elements from
three identifiable task environments. Coupled with this, we have also
uncovered that although the corporate office may wish to liberalize
its control over its divisions, both to satisfy the intrinsic aspirations
of local managers as well as to minimize the extra cost incurred if
it is involved in the management of external task environments,
the extensive nature of externalities may prevent it from doing so. In
other words, we have a situation which requires complementarity of
operations to accomplish some unified adaptation tasks. For example,
in the case of our sampled firms, this requires the performance of most
of the TOTE related suboperations by the central office in order to
generate a value that is greater than the sum of the individual values
if the suboperations are pursued independently.

Thus, as the focal firms are confronted by three separate task
environments with each requiring a different level of interdependence
between suboperations that are necessary for their management, the level
of corporate involvement cannot be static but will vary with the
particular task environment which one is interested in. It is based on
such administrative rationale that the concept of The Natural Order of
Task Environment Control is brought about to force into disrepute the
belief that divisions are managed on an either-or centralised or
decentralised basis.

Furthermore, whilst the 'task environment' contingency determines the
extent and areas of corporate involvement in divisional affairs, the
factors of managerial competence and the prevalence of risk are major

forces which influence the status quo of the natural control distribution. As we have seen, these additional contingencies can cause a shift in the balance of control either in favour of the corporate or divisional management. This clearly underlines the fact that the involvement of corporate officers in divisional matters is indeed complex and dependent on more critical intervening forces than, say, some overriding leadership aspirations of the chief executive or a group of senior corporate executives. An abstracted snapshot of such intervening forces that have been found for division Alpha will easily attest to such innate complexity of managing divisions (see Table 6-11).

B.   FUNCTIONAL INTERESTS AND STRATEGIC ORIENTATION ALIGNMENT

Several recent studies have converged on the idea that specialization in organizations leads to differences in goals and perceptions of members of specialized organizational units and that these tend to create problems in achieving co-ordination amongst the units [*2 (16 to 21)]. Another generalisation suggested by other studies is that differing types of specialization - for example, by product, function, territory or time - along with differences in the degree of interdependence amongst specialized units require different co-ordinative devices and entail different costs of co-ordination [(22, 23)]. Most of these researchers also indicate that because of the existence of both specialization and the need for co-ordination, inter-unit conflict is indigenous to all complex organizations [(24, 25)].

To what extent are such ideas generalisable for divisionalised organizations? When considering the organizational structure placement and interdependency of corporate and divisional personnel, one can see that they are bound to occupy differing hierarchical positions and hold

specialized functional roles. That being the case, are divisionalised

organizations naturally prone to having members with widely divergent

orientations and perceptions? Furthermore, when translated into

managerial thoughts about organizational functions and strategies, in

which areas are alignment or misalignment likely to occur? The search

for answers to such questions will, thus, form the general purpose of

this section. More specifically, answers to the second and third major

question, posed earlier in this chapter, will also be sought.

Essentially, these query the extent which the administrative tendencies

of the corporate and divisional personnel are likely to be moulded by

their perception of the strategic needs of their organization.

1. Corporate Functional Interests

In seeking to ascertain the functional areas which corporate officers

should hold interest, as perceived by themselves and by their

divisional colleagues, insofar as divisional affairs are concerned, Q.32

was designed and administered. This question contains 25 items which

measure the extent of corporate interest in five functional spheres,

namely, financial, marketing, production, technical-research and

others [*3].

Referring to Table 6-12 and its qualitative rank order in Table 6-13,

one can see that for firm ALPHA, significant disparity between the views

of corporate and divisional managements has arisen over the extent which

corporate officers should be interested in the production matters of its

focal division. As for firm BETA, such corporate-divisional disparity

has instead arisen over marketing matters and for firm SIGMA, over

R. & D. - engineering matters. Why such disparities have arisen is

clearly an enigma. The data which were used to construct these tables

had been derived from the responses of managers drawn from a wide

range of functions. As such, there is no reason to suspect that the

corporate or divisional response is inherently biased along any particular function as the case may be if, for example, the corporate respondents are comprised of directors or staff who favour and are strongly attuned to, say, a stringent control of their divisions. Neither is there any reason to believe that the corporate or divisional managers are more socially or task oriented [26] so as to prejudice their responses along particular functional lines.

Recalling our findings, as described in the last section, that the corporate office's level of involvement is largely a function of the cost effectiveness to be gained if particular task environments are managed centrally or of the necessity to assume central control when the competence of divisional management is in doubt, one wonders whether corporate interest in specific functions may also have been prompted by some rational reasonings. For instance, if a function is believed to be strategically important, that is its efficient management is crucial to the profitability of the division, would not the corporate office be more inclined to take a deeper interest in it? Even if knowledge of the strategic implications of particular function(s) forms the crucial factor influencing corporate interest in such function(s), another dilemma exists. This, namely, concerns not knowing the strategic functions of which time period will exert the greatest influence on corporate interest in them. Organizations commonly operate along the basis of past experiences and future expectations and as such, the relative influence of strategic functions from these two time periods must be discerned and considered if any conclusions are to be meaningful.

2. Strategic Demands and Effects on Functional Choices

To accomplish this task, Q.31 and Q.13 were designed and presented to the respondents. The former question establishes the relative importance

of 10 strategic decisions for the past and coming five years. In turn, these decisions were categorised to measure the strategic significance of four functional zones, namely, financial, marketing, production-technological and managerial development. As for the latter question, it helps to ascertain whether the two management groups are more inclined toward a concern for the short or long term performance of the focal division. For this purpose, 12 items were applied with half designed to monitor for short term inclinations, and the other half for long term ones.

Firstly, in settling whether knowledge of the past or future strategic importance of functions is more decisive in influencing perceptions of the appropriate level of corporate interest in divisional functions, Tables 6-14 and 6-15 were produced for analysis. From these, one can see that there is no significant difference in the corporate and divisional managements' time orientation for firms ALPHA and BETA. Both management groups believe that their division should concentrate more on the short term demands such as concern about the size of market share for the current year, the ability to control working capital for the current year, improving the sales and profits over the previous year and improving the return on investment for the current year. However, for firm SIGMA, there appears to be a significant difference in the time orientation of its two management groups. The divisional management is strongly concerned about their short term performance whereas the corporate management is more inclined toward long term matters such as the profit improvement, return on investment, sales improvement and rate of development of new products over a 3 - 5 year period; the longer run trend in market share, and the development of management talent.

By drawing on the writings of Barber and Fox [27] who pointed out that

the increased understanding of near term uncertainties and experiences

of the recent past leads to increased understanding of potential action

steps which can cope with the near term issues, one can interpret this

stronger emphasis on short term tasks as signifying a greater reliance

of these firms on the past strategic decisions and outcomes as a measure

of what action steps are necessary for the present and immediate future.

Normann [28] had also described this phenomenon in a useful manner.

He initially distinguishes between the "domain, which is the part of the

environment with which the organization is in more or less constant

interaction, and the distant environment". He further added that a

result of constant interaction is the ability to quickly "perceive and

interpret events in the domain" and cautioned that for the distant

environment there are "no appropriate rules for attention and decoding".

Grenier [29] in his discourse on the evolution and growth of

organizations, had also noted that organizational behaviour is determined

primarily by previous events and experiences and not by what lies ahead.

This view of the distant environment also appears to be shared by the

managing director of division Sigma, for as he states.

> "In our line of business, the past is prologue. Without being smug,
>
> we profess to be one of the technological leaders of the world. We
>
> are proud to be the pioneering European in such fields as
>
> microprocessors, telecommunications and medical electronics. Though
>
> we make periodic speculations about the future, we believe
>
> ultimately we are the people who will mould the form it takes.
>
> However, before leaping forward, we count on understanding our
>
> environment as it now is. Increased knowledge of the present, which
>
> also allows for prognostication, allows us to see more clearly how

a product or strategy does not fit a number of present situations.
Given that uncertainty progressively increases as one zooms further
into the future, we realistically settle to know the problems of the
recent past and present and concentrate on solving what is real and
already here. Perhaps, we are able to do so because we are the
innovators and not obliged to glimpse into the crystal ball to see
what others are doing and then having to follow suit"

Thus, one can reasonably conclude that concern with the strategic
significance of past functional actions, manifested through a shorter
term orientation, may exert stronger influence on such fundamental issue
as deciding the functional areas where corporate officers should take
an active interest. To a large extent, this line of influence can help
to explain the significant disparity between corporate and divisional
managements' perceptions of the corporate office's functional interest.
By comparing Table 6-12 with Tables 6-16 and 6-17, one can see how
the following disparities were brought about.

1. For firm ALPHA, corporate officers have attached a higher level of
    strategic importance to the production-technological activities of
    their division, and have, accordingly, held a significantly higher
    level of interest in the production function (at $p < .05$).

2. For firm BETA, corporate officers have attached a lower level of
    strategic importance to the marketing activities of their division
    and have, accordingly, held a significantly lower level of interest
    in the marketing function (at $p < .008$).

3. For firm SIGMA, corporate officers have attached a significantly
    lower level of strategic importance to the production-technological
    activities (at $p < .025$) and have, accordingly, held a significantly
    lower level of interest in the R. & D. - engineering function (at $p < .05$).

One exception to this contingency relationship between strategic
thinking and the functional interest of the corporate office can be
traced to the financial area. As can be seen from Tables 6-17 and 6-19
although financial activities are not held to be of most strategic
importance by both management groups of the focal firms, they have
somehow claimed that the corporate office is likely to hold its highest
interest in the financial function (see Table 6-13). After extensive
personal interviews, it transpired that the reason for this theoretical
discrepancy is that the financial function which entail such activities
as the selection of the new investments, planning of long term investments
and raising of long term capital are by themselves not strategically
important for the profitability of the focal divisions. The majority
of respondents from all three firms regarded this function as an
adjunct to other main streams of profit-generating functions. Many
claimed that the conduct of this function has little direct effect upon
the profitability of their divisions and some even viewed its existence
as largely owing to the desire of the corporate office to enforce some
restraints over their autonomy. In the words of the corporate financial
director of firm ALPHA who describes this point slightly differently:

> "We see the planning of investments and the supply of funds to the
> divisions as our responsibility. Divisional management must
> acquiesce to the fact that finance is probably the last area where
> we can have some real control in an organizational set-up that is
> as autonomous as ours. They must only concern themselves with
> putting up a range of proposals and if we are convinced that they
> are viable and fit in with our scheme of objectives, we will acquire
> whatever fundings they need to see them through. Moreover, as a
> group we can acquire funds more cheaply than if the divisions are
> to acquire funds independently ..... you may notice that we rely

quite a lot on budgets and an assortment of systems for control.

To be fair to some, I agree they could be cumbersome but I must

repeat that we are in business to make money and quite naturally

we want to monitor every financial state the divisions are in to

make sure our investments are well protected"

Following these analyses, we can now make various propositions in

answer to the two major questions that were set at the beginning of

this chapter.

Proposition 12

The financial function is considered by the corporate and divisional

managements as the minimum and necessary resource control link between

a division and its parent organization. As such, the corporate interest

in this functional area is not disputed and unconditionally accepted as

an integral part of the corporate control process over its divisions.

Proposition 13

The non-financial functions - managing marketing, production, R. & D. -

engineering and social-human relations matters - are not considered by

the corporate and divisional managements as a resource control link

between a division and its parent organization. As such, the corporate

interest in these functional areas may be disputed and only conditionally

accepted as an integral part of the corporate control process over its

divisions.

Proposition 14

The extent of corporate interest as considered appropriate by the

corporate and divisional managements is conditional upon the strategic

importance which they attach to the activities associated with each

non-financial function. In general, the higher they perceive the

importance of a particular set of activities, the higher will be the level

of corporate interest which they will ascribe to the associated function.

Proposition 15

The strategic importance of the immediate past activities and ensuing

short term task requirements is considered by the corporate and

divisional managements as a realistic reference of the functional areas

which the corporate office should hold interest. In general, future

activities and long term task requirements are not regarded as reference

of corporate functional interest because of the higher level of

uncertainty involved in assessing their strategic implications.

3. Interim Conclusion

From these propositions, one can conclude that there is a positive

connection between the administrative tendencies of the corporate

office, in terms of its interest in divisional functions, and the

nature of its strategic orientations. However, conclusions about

whether the incumbents of specialized positions who by virtue of their

localised interests and needs are more prone to pronounce the interests

and needs of others in an unrealistic and perhaps, conflictful manner

is less easy to draw at this stage. The writer had isolated and

analysed the strategic orientation (Tables 6-16 to 6-19), time-result

orientation (Tables 6-14 and 6-15)   and corporate functional-interest

perception (Tables 6-12 and 6-13)   of both the corporate and divisional

managements but no difference of any striking magnitude or rigid pattern

can be discerned. Even when the views of these two management groups

about the relative importance of 21 goal items for their division

(captured through Q.8) were examined, the extent of concurrence is

remarkable. As can be seen from Tables 6-20 and 6-21   which report

the 21 items as four broader categories, it is only the perception of

the importance of the overall product-market goals of division Alpha is

there any difference which is statistically significant.

At this point, such high concurrence of corporate-divisional perception and orientation can only allow us to conclude that the occupation of different hierarchical positions or holding of specialized roles alone is insufficient to cause any serious misunderstanding of the needs and interests of other units. Instead, the writer believes that the nature and conduct of vital decision-making processes and regulative arrangements, augmented by the manner of interpersonal interaction, may contribute more decisively to the alignment or misalignment of corporate-divisional perception and orientation. The search for evidence to support such belief as well as the areas where misalignment has actually occurred will, henceforth, form the new challenge for this research. The next part of this thesis will elaborate on how this challenge will be undertaken and report on its outcomes.

C.   SUMMARY AND CONCLUSION

In this chapter, the writer has unravelled the complex contingency linkages between the multi-states of the external environment and the administrative assumptions and choices that are adopted for the management of divisions. More specifically, the distribution of responsibility between the corporate and divisional managements for the control of the various sectors of the environment has been demonstrated to determine whether an administrative, a selective involvement and control (S.I.C.), or an operational management philosophy ultimately prevails in the focal firms. Equally significant, the conditions under which the corporate and divisional managements are compelled to relinquish their responsibility over the control of specific task environments have also been uncovered. From this information, one can now better understand the effective adaptation of divisionalised organizations to the changing demands of their

externalities as dependent on a continuous process of "mutual check and balance" whereby the corporate officers and divisional managers make subtle demands on each other to perform well in those areas where they have acknowledged responsibility.

Building on such knowledge, the next step made was to investigate the exact nature of corporate involvement in divisional affairs. The outcome of such a move is a clearer picture of the specific functional areas which are of direct interest to the corporate office. In addition, the revelation has also been made that such corporate interest is based on the perceived strategic implications of those functions for the division concerned. Clearly, this means that the corporate and divisional managements' perception of the strategic importance of different functions, as well as related factors such as goals and time-result orientations, must be closely aligned if they are to agree on the appropriate level of corporate participation. Fortunately, and contrary to the postulations of the various management writers cited earlier, there appear to be no significant misalignment in the perceptions of these two management groups in these areas. Thus, one can conclude that the extent of corporate participation in the functional affairs of its divisions is based on the rationale, commonly upheld by both management groups, that it should be contingent on the nature of environmental conditions, perceived managerial competence and strategic importance of those functions involved.

CHAPTER 6   FOOTNOTES

*1   The 25 items which are presented in this question are

         subsequently indexed into 5 major areas, namely, financial,

         marketing, technical-engineering, production and others.

         Unfortunately, none of these areas can be related directly

         to elements of the TOTE. As such, corporate officers' vested

         interest in this task environment was established by observations

         of the functional arrangements of the sampled firms and by the

         writings of various management writers. [10, 11, 12]

*2   For instance in their book, entitled "Organisations", March

         and Simon [16] had noted·

         "When tasks have been allocated to an organisational unit in

         terms of subgoal, other subgoals and other aspects of the

         goals of the larger organisation tend to be ignored in the

         decisions of the subunit. In part, this bias in decision-

         making can be attributed to shifts in the focus of attention.

         The definition of the situation that the subunit employs is

         simplified by omitting some criteria and paying particular

         attention to some others".

         Other researchers who have measured cognitive, differences which

         are related either to differing professional or differing

         organisational identifications include Dearborn and Simon [17],

         "Selective Perception A Note on the Departmental Identifications

         of Executives", Triandis [18], "Differential Perception of

         Certain Jobs and People by Managers, Clerks and Workers in

Industry"; and Zajonc and Wolfe [19], "Cognitive Consequences

of a Person's Position in a Formal Organisation". Other

research on the broader aspects of the behavioural consequences

of division of labour include Rice's "Enterprise and Environment" [20]

and Miller's "Technology, Territory and Time" [21].

*3   Others encompass such social, behavioural and inter-divisional

relationship issues that may be connected with the proposed

idea. For example the effects upon the sales of sister

divisions, the ability to secure the approval and support of

senior members, the consideration of ecological and environmental

consequences, the problems of new manning arrangements and the

communication linkages needed to inform senior members of

development progress.

PART   THREE

INTERNAL ADJUSTMENTS AND REGULATIVE ARRANGEMENTS

MANAGEMENT OF CORPORATE-DIVISIONAL INTERACTIONS

A.   The Basis of Interaction - A Conceptual Model

B.   Introduction to an Interaction Frame of Analysis

C.   Properties of the Expectations Framework

D.   Levels of Analytical Discourse with the Expectations Framework

E.   Describing the Expectations Framework

F.   Operationalizing the Expectations Framework

In the last two chapters, efforts have been concentrated on exploring

the complex nature of the external environment of the three divisions

studied, unravelling the influence of the environmental states on

the choice of approach for managing the focal divisions and

establishing the functional areas which are strategically important

and of special interest to the corporate officers concerned. In

other words, we have defined the exigencies which confront the focal

divisions and the administrative and strategic thinkings of both

corporate and divisional managements about the manner they perceive

as appropriate for coping with them.

The next major task is to continue to investigate this coping process

by analysing the inert mechanisms as well as the corporate - divisional

integrative efforts that are involved. More specifically, this will

entail examining.

1. The interaction links spanning, and energy flowing, between the

   corporate officers and divisional managers.

2. The structural configurations, systemic arrangements and decision

   making processes which evolve with, are in support of, and / or

   hinder corporate - divisional interaction.

The distinction and separation of these two facets of organizational

adaptation is a deliberate analytical posture adopted to produce a more

detailed exposition about the work behaviour of interacting members of

divisionalised organizations and its contingency relationship with the

regulative devices and processes that exist in their divisions. In

addition, such exposition will allow a more objective understanding

of the nature and evolvement of organizational states and arrangements since it is derived from studying the actions and reasonings of internal members. This distinction between the two facets of organizational adaptation is to some extent arbitrary since each facet conditions and affects the other. For analytical purposes, however, such distinction is useful as it will highlight important instances and features of such interaction.

Of the two facets mentioned above, the first is clearly the more difficult to research. Whilst structure, systems and decision-making processes have been widely researched and command a rich pool of conceptual knowledge, interpersonal or inter group interaction, particularly in the field of corporate - divisional relationship, has been marked by a paucity of models, concepts and analytical frames of reference. A search of contemporary literatures merely reveal that the closest management writers have got to is in studying the actions and rarely the interactions of organizational members [1, 2, 3, 4, 5]. Such "fundamental" portrayal of the work of a manager has, however, meant that it is devoid of rich details such as the relative significance of the variety of work components, the locus of recipients of benefits accruing from work efforts, the energy that is required to be devoted to each work component and for what reason(s), the degree of efficiency attained in discharging work - component commitments, and the consequences of efficient or inefficient work performance upon the well-being of the total organization.

Quite clearly, the importance of developing a methodology that is capable of "freezing" human interactions for analysis and a systematic body of theoretical concepts about human interaction which are relatable to broader issues of organizational configurations and arrangements

cannot be overstated. Without further advances in this particular field, the study of organizational configurations and arrangements will conveniently assume a reflexive theme, that is, based on the non-problematic aspects of observation and then presented with the same sort of explanations that are commonly accepted or as Garfinkel[6] puts it, "what everybody knows".

A.   THE BASIS OF INTERACTION - A CONCEPTUAL MODEL

Although many treatises have been written about human actions and behaviour in diverse forms [7, 8, 9, 10, 11], there is a general agreement that the root of an individuals' behaviour is his perception of external information or stimuli [*1 (12)] and the formation of such perception is dependent on three internal mechanisms. The first is "selectivity", in which certain pieces of information are separated for further consideration by thresholds, that is, according to the relative ease and speed which information is assimilated into a conscious state. The second is "closure", where the bits of information are compiled into a meaningful whole. The third is "interpretation", where previous experiences aid in judging the information collected. In addition, there is also a consensus that information admitted by selectivity is given meaning by either closure or interpretation, or both, and both feed back to determine what information will be selected (see Figure 7-1)

By extrapolating from this basic model of human perception and behaviour, a simple model can be constructed to illuminate those key processes that are likely to be involved in the formation of an individual's behaviour within an interactive context. To achieve clarity of discussion, this model is presented and explained in a three - dimensional format (see Figure 7-2)

At the first dimension, four primary events are conceptualized to
occur in an interactive situation between say, individual A and
individual B, and these are·

1. Availing of Situational Information about the First Individual.

2. Operative Constructual Reasoning by the Second Individual.

3. Decisive Expectation Formation by the Second Individual.

4. Adjusting of Work Behaviour by the Second Individual.

At the second dimension, the parameters within which these events
function are conceptualized. The complexity of these events and
their sensitivity to overtures made by interacting partners are
reasoned to be of the following nature (explanations, henceforth,
are presented in accordance with the circled discussion reference
points in Figure 7-2):

① The situational information about A, the first individual, refers
to those work demands and challenges which are or will be the
responsibility of A. More specifically, they relate to those
goals, tasks and commitments which the organization has formally
prescribed or tacitly acknowledged by other organizational members
as rightfully belonging to A.

② Selectivity reflects the extent which B, the second Individual, is
conscious about the situational demands and commitments of A. Such
relative "threshold" of various situational information is
dependent on the following factors ⓐ ·

- The functional positioning of the interacting individuals. For
example the group marketing director's consciousness of the
work demands on the marketing manager of one of the divisions
in his group will be restricted and will largely centre on
matters relating to broader policy decisions. In contrast

the divisional general manager's consciousness will naturally

be wider and extend to cover more specific demands made on his

marketing manager.

- The communication network placement of the interacting

   individuals. Thus if B occupies a central position and has direct

   links with A, his selectivity threshold will be lower than if he

   is separated, from and has to communicate through intermediary (ies)

   with B [13].

- The quality of information systems. Generally, the more

   accurate and timely the information that is provided, the greater

   will be its assimilation [14]. Besides such completeness of

   information, the cohesiveness of information is also important

   in improving selectivity thresholds. The need to differentiate

   and segregate the "nice to know" types of information from the

   "need to know" types of information is becoming more important

   as managers are increasingly being overloaded with voluminous

   but difficult to assimilate data [15].

③ Closure draws together various bits of assimilated information to

   form a meaningful picture of the constraints and opportunities

   which surround A. It gives B a vision of the areas where A has

   distinct strengths or weaknesses. Previous experience in

   dealing with A provides B with a stock of knowledge as to which

   bits of information are sufficient to form a coherent picture

   about A ⓑ .

④ Interpretation enables B to ascertain what A's strengths and

   weaknesses will mean in terms of the interdependency that is

   necessary and plausible between them. Indeed, considering that

A and B are essentially parts which support the stability of
the organization, the need for constant energy transfers between
interdependent parts is crucially important to sustain the
continual existence of the organization. Thus, this event
permits B to judge whether he is best placed to provide energy
to A, or to receive energy from A, or both, to provide and receive
energy from A. Again, B's stock of knowledge accumulated from
previous interactions with A is useful to help him decide which
interactive role he is best equipped for Ⓒ .

Though selectivity, closure, and interpretation, function in a
similar manner as the perception of an individual in a unitary
situation (see Figure 7-1), the writer has decided that the term
Constructual Reasoning may be more appropriate as the inputs and
scope of these events are more complex in an interactive situation.
When the term perception is used, it tends to connote a strictly
mental, individualistic and more close-ended activity. Constructual
Reasoning, however, whilst allowing for the mental primacy of the
interactors, also accomodates the intervention of auxiliary means
and third parties in support of the making of decisions by such
interactors. Furthermore, constructual reasoning distinguishes
itself by being a more open-ended event, whereby the process of
"reasoning - to - behaviour" recurs for as long as the interactive
relationship is necessary or viable.

Ⓢ   Expectation Formation represents the stage when B finally decides
the basis which he will interact with A and vice versa. More
specifically, in the light of his awareness of the interdependency
between himself and A, B will need to establish the commitments

which will form the basis of his interactive relationship with A.
These commitments are likely to be conceived in two forms:

- Those commitments which he expects A to fulfill, termed his
  Actual Expectations.

- Those commitments which he perceives A will expect him to
  fulfill, termed his Perceived Expectations.

In addition, to ensure orderly and accurate accomplishments of
commitments, such basic details may have to be specified:

- Who are the intended beneficiaries when such commitments are
  accomplished? Is it to be A, B, or some other third party?
  Theoretically, there are four directions where benefits may
  flow (see Figure 7-3) [*2].

- How extensive will the commitments be, i.e. What are the key
  areas where expectations are held?

- What is the priority order for discharging the commitments,
  i.e. What is the relative importance of the different expectations?

- How must efforts be distributed amongst the different commitments,
  i.e. What is the relative proportion of expectations that is held
  within each key area?

⑥   Finally, the Work Behaviour of B is adjusted in accordance with
    those commitments which he perceives as appropriate for the
    different key areas and which he should discharge.

At the third dimension, the concluding stages of the interaction loop
is conceptualized. This brings to a full circle the first sequence of
interaction and sets the ground conditions for future ones. Thus, the
loop is closed when B has formed his expectations and discharged his
commitments to A. More specifically, this involves·

(i)   B, firstly, retaining a blueprint of the basis which he will
      interact with A in his stock of knowledge. This will be useful
      for reference in future sequence of interaction.

(ii) B relaying the basis on which he will interact to A via.

      - Direct functional dialogues as in the case of the group
        managing director's annual policy meeting with his divisional
        general managers.

      - Communication channels involving one or more intermediaries as
        in the case of the corporate chairman's expectations of his
        divisional functional managers being progressively disseminated
        through the appropriate group officers and divisional general
        manager.

      - Information systems which usually disseminate more routine and
        programmable expectations such as goals, budget targets or
        task specifications.

This pre-closing step is necessary to provide A with a means as well as
an opportunity to judge whether such a basis for interaction is
appropriate and adequate. In addition, it also serves as a yardstick
for A to measure whether the outcomes of their interaction is as
planned (iii).

(iv) B retaining the outcome of his perceived expectations in his
      stock of knowledge. This knowledge of how satisfactorily he has
      discharged his commitments to A will be used as a guide to form
      the basis on which he will interact with A in the future.

(v)   B relaying the outcome of his actual expectations to A. This
      knowledge of how satisfactorily A has discharged his commitments
      to B will assist A in deciding the basis on which he will interact
      with B in the future.

B.   INTRODUCTION TO AN INTERACTION FRAME OF ANALYSIS

Earlier in this chapter, the writer has urged for a more dialectic

approach to organizational analysis in order to achieve a clearer

understanding of the interactions between corporate and divisional

managements. This helps to identify in particular how they seek to cope

with their external diversity and the implications of their relationships

for the emergence of specific organizational configurations and regulatory

arrangements which they eventually have to operate under, or work with.

In the past, such an analytical approach proved extremely difficult

because the processual [*3] linkage between and individual's experential

thoughts, and expectations, and his actual work behaviour has not been

seriously explored nor exploited. In part, this neglect may have been

due to the absence of methodology which could freeze interactions and

extricate vital elements of expectations that are held by the interactors

concerned. Indeed, such is the seriousness of this methodological

handicap that Laing has described it as "the central problem in the study

of social phenomenology" [16].

To overcome such difficulty, the writer traced the main events which

precede actual work behaviour and actions. As explained in the previous

chapter section, the two events that are believed to be of significance

have been narrowed down and termed as that of "constructual reasoning"

and "expectation formation". The rationale for isolating these two

events is primarily that they are both connected directly to an interactor's

experience of situational demands and opportunities and are representative

of the final processes of decision-making, - choice and - refinement which

impel the interactor to act and behave in a particular fashion. In

addition, these two events are important, at least from a research

methodological standpoint, because their contents have the potential

of being linguistically extracted.

Over the next few chapters, the writer will show why the extracted

expectations or linguistic expressions of the experiential reasonings

of interactors are useful for analysing organizations, in general, and

divisionalised firms, in particular. For the remaining of this chapter,

the writer will introduce a framework [*4], called the Expectations

Framework, which identifies and prescribes a reasoned order to the vast

areas where organizational members may experience or require interactions

with each other. When viewed against Boulding's "levels" of theoretical

discourse [(17)], this framework or static structure of the potential

areas of interpersonal or inter-group relationship is a necessary first

step for formulating richer functional or dynamic theories at a later

stage.

In constructing this framework, the writer has devoted special attention

to three guiding premises

-Firstly, the elements or key areas that are identified and incorporated

into the framework must be recognisable and seen as relevant by members

from the focal organizations. Otherwise, in a framework whose component

elements lack general applicability, one would risk not being able to

relate the experience which members have of various discrete phenomena

in one organization to the experience of members in another organization.

Thus, in this proposed framework all elements conceived have been designed

to be applicable to all organizations, so that meaningful comparison and

integration of knowledge about interactions will be possible.

-Secondly, the elements were developed to be capable of being used sing

or in combination to analyse particular individuals or sectors of a

focal organization. This is to ensure maximum framework flexibility

and as such, do not make any a priori assumption of the interrelatedness

of the elements themselves, i.e. there is no predisposition to assume

that the nature of one element will necessarily influence the nature of

all, or any, others.

-Thirdly, the elements must form a conceptual bridge to relate an individual's internal perception of his actual behaviour to the external organizational system of formal plans, culture, and other individuals' expectations.

Despite the fact that a point-in-time analysis has been employed, the writer feels it is useful to view the findings of this framework not simply as a set of one-time correlations but as a "snapshot" of dynamic, emerging behaviour patterns in the firm. Indeed, it is an objective of this framework to present what may be best described as a cybernetic view of organization by showing the sets of states and processes which emerge from the dynamic interrelationships between members from different levels and sectors of an organization.

C.   PROPERTIES OF THE EXPECTATIONS FRAMEWORK

Functional Elements

To define a framework as a set of interconnected elements is accurate but incomplete. For our purpose, we will consider a framework to be an interconnection of those elements capable of performing a function or assisting other elements to perform theirs. By widening the definition of framework to include the functioning of its elements, one would be able to mark more clearly the boundary between one element and another. In addition, by treating the component elements as purposeful, that is, capable of producing an effect or result, would also open up a new dimension of organizational analysis through delimiting in precise functional terms the strengths and weaknesses of a focal organization.

Rather than merely providing a framework that "will permit the arrangement of useful generalisations under main topics with a minimum of overlapping" [18], this proposed framework will permit a more specific identification and analysis of a widest possible range of key

organizational activities. Through relating the expectations of organizational members to particular elements and sub-elements of the framework, one can cast light both on the functional intentions of each individual as well as the extent to which the individual's modus operandi is dependent on others.

Progressive Evolution

The property of progressive evolution is of particular significance in this proposed framework. Within the large framework are nested a series of evolving, telescopic frames and subframes, each giving a different dimension to the analysis of an organization. This evolving property together with the property of juxtaposing other frames or subframes to the telescopic ones permits us to avoid some of the distortions arising from oversimplification. This is not a framework hierarchy based on authority difference. One could not differentiate the various internally conceived expectations by saying that one has more or less authority than another. For, although there are authority differences connected with the placement of expectation holders, the significant distinction amongst expectations lies in their different functions. Please refer to Figure 7-4 for a diagrammatic representation of this property.

Reconstitution of Ends

Rarely does an organization have but one purpose or contribution to make to its environment. Hospitals are dedicated to improving the health of patients but many also train doctors and nurses. Universities educate the youth but they are also expected to conduct research, and increasingly, to fill some "service" function for their communities. Similarly, economic organizations, as elucidated by the Three Order Task Environment Concept (TOTEC) which was discussed in Chapter 5, have also to fulfill a variety of ends. Not all these are equally important.

However, there is always at least one end that must be accomplished if the organization is to survive. Should a hospital fail to teach well, it might be held in less esteem, but it is still considered a hospital, should it fail to improve patient health, it would soon cease to exist [19]. Similarly, should a university fail to provide extra-mural reading courses for illiterate adults, there may only be a mild murmur of discontent by the local community. However, should it persistently produce graduates with sub-standard qualifications, wide spread public condemnation may cast doubts on its ability to receive minimum funds or student applications to prolong its existence.

Clearly, the tasks involved in deciding what ends should be appropriate for the organization and how they could be reconstituted into more manageable sub-tasks are of central importance in the analysis of any organization. As such, the third property of the framework lies with its capability to track those activities associated with the selection of appropriate ends and the subsequent translation of such ends into appropriate sectional task and individual challenges.

Open Systems Extension

In recent years, much of the literature has extolled the usefulness of treating and analysing organizations as open systems. In essence, the supporting argument for open systems is that organizations are open to the environment in many ways, and that the constituent elements of an organization constantly change. The primary effect of this openness is to import into the organization appropriate energy to combat entropy, or tendency to dissipate energy differentials, which otherwise could bring an organization to a grinding halt. All this is quite straight-forward to conceptualize and is often portrayed by an input - transformation - output model [20] of organization. However, what is more difficult to isolate and analyse is whether this input - transformation - output model can be extended to organizational

individuals. Even if it is conceivable that each organizational
member requires some form of inputs to assist him to produce certain
outputs, the precise nature of these inputs and outputs is not
altogether clear. Neither is it always clear where his inputs should
originate from, and where his outputs should be channelled to. Thus,
it would seem that without further extension, the systemic view of
organization is only partially applied and its significance inadequately
understood. This framework is designed with a fourth property of
systemic consciousness suitable for investigating the openness or
closeness of organizational member-systems.

Wholistic Perspective

Implicit in the statement that organizations are able to do things that
otherwise might not be accomplished, or to at least do things better
than they could be done in a non-organised fashion, is the idea that
the output is greater than the aggregation of inputs. This is
frequently expressed as "the whole is greater than the sum of the parts."
On the whole, this phenomenon, commonly called the synergistic effect,
is observed and well documented for a wide variety of techno-economic
situations, ranging from the earliest and simplest example of Adam
Smith's [21] pin production incident to contemporary and complex ones
like the national budget creating far reaching emergent repercussions
for the economy. However, this wholistic phenomenon has not been
examined in any great depth in management situations. For instance,
when external interdependencies pose challenges to an organization, it
is not clear which managerial sectors are involved in contributing
toward the total effort in translating these challenges into organization-
wide ones. Of even less clarity is the issue of the amount of effort
that they should each contribute to the different stages of translation
so as to achieve the appropriate synergistic outcomes. It is with the

intention of seeking a clearer understanding of such issues that the
fifth property of this framework is conceived and incorporated, namely,
a potential for achieving a wholistic perspective of managerial
behaviours and actions.

Dynamic Adjustment

How often one has witnessed the tendency of firms to exhibit stability.
They will almost always show a profit and if they do not, they will embark
on a vigorous effort intended to bring, and probably successful at bringing,
a profit in the next reporting period. Some boast that they have just paid
their 162nd or 233rd quarterly dividend, being a market leader, or having
the most harmonious employee relations. However, such stability does not
connote a static situation. For instance, to be able to pay their
dividends regularly, firms may make many alterations in their size, market
mix, area of business and so on [22]. Even more important to bear in mind
is that such alterations necessitate the adjustments in many key management
activities. These are adjusted to bring about a particular desired
stability. The more successfully a firm could fine-tune its range of key
activities in alignment with situational requirements, the higher is the
probability of attaining a desired stability. By the same token, the
stronger the quest to achieve stability, the more dynamic the firm would
have to be in bringing about appropriate and timely adjustments to its
managerial activities, both in terms of the types of activity and the
extent to which they need adjustment. The sixth property of this frame-
work is a capability to accomodate such dynamic adjustments in the course
of its analysis of organizations.

Heuristic Conceptualisation

The intent of this framework is heuristic. It merely provides "conceptual
guidelines that will help its user to understand more clearly what

happens in organizations " (23). It does not make any normative

assumptions or claims about the behaviour of any organizational

individuals or groups of individuals, nor ascribe the responsibility

for any particular managerial activities to anyone or level in the

organization. The framework recognises that within each organization

situational demands and opportunities may require constant shift in

what its managers have to do. As such, it is unwise to affix

deterministic relationships, for instance, in relating organizational

individuals to specific activities without due consideration of

appropriately abstracted influencing factors. With this recognition,

this framework has as its seventh property a heuristic sensitivity to

patterns of managerial behaviour that is both situational and unique

to the organization under study.

Decision-choice Reflection

The analysis of decision making by individuals or groups of individuals

provides a useful way of studying organizations. On most occasions

it reflects the manner which individuals consciously think through the

pros and cons of all the options available to them and then rationally

select the one they perceive as most appropriate. On fewer occasions,

of course, their approach to making decisions borders close to the

unconscious and does not have the deliberate weighting of pros and cons

of various courses of action. Even though an individual may later

exclaim   "I never thought that I would act like that under those

circumstances," his choice of action, nevertheless, represents a

decision that came close to being one that is most appropriate during

the time it was made even though the selection process may have been

guided by arational sub-conscious thoughts. However, the distinction

between conscious and unconscious thoughts are by no means easy to determine or differentiate. Indeed, considering the development of this field at the moment [24, 25], it seems reasonable to conduct our analysis at the level at which individuals make decisions without necessarily having to take into account whether the choices and decision processes are conscious or not. This brings us to the eighth property of our framework, namely, that it can identify those decision-choices that are considered by its maker as appropriate without necessarily imputing any measure of rationality or irrationality in those choices.

Focus on Individuals

Very often, frameworks for organizational analysis tend to concentrate on seeking ways to formulate generalisations about external systems, for instance, Anthony's framework for analysing planning and control-systems [26]. Even if a framework ever comes close to making generalisations about individuals, it is likely to be imbued with homeostatic [27, 28, 29] or cognitive references [30, 31, 32].

The root principle of the homeostatic framework is the notion which maintains that Man has certain needs or desires which, when unsatisfied, cause a tension or drive propelling him to act in a way that will acquire certain things or produce a state of affairs which satisfies his need. As for the cognitive framework, it is concerned with the intrinsic motives of individuals and the nature of behaviour that such motives will bring about. In both framework, the main objective is the formulation of some frame of reference that will provide a clearer understanding of the psychological nature of Man. Though these frameworks have provided important insights in their respective fields, few have been developed to explore the more pragmatic field

of organizational activities and activity-related interactions amongst individuals. Three specific requirements can immediately be identified. Firstly, the need for a framework that could analyse individuals and their organizational activities as opposed to the analysis of inanimate system-artefacts or intangible psychological processes. From the point of organizational effectiveness, this analysis of what organizational members do, and what they are actually required to do, would be of prime concern. Secondly, the need for a framework that could illuminate the specific and appropriate areas where dyads of individuals must interact between one another. This understanding is crucial for the isolation and elimination of dysfunctional interpersonal conflict such as that which is generated when organizational resources are employed inefficiently, or are used for a purpose different from that desired by his interacting partner. Thirdly, the need for a framework that could indicate the level of success of each set of interactive relationship that existed within an organization. This is necessary to gauge the efficiency of more concrete external systems and wherever they are found to be less than efficient, to prescribe selective treatment so as not to cause widespread disruptions in the organization. These requirements mean that the writer's framework must be versatile in yet another direction, namely, the capability of using individuals as reference points to mould our conclusions of each organization studied. Thus, the ninth property of our framework is its emphasis upon individuals and their activities as the focal platform from which to launch the analysis of organizations.

Classificatorial and Typological Concerns

It has been argued that the dividing line between many techno-economic

organizations, or for that matter, between such organizations and other

social institutions, is less than clear. If there is not to be a

simplified dichotonomy, for instance, of either being a formal or

social organization, it is necessary to first distinguish various types

of organizations. Generally, most significant statements about

organizational differences are based on some form of comparative study.

What happens at a division of British Aircraft Corporation may be put

into perspective if we compare it with another industrial firm, say,

Lockheed Industries. Indeed, entirely new vistas may emerge if we

compare these two with some social organizations such as a hospital or

prison. However, to make this possible, it is necessary to devise an

analytical framework by means of which the study of one organization

may be related to another. One type of framework may be what Burns [33]

calls "a comprehensive classificatory scheme" which involves the

development of a system of categories into which research data from

different organizations may be fitted. The main usefulness of such

schemes is to give a descriptive comparison of organizations along

specific variables. The other type of framework, commonly referred to

as "typologies of organizations" [34], is more concerned with

explanation and prediction. Often based on a variable which, to the

writer concerned, seems to characterise organizations; for example·

technology, structure, or a particular function, a typology is

developed which distinguishes different organizations in terms of their

relation to this variable. Implicit in this may be the proposition

that organizations with, for instance, technology A, structure B or

function C will differ from others with technology X, structure Y or

function Z in some predictable ways. Obviously, both types of framework
are useful in their own right. As for our proposed framework, it
basically provides a descriptive account of the unique characteristics
of organizations along the different variable references yet to be
described. In addition, these unique characteristics could be used as
intervening variables for evaluation against other factors, to be
treated either as independent or dependent variables, in order to
produce a typological scheme. Thus, the final property of our framework
is its flexibility in switching from a descriptive role to a more
predictive one, that is, it can produce both classificatorial and
typological schemes for organizational analysis.

D. LEVELS OF ANALYTICAL DISCOURSE WITH THE EXPECTATIONS FRAMEWORK

The requirements of managers in present day organizations are many and
varied. When approached about such requirements, managers would more
often than not feel uncomfortable and uncertain in expressing them. At
best, some managers may retrieve from some personal folders a series
of official documents which describe what their jobs are. Not only
would these descriptions be couched in very broad terms, as if to
ensure maximum flexibility and coverage of a widest possible range of
present and future job requirements, they would also tend to be task
and not action oriented. Thus, while it is possible to deduce from
a personnel manager's job description document that the major
requirements held of him are the maintenance of sound industrial
relations, establishment of efficient training schemes or setting-up
of communications systems to promote dialogue between members of all
levels, one is not clear what actions would be involved in accomplishing
such tasks. Moreover, the complete understanding of the requirements
of a manager must entail a knowledge of both his actions as well as his

action-related relationships with others in his organization.

Naturally, being a static outline of the task requirements of managers,

job description documents are wholly incapable of achieving such end.

Until something better turns up, the writer contends that achieving

a fuller understanding of the efforts and actions of individual

managers along specific key areas may prove more fruitful. As the

study of individuals and their relationships with each other

necessitate some degree of comparative analysis, the conceptualization

of "specific key action areas" would be useful to base and further our

analysis. Otherwise, and as would be the case if managers' tasks alone

are analysed, comparative logic may not be achievable and one would

easily be accused of not comparing "like with like". In sum, it would

seem that organizational analysis has suffered from a lack of a

language that is sufficiently versatile to express members' actions

and action-related interpersonal relationships. The writer has

developed a language with twenty-nine key characters to help overcome

this inadequacy. These characters which correspond to the twenty-nine

key action areas may not be exactly definitive of all the areas where

interactions between organizational members usually occur. However,

to the extent that the respondents of this research exercise perceived

and claimed that these key action areas are representative of, and

adequately cover, the totality of their jobs, it is argued that they

will be definitive enough to at least analyse satisfactorily the

actions and interactions of members from the sample firms.

Broadly, this framework offers three "Levels" of analytical discourse.

At the first level is the discourse on seven primary aspects or

cultural facets of organizational life. These seven aspects are

conceptualized at the highest level of abstraction, with each being

depicted illustratively in Figure 7-4 and referred in later discussion as a

Frame. As for the raison d'etre of such aspects of organizational

life, four major purposes can be distinguished. As shown in Figure 7-5 these purposes are·

(1) To translate external demands and opportunities into appropriate internal challenges.

(2) To facilitate the fulfilment of such internal challenges.

(3) To control the fulfilment of such internal challenges.

(4) To integrate the sub-sets of such internal challenges into a coherent whole.

At the second level is the discourse on twenty-two central issues which an organization has constantly to grapple with. These issues are also conceptualized at a relative high level of abstraction and are each depicted illustratively as a Sub-Frame in Figure 7-4 In step with the belief that a tendency of organizations is to strive toward equilibrium and order [35, 36], these issues are envisioned to be distributed and managed in an orderly fashion within the ambit of concern of the respective aspects of organizational life.

At the third level is the discourse on twenty-nine key action areas, As these key areas are related directly to specific actions and behaviours of organizational members, they are conceptualized at a more concrete level. Each of these key action areas is depicted as an Element in Figure 7-4. They were conceived, either singly or in groups, as crucial for the management of those issues that feature at the second level of discourse. In other words, the efficient conduct of activities within a particular set of key action area(s) is a necessary prerequisite to the effective resolution and management of the overriding issue concerned.

Every element of this framework forms the basis for one or more questions in the Expectations Analysis Form. The manner in which this was done and a full description of the questions is presented in the last section of this chapter, titled "Operationalizing the Expectations Framework".

Before that, the framework which is diagrammatically represented in Figure 7-4 will be developed demonstrating the reasoning which justified the inclusion and linkages of the individual parts of it. All examples relating to divisionalised organizations which are cited to elucidate the different facets of this framework have been drawn from interviews conducted with senior executives of the three focal firms.

E.   DESCRIBING THE EXPECTATIONS FRAMEWORK

Frame 1 - Translation into Organization - Wide Challenges

This frame describes that aspect of organizational life that is concerned with the translation of the challenges that are posed by the external environment [*5] into organization-wide challenges. The usage of the term challenges as opposed to goals is deliberate and done so on account of the following reasons. Firstly, the notion of challenge encompasses more than just organizational goals. It represents those demands and opportunities, as are presented by externalities, that an organization chooses to respond to. Researchers have often discovered situations where what the organization is doing runs counter to what its declared goals say it ought to be doing. For instance, a business concern may declare that it intends to develop applied science to serve society, and yet may only have a mediocre research and development programme caused by the difficulty of generating sufficient funds. Or it may be forced to abandon such a goal because of the absence of an external pool of scientists with the right qualifications which the firm can draw its needs from. Secondly, the term challenge is

intended to connote a dynamic stream of acceptable opportunities which organizational members perceived as viable and worth pursuing. Organizational goals, on the other hand, gives a static indication of what the organization would, or should, ideally do. The writer's concern is with what an organization can realistically hope to do within the constraints posed by its external interdependencies. Thirdly, the term challenge serves to avoid any criticism that one is reifying organizations as social constructs and imputing into them the power of thoughts and actions. By deliberately extracting the perceptual expectations of managers and then using them to explain the process of translating external opportunities into organization-wide challenges, the writer is assuming that it is the members of the organization who command the power to consider, accept or reject each opportunity encountered. Thus, to avoid being mistaken for a victim of reification *6(37) usually associated with the unconditional use of the term "organizational goals", the writer has adopted instead the term "organization-wide challenges". Lastly, the writer seeks to deviate from broad generalization of goals and wishes instead to relate specific external demands or opportunities to specific challenge orientations. Thus, instead of talking about the goal of profitability, the writer prefers specific challenge orientations such as ensuring maximum product satisfaction for external customers or establishing economic contractual relationships with external suppliers.

The process of translating external opportunities and demands into internal organization-wide challenges would involve making appropriate decisions on the following issues (Sub-Frames) and action areas (Elements). Though most organizations would respond to these issues and action choice with varying emphasis at different periods of its

organizational life, the point to note is that the difference in their emphasis, and in the amount of efforts that are actually devoted to them, will form the characteristic features which distinguish one organization from another. This point will receive further elaboration in the later analysis of data collected from our sample firms.

Sub-Frame 1:   Permeation

This issue is concerned with the extent which an organization should open or close its boundary to external inflows of challenges and from internal outflow of contact or exposure needs. For instance, an organization having decided that its current financial position cannot justify further diversification into unrelated product areas may close its boundary to additional external interdependencies such as financial institutions who would otherwise be required to finance the diversification programme, new customers for the diversified products, or new suppliers to supply for the manufacture of the diversified products. Or, because of new governmental directives calling for cut-back in trade connections with countries practicing apartheid, the organization may restrict further internal attempts to establish more trading contacts in those countries. Thus, as shown by the two examples, the permeation issue is important to define the level of interaction that is permissible between the organization and its potential and existing external interdependencies [38]. To settle this issue, decisions and activities of various forms may be necessary. The essential ones are described below and referenced in accordance with the appropriate key action areas. However, the sequence in which they are introduced should not be taken to signify any order of priority. Situational forces alone can dictate which activity or set of activities is more important or compelling than another.

Element 22:   *7   External Relations

This action area is concerned with portrayal of an appropriate image

of the organization and the establishment of harmonious relationships

with potential and existing external interdependencies. It projects

the best characteristics of the organization and also prepares

externalities for coming to terms with the less favourable ones.

More important, this activity helps to secure for the organization the

widest possible repertoire of externalities which it can then choose

to interact with should the need arise.

Element 2:   Forecasting and Adaptation

This action area is concerned with giving the organization an

assessment of environmental conditions, particularly those relating to

the technological, economic, political and social climate. More

specifically, it helps to signal to the organization the external

opportunities or threats, both real and potential, that it needs to

contend with. With this knowledge, a suitable framework for managerial

decisions which could make the best of situations can then be constructed.

Element 3·   Identifying and Capitalising on New Ventures

This action area is concerned with scanning the environment to find

additional challenges or sets of challenges for the organization. It

feeds back information about opportunities that are both viable and

capable of improving the organization's stock of supra-survival

properties. This helps to lessen the organization's dependence on a

few externalities by extending its scope for challenge acquisition into

both related and unrelated areas.

Sub-Frame 2   Formalisation

This represents the issue that is of particular concern when the organization finally decides on the challenges that it will formally accept or reject amongst the many that may have been identified.   This issue is important in that it sets the direction for the whole organization and also stipulates the physical and moral resources that must be committed before it can reach its desired destination.   To a large extent, its resolve represents the stabilisation of the interfacing encounter between external environmental agents and internal organizational personnel.   It is at this point of decision-making that the organization finally distinguishes between those challenges that are merely perceived to be viable, and those that are ultimately decided as commercially and technically acceptable. (39)

Element 1·   Planning

This action area is concerned with the final selection of challenges and consideration of the different means that are necessary for their attainment.   It is at this stage that the final trade-off between means and ends is made.   Thus, whilst a challenge may be evaluated as viable, the organization may yet decide to reject it if the means are beyond what the organization is prepared to undertake or are capable of undertaking.

Element 7:   Policy Formulation

This action area is concerned with formally affixing the seal of approval on those accepted challenges.   By formulating the various policies, it pronounces organization-wide acknowledgment of such challenges as may be involved.   Even of greater significance, this act represents the taking of some steps to constrain the whole organization along particular courses of action that are perceived to be necessary to cope with the demands of the newly accepted challenges.   It is an activity of deciding the right balance between what organizational

members can and cannot freely judge and do.

Sub-Frame 3   Operationalisation

This issue is concerned with the dissemination of translated organization-wide challenges to appropriate parts of the organization. In some sense, it represents the first active managerial response to the newly formalised challenges by deciding on matters such as whether to introduce new, or modify old, management systems and organizational structure to suit the newly experienced demands. For instance, when an organization has formally accepted the new challenge of improving its customer relations, it may operationalize this challenge by enforcing the policy which requires managerial personnel to personally attend to all customer complaints or the policy to set up a new department to specially handle all such customer - complaints. Thus, the two main outcomes following the settlement of this issue are the prescription of challenges for various functional sectors of the organization and the stipulation of rules with which such challenges are to be accomplished.

Element 8:   Policy Implementation

This action area is concerned with the execution and enforcement of a decision framework with which to react, or proact, to various organization-wide challenges. These can range from prescribing the appropriate conduct of individual or collective behaviour, to introducing or redesigning appropriate structural or systemic morphologies within which human interactions can take place.

Frame 2·   Translation into Sectional-Task Challenges

This aspect of organizational life is concerned with the processes and activities that are involved in the translation of disseminated organization-wide challenge into sectional-task challenges. For instance,

in commercial organizations, this means evolving appropriate steps to,

say, translate the organization-wide challenge of maximizing product

satisfaction to such sectional task challenge as conducting attitudinal

research or product survey, or translating from the organization-wide

challenge of economic contractual relationship to that of designing a

supplier search programme. For social organizations such as hospitals,

this translation process is equally necessary. Thus, the organization-

wide challenge of seeking to provide an efficient health service would

need to be translated into one of many sectional-task challenges, for

example· providing skilful orthopaedic operations or cardiac care

programmes.

The essential point to note is that this cultural facet of organization

helps to transform what sometimes appear to be hazy abstractions of

organizational intents into clearer visions of task requirements that

are both rational and performable by individuals or groups of

individuals. [40] By doing so, it helps to maintain organizational

direction and order through the systemic sectionalizing of organization-

wide challenges into appropriate task challenges.

Sub-Frame 4. Rationalisation

This issue draws attention to and ensures that only appropriate

sectional-task challenges are embarked upon to help fulfill the wider

organizational challenges. It calls for adequate consideration that

such task challenges will continue to be feasible when subjected to

the managerial, technical and resource constraints of the organization.

Further, in so far as sectional task challenges often need to be

interlocked with each other to realize their full potential, and the

responsibility for each set of interlocking challenges is often shared

by two or more individuals, this issue raises the question of how best

to harmonise the challenges that need to be interlocked as well as the working relationships of those members who are responsible for carrying them out. Thus, in a team made up of individuals drawn from various functional departments, it is necessary to rationalize their task challenges so that there is adequate scope for satisfying everyone's views of what need to be done, and how each can best contribute toward doing it.

Element 16   Consultation

This action area is concerned with seeking managerial and technical opinions before the selection, design and conduct of any task programmes. These opinions help to rationalize the design and selection of challenges and often also form the basis of unwritten support from the providers of such opinions for the challenges subsequently produced. Thus, the act of consulting entails more than just infusing rationality into the choice of sectional-task challenges, it also helps to create an ambience of harmony, particularly important when many individuals are responsible for fulfilling a common set of challenges.

Sub-Frame 5:   Reconstitution

This issue is concerned with the actual translation of organization-wide challenges into specific sectional-task one and also to reconstitute those sectional-task challenges that may have been identified, but as yet lack precise, actionable definition, into more concrete and detailed ones. The drawing of attention to this issue is necessary to ensure that such challenges will be amenable to later evaluation and control. Besides the translation of the wider organization challenge into specific task ones with contents and details, this issue is also concerned about how best to resharpen and reconstitute vague notions of such

challenges that are to be accomplished into detailed processes and procedures. This establishment of the means and definition of ends both form an integral part of this reconstitution process. Too often, the consideration of means and ends are regarded as separable responsibilities capable of being shouldered by members at different levels or functional localities. The danger is easy to see. When the reconstitution of sectional-task challenges takes place without adequate consideration of the means that are necessary for their accomplishment, over-grandiose challenges may be conceived which are unrealistic and perhaps, unaccomplishable.. Thus, this issue serves not only to question the nature of task challenges but also to ensure that the design of challenges is subjected to the full consideration of whatever procedural and technical constraints that may be involved.

Element 26: Identification and Specification of
Technical / Administrative Task Challenges

This action area is concerned with the identification and specification of the appropriate technical and administrative task challenges. In some situations, this may entail the design of entirely new challenges whilst in others, only the modification of existing ones may be necessary. In both cases, however, they reflect a move to adapt to changing external environmental requirements. Alternatively, they may be caused by internal developments leading to some challenges being abandoned and new ones being taken up. For instance, as an organization grows in strength, it may find itself more capable to embark on new ventures and task challenges.

Element 27: Design and Establishment of Technical / Administrative
Task Accomplishment Processes and Procedures

This action area is concerned with the development and implementation of processes and procedures for conducting the required task challenges.

There are two main points to be deduced from this activity. Firstly, the consideration and design of the procedures is important for assessing how feasible a set of challenges is. Quite often, firms have conceived many commercially attractive tasks but were forced to abandon them when it became clear that the procedures and processes required for their fulfilment are beyond what the firms are capable of handling. Secondly, the establishment of particular procedures for task accomplishment serves as a preaction blue print with critical points with which checks could be made to ensure that the task challenges are efficiently handled.

Sub-Frame 6. Deployment

This issue raises the question of how best to deploy appropriate sectional task challenges to various sectors of the organization and in the course of doing so, helps to reveal the relative ability of the sectors to cope with them. Without such consideration, task overload, as more task challenges are deployed to a sector than it can reasonably hope to fulfill, will become inevitable. In addition, with an increasing differentiation between the "planners" and the "doers" of task challenges, particularly in larger organizations, this issue is also concerned with specifying the precise nature of the challenges that need to be accomplished. This, however, should not be confused with the specification of means, for the concern here is in whether the challenges that are planned at one level will be transmitted with adequate precision to the level where they are to be discharged.

Element 10: Delegation

This action area is concerned with the equitable and unambiguous distribution of task challenges to appropriate members or sectors of the organization. It seeks to be fair so that there would be no task

overload, and clear, so that the resources of the organization that are
entrusted with different members or sectors will be stretched and
efficiently utilised in accomplishing the challenges.

Sub-Frame 7   Empowerment

This issue serves to ensure that each sector is appropriately empowered
to handle effectively all its task challenges. Though members of a
sector may hold their own positional authority, it is only when
challenges are to be fulfilled that their real power is manifested
and realized. [41]   As such, the leader of a task force can exercise
his authority over other members only in connection with the conduct of
the task challenge and nothing else. Whatever personal attributes or
positional authority he may hold is quite meaningless unless there is
a task challenge to allow him to bring them into play. The raising of
this issue is, thus, important in that it establishes the limits within which
members of a sector are allowed to exercise their authority when a task
challenge has to be fulfilled. In addition, it serves to highlight, and
subsequently supplement, the power of those sectors whose deficiencies
are perceived to be hampering their ability to satisfactorily fulfill
prescribed task challenges. On occasions when new sectors are created,
it also helps to ensure that they are endowed with adequate power to
perform their task roles.

Element 11. Authority

This action area is concerned with distribution of appropriate power
for executing delegated task challenges. It focuses on the areas and
the amount of power concentration necessary to complete the whole
translation process. More specifically, it is concerned with arranging
the power hierarchy of individuals involved with a particular sectional-
task challenge, that is, it considers the line of command within a task
group, and between the task group and the rest of the organization. In

larger organizations, this activity is particularly useful in deciding whether a sectional task challenge is sufficiently major as to entail such heavy concentration of power that warrants its desegregation and establishment as a division on its own.

Frame 3· Translation into Individual Challenges

This aspect of organizational life is primarily connected with the formation of two classes of individual challenges. Firstly, with the formation of "position inspired" challenges which are fundamental and must be met to justify the holding of a position. For example, in a legal firm, getting to know the most recent statutes, precedential judgements and familiarity with the judiciary procedures and customs all form the position inspired challenges for the practising solicitor. In the main, these challenges need to be fulfilled before an individual can hope to satisfactorily handle the "task-inspired" ones. This second class of individual challenges are derived directly from some higher order sectional-task ones. Thus, these task-inspired challenges must be accomplished before some overriding task problems can be solved. For instance, in the legal firm cited, this would involve getting to know all the facts of a particular litigation case, conceiving strategies for confronting the opposing counsel and making the court appearance itself. These individual challenges must be undertaken before one can regard the litigation case, or the higher order sectional-task challenge, as having been adequately fulfilled.

As this organizational facet is involved directly with the actions of people within work organizations, special consideration of their behavioural tendencies and inner needs must be made. Whilst the earlier two frames are involved with the wider and more impersonal challenges of the organization and various functional sectors, this third frame deals directly with individuals and the nature of their specific

challenges. In other words, the primary purpose here is to achieve a satisfactory congruence between how an organization formally expects its members to behave, and how the members themselves believe they should behave. Organizational members have requirements and aspirations and thus, the roles they perform must be meaningful both technically and socially to them [42]. Clearly, the term "meaningful" is a convenient shorthand to encompass such issues as human satisfaction and occupational status but its implications for the effective bonding of the individuals to their organization are immense and cannot be over emphasized.

Sub-Frame 8: Conditioning

This issue is concerned with the handling of any resistance that may be put up by individuals to their prescribed challenges. It involves taking into consideration, to the extent possible, whatever cognitive-affective needs the individuals may have, and seeking appropriate ways to meet their needs and so condition them into accepting and fulfilling their challenges. It is a two-way conditioning process whereby the organization will strive to win the full support of its members by responding to their needs, and the members realize their needs by actively engaging in their prescribed challenges. Though the line of balance is a tenuous one, it must nevertheless be struck if there is to be any assurance that challenges which are prescribed will be efficiently fulfilled. Besides the actual consideration of members' needs, this issue is also concerned with providing a means whereby such needs can be closely monitored. This provision is particularly necessary for managerial personnel. Unlike those at more subordinated levels who are well provided with a wide range of systems with which they can voice their views and needs, managers often have no comparable facilities.

After all, managers are expected to be identified with the organization

and as such, it will appear disloyal if they should make expressive

"demands" upon it.   Instead, they have to resort to various symbolic

gestures to make known their needs.   These can range from the subtle

withholding of co-operation, to actual complaints of chronic stress

ailments, but in all cases their root cause can be traced to some

areas of dissatisfaction. [43]   As such, in the total translation

process of organization-wide challenges into more specific ones for

individual managers the careful settlement of this issue is an important

step to secure the wholehearted support of individuals and their

fulfilment of those challenges that are prescribed for them.

Element 6:   Representing

This action area is concerned with the representation of members' needs,

expression of their views and explanation of their behaviour when they

are different from those held to be organizationally normal.   In other

words, it provides a means for managerial personnel to voice their

opinions and grievances.   Usually, it is a verbal representation which

flows through a superordinate or peer intermediary, but in either case

such a superordinate or intermediary is someone perceived to have special

strategic influence at the point of consideration.   Thus, one often hears

of situations where middle management personnel voice their needs to the

chief executive via their immediate superiors, or through a colleague who

by virtue of his much-needed skills and status [44] commands a special

relationship with senior executives within the company.

Element 5·   Responding

This action area is concerned with the actual and timely consideration

of represented opinions and needs of organizational members.   Not least

it is also concerned with modifying any challenge demands made upon

organizational members in response to their expressed opinions or needs. It must necessarily be a two-part activity, of considering opinions and needs and then responding by making appropriate reforms to any unacceptable systems or meeting some other expectations of members, if the conditioning process is to be effective. Obviously, in situations where members needs cannot be met without causing undue strain on the organization, the outcomes may be inadequate for those members, but at least they would know that attempts have been made to respond to their needs, and the reasons when such needs cannot be completely met.

Sub-Frame 9· Formation

This issue is concerned with the problems associated with bringing the actual challenges to the individuals. It calls forth for consideration the whole spectrum of queries connected with designing of jobs and fitting appropriate people to such jobs. In this respect, it has to determine the level of knowledge and skill that is required for a job; the level of autonomy and responsibility for individuals to plan, direct and control their own performance, and the manner which job opportunities can be designed to enhance personal growth and meaningful work experience. Once the final job challenge has been determined, the further query of how it is to be transmitted accurately to the person responsible must be answered. This consideration merits special care especially when the owner of the job challenge has not been involved in its design in the first place. Any misinterpretation of what challenge needs to be met, and by whom, could easily sow the seeds of interpersonal conflict, as when responsibilities are shed and blame ascribed on one another when an overriding task has not been accomplished.

Element 13· Functions and Duties Definition

This action area is concerned with setting down and explaining to individuals the nature of their tasks and limits of their responsibilities.

In other words, to specify for each individual his "position" and "task"
inspired challenges. This action of defining the challenges for each
individual, particularly the task inspired ones, also provides a
measure of the organizational change that is taking place. For instance,
the duties which people in an organization perform may change, as when
a technological or administrative procedure is newly introduced, or
modified. Changes of this sort, relatively speaking, have less impact
on the nature of individual challenges than does a change in organizational
style. For example· when an organization shifts from a centralised to a
decentralised mode of operation, the change will shift the locus of
decision-making from one centre to another. In turn, this will bring a
change in the nature of challenges of those individuals who are members
of the two centres involved. Therefore, whatever organizational change
is necessary this activity will help to reinforce it by readjusting the
challenges of individuals to suit the new situation.

Sub-Frame 10. Effort-Stipulation

This issue is concerned about the minimum level of effort which
individuals must appropriately exert in fulfilling their challenges so
that the associated sectional-task challenge can be satisfactorily
accomplished. It is concerned with stipulating the qualitative and
quantitative standards with which individual challenges are to be
accomplished. Just as new challenges need to be introduced or old ones
redesigned, so must the minimum standards for their achievement
be frequently reformulated to suit changing situational demands. It is
this key issue which helps to foster the efficient usage of organizational
resources by drawing attention to appropriate benchmarks for evaluating
individual efforts. More important, it helps to supplant the judgement
of the individual responsible for executing some challenges. In the

light of revelations made by the Exchange, [45, 46, 47] and Expectancy [48, 49, 50]. Theories, the stipulation of efforts which individuals must exert avails to them a means for judging the viability of continual participation in the enterprise of an organization. And, for those who decide that commitment is beneficial, the benchmarks resulting from the consideration of this issue will serve as a pathfinder with which to focus their efforts in exchange for some desired rewards.

Element 19: Standard and Target Setting

This action area is concerned with specifying to individuals the quality and efficiency benchmarks for guiding their job performance. By doing so, it helps to operationalize a closed control loop, that is, the supply of current information about performance to assist the control of future performance. In contrast, when such standards are absent, the controller will have no measure with which to assess whether the performance of individuals is deviating from some desired standards and thus, requiring some appropriate corrective adjustment. Of even greater significance, in the context of our translation framework, where the individual challenge translation process is treated as a loop within the higher order sectional-task challenge translation process, and this latter process is itself a loop within the highest order organization-wide challenge translation loop, any absence of performance standards for individual members will eventually lead to a breakdown in all the interlinked control processes.

Frame 4: Facilitation of Individual Challenge Fulfilment

This frame describes that aspect of organizational life that is involved with facilitating individuals to fulfill their position - and task - inspired challenges. Essentially, this facet revolves around two broad categories of facilitating activities. The first, termed simply as Behavioural Facilitation, helps to modify or reinforce the attitudes of

individuals toward their prescribed challenges. It seeks to reach the inner self of individuals to either modify those orientations that reject their prescribed challenges, or to reinforce those that accept them. However, this should only be treated as an illustrative description of the bipolar orientation extremes. In the normal course of event the orientations of an individual may fall on any point along the in-between continuum. The importance of such facilitation, involving the motivation and leadership of individuals, is to create within each individual a congenial frame of mind that is receptive to the cause of the organization, and even more important, to those challenges which are prescribed for them. (51, 52)

The second, termed as Instrumental Facilitation, helps to equip individuals with appropriate skills and facilities for the challenges that they have to contend with. Generally, this will involve developing individuals so that they can be more effective in handling their position-inspired challenges and / or in providing advisory and auxiliary supports to facilitate the handling of their task-inspired ones. In both cases, this process is mainly to provide the instruments for individuals to discharge their duties. Though it may help to improve the job confidence of individuals, there is no basis to believe that instrumental facilitation alone can directly improve their work efforts. Notwithstanding this, this process complements the behavioural facilitation process to permit individuals to regard their organizationally relevant challenges both achievable and satisfying.

Sub-Frame 11:   Development

This issue draws attention to the need to help individuals to be more effective in accomplishing their challenges. Three approaches are commonly mentioned as useful to achieve this end. Firstly, that of instilling into individuals a sense of employment security by

demonstrating to the individuals the natural interdependence between the organization and themselves. [53, 54, 55]   This approach in helping individuals to internalise the value of organizational "belongingness" is to foster a closer identification by the individuals with the organization. From this spirit of mutual dependence, it is hoped that they will contribute and align their efforts with the interest and goals of the organization. Secondly, that of providing individuals with training in management skills, especially in the planning co-ordinating, measuring and controlling of company unit. Thirdly, that of unravelling in a systematic fashion to individuals the ways in which their organization functions to accomplish its goals. This helps to remove any uncertainty and doubts as to what their efforts should be in contributing towards the accomplishment of such goals. More important, it instills in the individuals a sense of worth as they are made to realize how necessary their efforts are to the ultimate success of the organization.

Element 25·   Development and Training

This action area is concerned with providing the appropriate programmes, systems and facilities for developing and training individuals. It may involve the sending of managers to some educational programme, job rotation of managers, initiating specialized in-house training packages, holding courses and/or conferences, or providing counselling and training facilities. As for its underlying significance, this activity signifies a move to allow managers periodical reflection and renewal in the face of changing organizational situations, and to accord them the right to seek full realization of their potentialities.

Sub-Frame 12.   Direction

This issue raises the question of what form of leadership should be

provided for organizational members. In this context, it focuses attention on the provision of guidance to individuals on matters concerning the nature of their challenges, the manner in which they are to be undertaken, the order of events and the form of control to ensure that what has been accomplished is as required. In this respect, it has to ensure that directions are given to appropriate individuals who are psychologically, materially, and skilfully equipped to handle them. The logic of this "fit" is best underscored by the adage which states, "one can"t make a silk purse out of a sow's skin". Not of lesser importance, this issue must also ensure that the directions given are clear and their compliance will not result in any interpersonal tensions or conflict amongst the recipients of directions. Furthermore, being concerned with getting challenges accomplished, this issue must constantly review not only how well, but also how poorly individuals have complied with their directions. If necessary, it has to stifle laxity and sacrifice over-emphasis on on human relations in order to get work done. In short, this issue is concerned with how leadership should balance between meeting the individuals' desire for liberality in conducting their affairs against the need to prescribe directions at appropriate time and place so that challenges can be satisfactorily accomplished.

Element 4: Directing

This action area is concerned with determining and organising the behaviour and actions of individuals. It calls forth the consideration of the extent which job challenges are to be defined for individuals regarding both the ends that are to be accomplished as well as the means with which these ends are to be achieved. Obviously, the emphasis of the directing would vary widely between bureaucratic - and personalised - type of organizations but in all cases, some amount of directing is

necessary to establish order and certainty within an organization. Not least, by varying the degree of directivity, action patterns of individuals which are organizationally functional can be reinforced and where they are dysfunctional, corrections, can be made and appropriate ones induced.

Sub-Frame 13.   Motivation

This issue is concerned about the appropriate manner to condition individuals into holding a favourable mental attitude and receptiveness toward the challenges that are prescribed for them. It is concerned with finding the right combination of reward factors, which include material and non-material rewards, such as, positions, privileges, status and organizational climate that are satisfying to the individuals, so that they will exert adequate efforts in their performance. This, clearly, is not a simple task as all rewards do not have the same effect; some will have a great impact whilst others will hardly have any. Furthermore, the magnitude of the effect upon the motivation of individuals is dependent on many factors; most important amongst them being the intensity of the need for the reward, the certainty of getting the reward and the cost involved for the recipient of the reward. The first two influences are straightforward. The third represents the efforts which individuals are willing to expend in return for the desired benefits. To date, motivational research has still not reached a state of development where it is capable of providing us with satisfactory tools to influence such factors so that one can confidently design a package of rewards that will productively alter the performance of individuals. Nevertheless, the presence of this issue is necessary to focus attention, to the extent possible, on the intrinsic needs of individuals and to seek ways to satisfy these needs in exchange for their efforts in accomplishing those organizationally desirable challenges.

Element 24· Motivating

This action area is concerned with providing a conducive organizational climate, and enhancing the security, growth and development of the individuals. From much theoretical writings about the process or content of motivation (56, 57, 58), it is clear that what motivates individuals can only be surmised from the behaviour of individuals observed. Even then, there is a multitude of reasons to account for such behaviour. For example, a subordinate may be working diligently because he is achievement-motivated, is fearful of losing his job, wishes to impress a co-worker or for numerous other reasons. The point is that the internal needs which underscore his behaviour are unobservable and thus very difficult for his manager to deal with or satisfy. In contrast, an external approach, involving the above mentioned activities, may be more useful in modifying and / or reinforcing the motivation of individuals by providing for them a suitable environment with which they can realize their internal aspirations and desires.

Sub-Frame 14: Advisory

This issue is concerned with providing for individuals appropriate guidance on how they can best accomplish their challenges. Though present day organizations are highly differentiated to reap the benefits of specialization, there is a wealth of experience and knowledge that is often held at different levels and parts which can usefully be shared. For instance, a major group executive, in charge of more than one division, who has a first hand experience of handling of a particular technical problem in a division may be able to transfer his knowledge to the managements of other divisions. In fact, such "linking" set up has often been mentioned as an ideal channel for the transfer of managerial and technical advice and knowledge from one individual to

another. (59, 60, 61)   As for those who are not formally linked to

each other, the need for advice transfer is even more critical. In an

age of rapid socio-technological change, it is becoming increasingly

difficult for an individual to completely master all the appropriate knowledge

necessary to improve regularly the means he employs for coping with

his challenges. Often, it may happen that the knowledge resource which

is appropriate for his use can be found in another catchment area which

is not directly within his line of command. As such, the surfacing of

such issue is important in that it helps to settle this problem of cross-

unit transfer of all necessary knowledge resource by ensuring its timely

delivery to the point of need.

Element 18:   Advice and Guidance

This action area is concerned with providing managerial and technical

opinions and suggestions for improving the job performance of individuals

or groups of individuals. Such actions may be formally stipulated as

when a superior or staff specialist is required to provide know-how and

experience resource to a subordinate. Alternatively, it may be

informally arrived at as when a subordinate offers some advice on how

an impractical operational policy can be improved. As such, this action

area is omni-directional, being able to transcend both subordinated and

superordinated boundaries to deposit or acquire necessary knowledge

resources.

Sub-Frame 15:   Resourcing

This issue is concerned with the nature and provision of resources which

are required by an individual to accomplish his prescribed challenges.

Organization being a social institution which is composed of people who

need to relate and depend on each other as they undertake their challenges

has meant that the resources that an individual need must include those

which are derived formally from his organization as well as those which

came informally from other individuals within his organization. For

example: besides the raw material and personnel resources which are formally budgeted for a production department, other auxiliary resources are also obtained informally and these may vary from meetings for the exchange of information to occasional encouragement and speaking up in support of a colleague's actions. Though the auxiliary resources are more difficult to plan for, being largely dependent on the degree of non-quantifiable cohesion between individuals or groups of individuals, they are, nevertheless, extremely important to complement those resources which are formally allocated. This issue is, therefore, involved with solving the problems of resourcing in the widest possible sense to encapsulate such formal and informal resources that individuals may need to help them fulfill their challenges.

Element 15. Support and Co-operation

This action area is concerned with providing for individuals all the informational, material, and moral assistance and encouragement that they may need. It functions through formalised management systems as well as non formalised ones such as free-form communication networks, which provide opportunities for cross-boundary interpersonal or inter-group dialogue, and open administrative practice which encourages interactions between individuals even though they have no direct authority or work relationship with each other. For example. a sales representative who thinks it might be a good idea to walk over to the factory and remind the supervisor that the special order of a much-valued customer needs to be packed very carefully before despatch, and is encouraged to do so is an example of such non-formalised support and co-operation occurring within an organization. It is not stipulated by any rules that the sales representative must directly seek the assistance of the supervisor or that the supervisor must oblige his request for assistance. Nevertheless, such informal interaction is necessary and is sought after by the sales

representative in order to help him accomplish his challenge, in this case, the maintenance of the patronage of his customer.

Frame 5:   Facilitation of Sectional-Task Challenge Fulfilment

This aspect of organizational life is involved with facilitating the accomplishment of appropriate sectional-task challenges. Here, the concern is with those task challenges whose fulfilment require the co-operative effort of organizational individuals who may be from the same or different functional domains. Generally, when the task challenge is to be fulfilled by individuals from the same functional area as in the case of undertaking a market survey the facilitation process involved is simpler. This is so because amongst the marketing personnel there is a common goal-orientation, clearly defined line of command and perhaps, greater acceptance of, and familiarity with, localised systems for co-ordination and conflict resolution. However, when the fulfilment of a sectional task challenge requires the co-operative efforts of different departments, the facilitation process becomes more complex. Formal organization plans seldom specify how more than a very small fraction of inter-departmental dependencies and relationships are to be regulated. To function effectively under such circumstances the respective managers must in some way establish integration arrangements amongst themselves. However, this problem is especially difficult to manage because those members who are to be integrated are from different departments with differing values, goals, perceptual frameworks and reward attitudes [62, 63]. Thus, this organizational facet must concern itself with finding appropriate means to develop greater co-operation and harmony amongst organizational members as they strive to discharge their challenges that often have to cut across departmental, occupational and status boundaries. For instance, this

facet has to bring about the effective integration of members from the marketing, production and financial departments in order to facilitate the fulfilment of those task challenges which are connected with, say, the planning and launching of a major new product.

Sub Frame 16. Harmonization

This issue focuses attention on the cultivation and harnessing of energy at the grass roots level of the organization. As this frame is concerned with the need for harmony amongst individuals and the generation of co-operative efforts towards the fulfilment of sectional-task challenges, such concern must also be extended to members who belong to the lower strata of the organization. Recent occurrence of industrial strife in this country [*8] has clearly shown how employee relations can decisively affect the success of accomplishing organizational task-challenges. Notwithstanding this, this issue of developing harmony with employees is often viewed with a myopic sight as being a responsibility that belongs to the personnel department. In contrast, more progressive organizations have widened the scope to make every manager more directly responsible for developing a conflict-free relationship with their subordinates. The underlying reasoning that every manager knows his situational condition best and so is in a better position to cope with employees under his fold seems to make reasonable sense. However, this may bring to a head once again the adjunct issue of central staff responsibility and the extent to which it should be eroded for the sake of expediting local management of this responsibility. Put simply, the question is whether every manager should serve as his own industrial relations manager. Though, the answer cannot be a deterministic one but has to be contingent upon the industrial climate that the organization faces, the raising of such issues and seeking of appropriate solutions represents an important contribution to the process of facilitating the fulfilment of sectional-task challenges.

Element 23: Industrial Relations

This action area is concerned with the development and maintenance of
a harmonious and productive relationship with all employees. Essentially,
this may involve action in two forms. Firstly, in finding the appropriate
package of material-financial incentives and working conditions suitable
for exchange with the labour that is offered by employees. Secondly, in
identifying the areas of conflict, helping to resolve such conflict and
reconciling the embittered opponents. Both forms are necessary and must
be worked in concert to bring about a more stable industrial environment.

Sub-Frame 17: Synergy-Extraction

This issue is concerned about the best manner of combining individual
job effort in order to efficiently accomplish sectional-task challenges.
Though managers responsible for planning organizations have often given
the major part of their attention to dividing the task challenges, they
have largely ignored co-ordination and integration with serious
consequences for actual performances [64]. This is brought about mainly
by the implicit assumption in much of planning that if work is divided
artfully enough and jobs are described in sufficient detail, co-ordination
will fall into line automatically [65]. The sad fact is that this does
not happen.

This issue then is to evolve ways to integrate appropriate tasks and
activities to produce a synergistic force suitable for accomplishing
some higher-order challenges. Obviously, the extent to which such
integration is necessary would vary from organization to organization.
On the whole, this issue focuses attention on two principle conditions
which are likely to determine the urgency for integrating individuals'
efforts to facilitate the fulfilment of task challenges. The first is
the degree and type of division of work which is common in an organization.

For example: in a factory within a division which needs to rely on
production schedules prepared by a central office, on material needs
purchased by a separate division office, and on the delivery of such
materials by yet another central unit the need to integrate all efforts
of these external units is indeed very great. Without some effective
integration programme, the factory may not be able to accomplish its
production task challenges. The second condition is the nature of the
environment which surrounds the organization. If the environment is
slow in changing and fairly stable in its demands, organizations can
predetermine the activities that are required to accomplish their task
challenges and accordingly, can plan some clockwork systems to fit them
together. However, if the environment is turbulent and requires much
variation in the combination of efforts to adapt to its demands, the
need to raise the issue of integration and synergy extraction will be
correspondingly greater.

Element 14:   Co-ordination

This action area is concerned with the timely and efficient integration
of appropriate individual activities and / or tasks to fit into an
overall challenge-accomplishment programme. It helps to develop
appropriate programmes for specifying the nature or elements of those
activities to be linked and the manner which they can be effectively
executed. In addition, it helps to establish or develop communication
processes for signalling the programmes which are to be employed and
the conditions under which the programmes are to be activated. Broadly,
this action area is involved with three general methods of achieving
co-ordination. The first method is where an individual is self-directing
and provides his own co-ordination   In order to have such 'voluntary
co-ordination', he must have adequate knowledge of the challenge facing
himself or his unit, and the internal and external organizational

demands that have to be accomodated. The second method simply termed "directive co-ordination," is initiated when an individual receives instructions both as to what to do and when to do it. The third method is particularly common in technologically sophisticated organizations such as those in the chemical, electronic or aircraft industries. Here, individuals or departments are assigned to the task of co-ordinating work between sub-units of the organization. This form of "facilitated co-ordination" is usually involved in co-ordinating the development and introduction of new, high technology products.

Sub-Frame 18· Conflict-Control

This issue centres on identifying and eliminating any organizationally dysfunctional conflict. In this context, conflict is regarded as dysfunctional when it absorbs organizational efforts and resources without producing anything, when it deflects attention from basic challenges and when it leads to actions which consciously or unconsciously sabotage and subvert primary organizational objectives. In particular, this issue is concerned with dysfunctional conflict which may arise from four major areas. Firstly, when there is conflict between different hierarchical levels such as when lower level employees confront administrative elites on issues such as pay or working conditions. Secondly, when there is conflict between different functional departments. Conflict between production and marketing departments and between maintenance and engineering in an industrial organization are commonly seen examples. Thirdly, when conflict occurs between line and staff groups which often arise from confusion over authority limits, local self-interests or differing goal orientations. Fourthly, when conflict arises between the formal and informal groups in an organization. For example when the informal group's norms for performance are incompatible with the formal organization's norm for performance.

In all areas, however, conflicts can be seen as a symptom of more basic problems of communication, interpersonal practices and structural arrangements which require attention. This issue is therefore involved with identifying whatever underlying problems that may exist and with providing appropriate means to resolve them.

Element 17· Conflict Identification and Resolution

This action area is concerned with the management of organizational conflict. The presence of this activity, to a greater or lesser extent, in most organizations shows that conflict is inevitable, that causes can be found largely in the total situation and not merely from personality problems, that conflict is a vital element for change and that conflict may be good for the organization. Once conflict has been identified, this action area is concerned with its resolution by means of one or more of the following strategies. [66] Essentially, this could be either by creating buffers between the conflicting members; by altering the attitudes of members by training programmes to improve members' understanding of themselves and others; or by redesigning the structural arrangements to reduce the interpersonal or intergroup conflict.

Frame 6: Control of Challenge Fulfilment

This aspect of organizational life is involved with controlling the fulfilment of all organization-wide, sectional-task and individual challenges. Once challenges have been designed, translated and disseminated, the process of controlling its accomplishment becomes important. This entails the control of not only those events which have direct bearing on the accomplishment of major organization-wide challenges but also with the maintenance of the organization in a condition in which it can function adequately in order to cope effectively with other more fundamental tasks challenges.

For example, when an organization is confronted with extreme competition, it has to initiate new sectional-task challenges, such as remodelling existing products, carrying out a study of the changing market or revamping production methods to bring greater efficiency, so that it can continue to thrive instead of collapsing under the strain of competitive pressure. Clearly, these sets of task challenges must be controlled and accomplished if the survival of the organization is to be protected.

Furthermore, the accomplishment of task challenges must itself be dependent on the degree of success which the challenges of individuals can be controlled. Thus, one can envision the control of organization as comprising three concentric control loops beginning with an inner loop that controls individual challenges, followed by a middle control loop for sectional-task challenges and ending with an outer control loop for organization-wide challenges. Each control loop basically involves the gathering of data on performance, comparison of data with a standard and taking corrective actions if performance does not match the standards adequately. However, the persons and techniques involved in sensing or monitoring the data, in discriminating or comparing the data with some standards, and in making decisions about how best to treat the results of the comparison would be different for each control loop. In addition, the considerations which underpin the existence of the control loops are likely to be different. For instance, at the individual-control level, the concern is about the motivations and efforts of specific individuals and as such, the consideration is largely about the behavioural impact of control. On the other hand, at organization-wide control level, the concern is centred on the survival of the total organization and as such, the consideration is about the financial state which control can bring about. As much management writings will attest, [67, 68, 69] both forms of considerations are equally important if appropriate

control arrangements which are capable of managing organizational members as well as sustaining the viability of the organization are to be developed. This frame then is concerned with both the operation and implications of these three control loops as a means to steer the organization toward the successful accomplishment of all its challenges.

Sub-Frame 19:   Individual Challenge Control

This issue is concerned with ensuring that the human resources of organizations are effectively utilised. The emphasis here is on the performance of individuals and their effectiveness in meeting their position and task related challenges. Generally, for technical, professional and managerial employees there is little attempt to differentiate between position and task related challenges for control purpose. The normal assumption being that when such individuals are employed, they have already fulfilled those challenges necessary to justify the incumbency of a particular position. Perhaps, the only exception are professional apprentices such as trainee accountants, or lower level members who are aspiring to be promoted. In such cases, their future fulfilment of the formal positional challenges are expected. As for the majority of organizational members, the central emphasis of this issue is about their performance in task related challenges. As previously explained, each control loop is administered by different individuals using different techniques. In the control of individual managers' handling of their specific challenges, it is usually their immediate superior, aided by some staff assistants, who will be responsible for monitoring their efforts and comparing them with some predetermined standards. However, when corrective actions are necessary, they may be decided jointly with the manager concerned.

Element 20· Performance Appraisal

This action area is concerned with the design and implementation of mechanisms for an equitable control of individual job performance. Unlike the more static emphasis of appraisal, such as using merit rating to determine qualification for wage increase, transfer, promotion or lay off, the emphasis here is on performance appraisal as a basis with which to develop individuals and improve their future job performance. A common approach that is employed for this purpose is that of Management by Objectives where mutual goal and standard setting is a vital condition. Though the evaluation of performance normally involves the process of feedback control, some forms of feed forward control may also be employed. Generally, for managerial personnel, this would involve the predetermination and control of some critical aspects of their performance. For example· by the use of specific rules to stipulate the nature of behaviour or activities that are required of managers in some key areas. [70] A final point in this context is that the control of managers is largely of a qualitative and flexible nature. Though objectives and standards are set for them, they are unlikely to be completely designed on a numerical basis. After all, the challenges of both technical and administrative kinds, that are posed to a manager are likely to be changeable, and he is expected to respond to all of them equally well. As such, if they are over quantified and rigid, there is always the danger of selective displacement of qualitative challenges for more quantitative ones.

Sub-Frame 20: Sectional Task Challenge Control

This issue draws attention to the manner of control which will help to bring specific task challenges to a successful conclusion. Here the emphasis is on overall group accomplishment, rather than on individual

performance, because in some task challenges it is immensely difficult to differentiate between who is responsible for what proportion of the total effort that is required to fulfill a certain task challenge. Moreover, as underlined by the principle of synergy, the contribution of a member per se may appear to be insignificant but is absolutely crucial for combining with the efforts of others to realize the full potential of the whole task group. It is in such situations when the distinction between the contributions of different members of a task group is hazy that the control of overall sectional-task challenge becomes especially important. For instance, the field manager surveying the energy needs of a middle-eastern country who wishes to purchase a multi-million pound turbine generator from his company may appear detached and his efforts small as compared to others more directly involved in the design, manufacture and sale of the generator itself. However, the total task challenge of sale penetration into that country hinges in no small way on the field manager's ability to correctly forecast the energy needs and to make suggestions on the energy generation system that is suitable for that country. Thus, when it comes to sectional-task challenges, it is more appropriate to treat their control in terms of how they have been fulfilled as a whole rather than the efforts individuals have contributed.

Element 12· Accountability

This action area is concerned with ensuring that institutionalized power and status have been effectively employed in meeting task challenges. In the previous discussion, we have explained why evaluating the success of task accomplishment is more practical and realistic than evaluating the efforts contributed by individuals. This, together with our earlier discussion on the need for power distribution to complete the sectional-task translation process has

pointed to the need for members of a task group to be held accountable

for whatever authority that has been accorded to them. Clearly, this

is not a simple task as the power accorded to a member is often not

measurable. At best, one can only draw a rough impression of the

amount of power a member holds by referring to the seniority of his

hierarchical position or by the relative importance of his functional

position. In spite of such difficulty, this action of consciously

justifying the continual holding of power is important to ensure its

effective utilisation. The technique used in power accounting is

often informal, abstract and self-administered, such as when managers

mentally check that their efforts have contributed adequately toward

the fulfilment of a larger task challenge. Obviously, in situations

when task challenges have been held up by the failure of a member to

contribute his share of efforts, more direct demands by his superior

or peers for him to account may be necessary. (71, 72)

Element 28. Monitoring of Technical / Administrative Progress

This action area is concerned with the current control of task challenges

to ensure their timely progress. It serves to prevent or remedy task

fulfilment delays by constantly examining task progress and readjusting

its performance. To facilitate this control process, various critical

time points usually must be identified or built in for monitoring. (73)

This is particularly necessary when a task challenge is unwieldy both

in size and in complexity which makes the monitoring of every aspect of

a task challenge virtually impossible. Furthermore, when a task

challenge requires the co-operative efforts of many functional

departments, a third party, either a staff unit or a unit composing of

representatives drawn from each department involved, may be designated

to be responsible for this monitoring action. This is to ensure unbiased

control and to prevent conflictful ascription of blame on one another

when task delays are encountered.

Element 29.   Inspection of Technical / Administrative Task Standards

This action area is concerned with the post control of task challenges
to ensure that accomplishments have attained appropriate quantitative
and qualitative standards. The former will involve standards which
can be defined in numerical or monetary terms and which can be used
to measure actual task challenge performance. For example· in checking
to see that a large scale engineering project has been completed
according to all previously planned technical, administrative, and
financial standards. As for the latter, the concern is with standards
which are not amenable to measurement, for instance, in the task
challenge of trying to improve an organization's image, the standards
that need to be met must necessarily be of an abstract and subjective
form. Nevertheless, these qualitative standards must also be considered
as they are capable of affecting the ultimate well-being of the
organization. In this context, a useful form of qualitative standard
that may be used is the expectations of people directly and indirectly
connected with the task challenge. As Drucker had said, "By comparing
the actual course of events against expectations, we can identify in
particular two major problem areas· the degenerative disease of the
investment in managerial ego and all the missed opportunity of the
sleeper. Holding performance against expectations is also the best
way to find the unjustified specialty" (74)

Sub-Frame 21:   Organization-Wide Challenge Control

This issue is concerned with ensuring that the organization effectively
utilizes its resources to accomplish all its externally derived
challenges. As previously explained, our usage of the term organization-
wide challenges is intended to reflect its connection with actual
opportunities or demands that are presented to the organization by its

external interdependencies. In addition, the term challenges is

preferred because it has a direct link with specific usage of

organizational resources. For instance, in the quest to fulfill the

organizational-wide challenge of meeting customers' request for a new,

high-speed widget, the widget manufacturing firm will need to embark

upon a series of task challenges, such as market demand survey,

competition analysis, feasibility study and financial back-up search,

before it can oblige its customers with a new model. Such detailed

undertakings will permit the firm to have a clear idea of all the

financial, human and material resources that are necessary to fulfill

this organization-wide challenge. With such knowledge, the natural

route to the control of organization challenge appears to be by

ensuring that resources which are allocated for its fulfilment are

effectively employed and appropriate activities conducted.

Element 9: Financial and Budgetary Control

This action area is concerned with the design, execution and enforcement

of all appropriate financial plans that are designed for the control of

organization-wide challenges. More specifically, this will involve

three forms of budgeting systems. Firstly, with the common profit

centre budgeting or responsibility accounting system which serves to

keep expenditures for ongoing activities in line with broad spending

targets or standards. [75] Secondly, with the less common programme

budgeting system, similar to PPBS as used in public sector, which seeks

to tie proposed expenditures to high-level planned outcomes or objectives.
[76] For example· as often used in the management of project by large

engineering firms. These two forms of budgetary control systems when

used in combination will provide a satisfactory protection for the

resources of the organization and an effective control over those

efforts which are necessary for the accomplishment of organization-wide

challenges. Thirdly, there is the line-item budgeting or financial

accounting system which is oriented to the control of each department's

usage of resources in different line items such as salaries, rents,

supplies, wages, etc. [77]. Though this control focus is directed

toward expenditure items and not on outcomes or programmes, it is

still useful in ensuring that the usage of resources are in accordance

with the amounts planned for the more grass roots levels. In this way,

the organization will be able to check to see that actual expenditures

have been aligned to and are in support of the control objectives of

the first two budgetary control systems. In sum, a balanced usage of

these different budgeting systems is necessary to control for an

efficient conversion of resources and to utilize the resultant energy

toward the effective fulfilment of the organization-wide challenges.

Frame 7: Integration of Challenges

This aspect of organization life is concerned with the need to bring

about the integration of all the sub-sets of challenges into a logical

whole. In our previous discussions we have seen how and why organizational

life revolves round the formation, translation and fulfilment of a

variety of challenges. The writer has also highlighted and explained

the range of action-areas necessary to sustain such organizational

involvements. In this frame, the writer will explain how the seemingly

detached actions and challenges are held together to give the organization

its internal order and coherence. Considering that organizations must,

to a greater or lesser extent, confront changing environmental conditions,

the need to regularly modify its challenges and realign them with

appropriate processes and individuals is of crucial importance if they

are to adapt effectively to new demands and opportunities.

Ironically, this dynamic stance of an organization can force upon it much internal dislocation. For instance, when externalities make new demands or offer new opportunities to an organization, it may have to introduce new organization-wide challenges or modify old ones. In turn, these must be translated into sectional-task and individual challenges which are both feasible by themselves and compatible with others. However, before the final sets of challenges can be instituted and appropriate facilitation processes designed, there will be periods of uncertainty. Obviously, the extent to which uncertainty is experienced will depend on the types of challenges that are involved in any modification programmes. Generally, changes in organization-wide challenge may cause greater uncertainties than, say, changes in an individual challenge. The reason is that organization-wide challenges tend to have a ripple effect upon related sectional-task and individual challenges, and when the effect has spread through to them, many members would be affected and uncertainties may be felt by all of them. On the other hand, if change is only necessary for individual challenges, then any uncertainty would be confined to the holder concerned.

An effective way with which to minimize such uncertainties is to reduce the time and spatial gaps which separate these three challenge orders. To achieve this reduction, there must be a rapid flow of information to individuals who are responsible for the different, related challenges whenever changes in any one is contemplated. For example, if a change is needed in an organization-wide challenge or a new challenge planned, precise information on its likely effects upon other lower order challenges must be transmitted to their holders so that they can be prepared for any action changes that might be necessary to cope with any unusual resultant sectional-task or individual challenges. In addition, the spatial distance between one challenge order and another

can be narrowed if the individuals who are responsible for their fulfilment are the same person or different persons but jointly involved in their initial planning and formation. This organizational facet is, thus, concerned about such informational network that can facilitate the efficient integration of challenges and reduction of uncertainties.

Sub-Frame 22· Inter- & Intra- Challenge Level Nexus

This issue is involved with finding out how challenges can be efficiently co-ordinated and integrated in two areas. Firstly, in linking related challenges from different levels, termed as Inter-Challenge Level Nexus. Here the concern is with forming an information link between the externalities and the organization-wide challenge level, between the organization-wide and the sectional-task challenge level, and between the sectional-task and the individual challenge level. This is necessary to permit a steady flow of information between different levels both to link them into a coherent whole as well as to be able to adapt rapidly to any changes that may take place at any level. Secondly, in linking together all challenges from the same level, termed as Intra-Challenge Level Nexus. The concern here is in ensuring that the various challenges, even though they are of the same level-type, are compatible and where relevant, to lend support to each other. For instance, if there is an efficient intra-level nexus, then incompatible sectional-task challenges such as "prompt delivery of both one-off and mass produced orders" and "maintaining the longest economic production run" will not arise.

Element 21. Information Requirements

This action area is concerned with the formation of the informational resources that facilitate and strengthen the inter- and intra- challenge

level nexus. It is also involved with developing those organizational

systems that could help to generate and transmit information to those

individuals who are responsible for the various challenges. For example

(1)   For the inter-externality and organization-wide challenge level,

the nexus is sustained by permeation information which clarifies

the availability and acceptance of external opportunities. This

could be supplied, for example, by the quarterly budget forecasting

or five year planning system.

(2)   For the inter-organization-wide and sectional-task challenge level,

the nexus is sustained by rationalisation information which clarifies

the choice of tasks that must be performed to accomplish particular

organization-wide challenges. This is produced through informal

consultation between individuals or more formally through such

system as permanent cross-divisional committees. This committee

is especially useful for vertically integrated organizations by

helping to ensure that task challenges selected would align closely

and rationally with the broader organization-wide challenges.

(3)   For the inter-sectional-task and individual challenge level, the

nexus is sustained by conditioning information which clarifies the

challenges which individuals must fulfil to realize the

accomplishment of particular sectional-task challenges. Through

systems which hire, replace, administer punitive measures, make

salary changes and consider grievances, individuals are able to

know how well they have aligned themselves to their prescribed

task challenges. Performance appraisal systems, when used primarily

for the development of individuals, provide particularly important

inputs to link individuals to their sectional-task challenges.

Through corrective measures, such as training courses to improve

future performance, the requirements of sectional-task challenges

can be made more explicit as well as more achievable for individuals.

As for the examples of intra-challenge level nexus, which serves to relate and integrate challenges of the same level into a more logical and coherent whole, they would comprise of.

(1) at the organization-wide level, formalisation and operationalization information would be needed to link all the challenges together. For instance, in an economic organization which has many external interdependencies to deal with, the number of challenges necessary to cope with them would be correspondingly high. In this situation, it requires much lateral exchange of information to ensure that only non-conflicting challenges are formalised and operationalized. The annual budgeting system is often the main means to provide a final, formal check to see that this nexus has properly connected all the relevant lateral challenges.

(2) At the sectional-task level, where there are more chances for challenge-interlock, that is, challenges that are interdependent on each other for support before they can be successfully completed, the need for informational nexus is especially important. The information necessary to support this link would encompass the reconstitution information (to facilitate the design of appropriate, mutually supporting interlocking tasks and task accomplishment processes), deployment information (to clarify the location of task challenges) and empowerment information (to define the authority hierarchy for a task group). Line management task forces and technical evaluation committees are some systems that helps to strengthen this intra-sectional task nexus.

(3) At the individual level, the formation information (which defines and prescribes those challenges which will not cause dysfunctional conflict for their respective holders or between different holders) and the effort-stipulation information (which stipulates the minimum

standard of performance required in order to ensure that adequate

efforts are exerted for the attainment of individual challenges)

help to link together individuals who by nature of their challenges

and structural positions will need to be inter-dependent on each other.

For instance, the individual challenges of executives within a

marketing department must be clearly defined so that there will be no

overlap of efforts which can result in unnecessary wastage of energy,

or shortage of inputs to prevent an executive from coping satisfactorily

with his challenges. It is toward this direction that job design and

individual target setting systems are useful. They form an important

medium to inform the different individuals the nature of their

challenges and at the same time also help to ensure that each individual

will fit neatly into a conflict-free, co-operative network. Please

refer to Figure 7-6 for a diagrammatic representation of how the various

challenges are linked together into a coherent whole via a series of

inter- and intra- level nexus.

F. OPERATIONALIZING THE EXPECTATIONS FRAMEWORK

To operationalize the expectations framework, the writer had to develop

an instrument which is capable of capturing information about the

interactional relationship between dyads of senior corporate and

divisional executives. The form which this instrument, called the

Expectations Analysis Forms, takes was finalised after testing it with

senior corporate and divisional executives at the pilot study stage.

During this pilot study, both the Expectations Analysis Forms (Appendix

14) and Instructions Manual for guiding respondents in describing

their expectations of specific organisational members (Appendix 13)

were tested for validity and reliability. In other words, through

in-depth discussions with the test candidates, held over a period of

six months, the instrument was repeatedly tested and refined to ensure

that it measures what it purports to be measuring (validity) and that

it measures consistently those variables interested in (reliability).

A description of the pilot study and refinements made to the instrument

is given in a section of chapter two, titled "Instrument Design and

Pilot Study" and a section of chapter three, titled "Validity and

Reliability".

1. Scope of the Expectations Analysis Forms

The information which the Expectations Analysis Forms is designed to

capture about a respondent's (say, B) interactional relationship with

a particular named colleague or object (say, A) relates essentially to:

1. The Actual Expectations which B holds of A, i.e. those commitments
   which B wants A to fulfill.

2. The Perceived Expectations which B holds of A, i.e. those commitments
   which B perceives A would want him (B) to fulfill.

In addition, the instrument is also designed to provide a clearer

perspective of such expectations by uncovering details of the following:

ACTUAL EXPECTATIONS

(i) The key action areas where actual expectations are held, i.e. in
     which of the twenty-nine key action areas are B's actual
     expectations of A held.

(ii) The beneficiary or direction which beneficial outcomes flow when
     actual expectations which are held in a particular key action
     area are fulfilled, i.e. is the fulfilment of B's actual
     expectations, as held in a particular key action area, by A
     intended to help the work performance of B and/or other third
     party.[*2]

(iii)   The _proportion_ of actual expectations which are held in a
         particular key action area, i.e. what proportion of B's total
         actual expectations of A are held in a particular key action
         area.

(iv)   The _importance_ of actual expectations which are held in a
         particular key action area, i.e. how important is the fulfilment
         of B's actual expectations, as held in a particular key action
         area, by A for the work performance of B and/or other third
         party.

(v)   The _satisfaction_ of actual expectations which are held in a
         particular key action area, i.e. how satisfactorily has A
         fulfilled B's actual expectations, as held in a particular key
         action area.

PERCEIVED EXPECTATIONS

(i)   The _key action areas_ where perceived expectations are held, i.e.
         in which of the twenty-nine key action areas are B's perceived
         expectations of A held.

(ii)   The _beneficiary_ or _direction which beneficial outcomes flow_
         when perceived expectations which are held in a particular key
         action area are fulfilled, i.e. is the fulfilment of B's
         perceived expectations, as held in a particular key action
         area, by B intended to help the work performance of A and/or
         other third party.[*2]

(iii)   The _proportion_ of perceived expectations which are held in a
         particular key action area, i.e. what proportion of B's total
         perceived expectations of A are held in a particular key action
         area.

(iv)   The _importance_ of perceived expectations which are held in a

particular key action area, i.e. how important is the fulfilment of B's perceived expectations, as held in a particular key action area, by B for the work performance of A and/or other third party.

(v)   The satisfaction of perceived expectations which are held in a particular key action area, i.e. how satisfactorily has B fulfilled B's perceived expectations, as held in a particular key action area.

2.   Administering and Protecting the
Reliability of the Expectations Analysis Forms

An overriding consideration which is painstakingly upheld throughout the research period when the Expectation Analysis Forms was administered is the need to protect the reliability of the instrument in order to obtain useful and usable information. The steps taken by the writer to enforce this protection are as follows:

1.   Ensuring that the corporate and divisional respondents fully describe their expectations of each other. This step involves:

(i)   Checking with the initial contact executives at the corporate and divisional office to compile a list of all senior corporate and divisional management staff.

(ii)   Prior to administering the Expectations Analysis Forms, discussing with the respondents whether the list fully covers all the colleagues of whom they hold expectations or interact with. The names of those who were inadvertently omitted were promptly added onto the list.

(iii)   Distributing a set of Expectations Analysis Forms for each object manager that the respondent has selected from the list and mentioned as the person of whom he holds expectations or interacts with.

2. Ensuring that the corporate and divisional respondents fully
    understand the procedure for recording information about their
    expectations in the Expectations Analysis Forms by providing to
    every respondent a copy of the Instruction Manual and personally
    explaining to each respondent its contents. The contents included:

(i)   A clear definition of all the terms referred to in the Expectations
        Analysis Forms.

(ii)   A clear explanation of how to relate the description of
        expectations to the twenty-nine key action areas.

(iii)   A clear definition of each of the twenty-nine key action areas.

(iv)   A clear explanation of how to describe expectations, by key
        action area, according to the pre-coded answering scheme
        provided.

(v)   A clear description of the complete and appropriately anchored
        answer scales.

3. Ensuring that the corporate and divisional respondents record
    information about their expectations in the Expectations Analysis
    Forms in a consistently correct manner. This step involves:

(i)   The writer being personally present to introduce the instrument
        and helping the respondents to complete their Expectations
        Analysis Forms. Depending on the number of objects of whom a
        respondent holds expectations or interacts with, the whole
        exercise undertaken with a respondent requires between three to
        five sessions, lasting at least two hours each, to complete.

(ii)   The writer repeatedly requesting and encouraging the respondents
        to narrate actual incidents, situations, or considerations
        which influence their choice and description of expectations.
        This action is valuable both to ensure that the respondents are

attuned to the correct approach for completing the Expectations

Analysis Forms, as well as to enable the writer to acquire and

present verbatim quotations in support of important points which

may be raised in his thesis.

(iii)   The writer analysing all the Expectations Analysis Forms after

they have been completed by the respondents and holding

discussions with them. These discussions are held mainly on an

individual basis with the exception of two occasions when two

group directors and three divisional managers, respectively,

requested their discussions to be held on a group basis. The

queries raised during such discussions usually centre on

comparative issues, for example, the significance of each of the

key action areas for the work performance of executives from

different managerial levels and functions, the reasons whey

expectations are held more frequently of certain key action areas

than others, the reasons why expectations are held of particular

objects, the reasons why some objects are held to be more

important for work performance than others, the reasons why

particular objects are consistently rated as performing poorly

in fulfilling expectations, the reasons why particular objects

are perceived to expect help in certain key action areas, etc.

This action is valuable to make a final check that the respondents

had correctly understood and adhered to the procedure for

completing their Expectations Analysis Forms, as well as to

provide the writer with a clearer understanding of the

respondents' interactional relationships with their colleagues

when viewed in the context of the Expectations Framework.

3.   Analytical Treatment of Data Obtained for Key Action Areas

In the previous chapter section, titled "Describing the Expectations

Framework", the writer has conceptualized and argued how the efficient management of specific key action areas is necessary to resolve certain central issues of organisation; and in turn, the effective resolution of specific central issues will contribute directly to the well-being of certain aspects of organisational life (these three conceptual constructs have been referred in the text and depicted in Figure 7-4 as elements, sub-frames, and frames, respectively). For instance, it is argued that the key action areas of "external relations", "forecasting and adaptation", and "identifying and capitalising on new ventures" must be efficiently managed to resolve the central issue of "Permeation". In turn, the effective resolution of "Permeation" and the two other issues of "Formalisation" and "Operationalisation" will contribute directly to the well-being of the aspect of organisational life called "Translation into Organisation-Wide Challenges". Finally, the well-being of this and six other aspects of organisational life is essential to ensure the survival and overall effectiveness of the organisation.

Therefore, by treating the respondents' answers to questions on the key action areas as basic data, and computing the mean of the basic data pertaining to the appropriate combination of key action areas, one will be able to build up indices to measure the states and implications of each successive and higher level construct of the Expectations Framework.[*9] More specifically, in the context of the focal firms researched, a comprehensive picture can be progressively constructed of how the corporate and divisional management groups interact with each other, and the satisfactoriness with which they are able to do so, in managing the various key action areas, central issues, and aspects of their organisational life. In the remaining text of this thesis, the states of such interaction will be referred to, and measured, in the following manner:

1. <u>Extensiveness of Interaction</u> - measured by computing the <u>percentage of objects</u> in one management group of whom actual or perceived expectations, connected with particular issues, are held by the respondents in the other management group.

2. <u>Intensiveness of Interaction</u> - measured by computing the mean of the <u>proportion</u> ratings made by the respondents from one management group of the actual or perceived expectations, connected with particular issues, that they hold of objects from the other management group.

3. <u>Importance of Interaction</u> - measured by computing the mean of the <u>importance</u> ratings made by the respondents from one management group of the actual or perceived expectations, connected with particular issues, that they hold of objects from the other management group.

4. <u>Satisfaction of Interaction</u> - made by computing the mean of the <u>satisfaction</u> ratings made by the respondents from one management group of the actual or perceived expectations, connected with particular issues, that they hold of objects from the other management group.

Finally, it must be pointed out that the data pertaining to the interaction states between the corporate and divisional management groups will be presented in the forthcoming tables mainly in connection with the management of "central issues". Wherever the necessity arises to present data connected with "key action areas" or "aspects of organisational life", special mention will be made to point out that it has been done so.

CHAPTER 7   FOOTNOTES

*1   Our primary interest is in those stimuli which arise from the
      work environment and, although capable of subsuming within them,
      are not those concerning with "cathection" [12] or reactions in
      terms of innate personality drives.

*2   Theoretically, there are four directions where beneficial outcomes
      may flow when expected commitments are accomplished. These
      directions are described below, with appropriate empirical
      examples cited to illuminate these directions when viewed in
      the context of a divisionalised organization.

      DIRECTION I: As when a respondent (B) expects the object (A)
                      to fulfill some commitments with beneficial
                      outcomes intended for the respondent (B).
                      For example: when a divisional general manager
                      expects his group managing director to lay down
                      clear policy guidelines in order that he
                      (divisional general manager) may appropriately
                      conduct his work.

      DIRECTION II: As when a respondent (B) expects the object (A)
                      to fulfill some commitments with beneficial
                      outcomes intended for others (third party). For
                      example· when a corporate chairman expects his
                      divisional general manager to provide support
                      and assistance for the group executive directors
                      and divisional functional managers.

DIRECTION III· As when a respondent (B) perceives that the object (A) expects him to fulfill some commitments with beneficial outcomes intended for the object (A). For example when a divisional financial analyst perceives that his corporate financial director expects him to supply certain costing information in order that he (corporate financial director) may make appropriate decisions on a new investment programme.

DIRECTION IV: As when a respondent (B) perceives that the object (A) expects him to fulfill some commitments with beneficial outcomes intended for others (third party). For example· when a divisional production manager perceives that his group managing director expects him to provide advice and suggestions for improving production efficiency to his divisional general manager and group production director.

Henceforth, any discussions of benefits connected with Directions I and III will be referred to as "benefits intended for the interactors", and benefits connected with Directions II and IV will be referred to as "benefits intended for other third party"

The flow of interaction outcomes in these four directions has been diagrammatically depicted in Figure 7-3.

*3 Such a link is termed as processual because it is largely non-static and sense-related (sensuous) in character. As previously explained, it is through such mental process that the individual's constructual reasonings will evolve to affirm and/or modify the expectations he holds and the behaviour he displays.

*4   This framework is constructed from 29 key areas where expectations may be conceived and interpersonal relationships formed. None of the respondents suggested or requested any addition to these key areas. When asked, all of them mentioned that from their experience these 29 key areas are adequate to encapsulate all their expectations and adequately represent all the managerial areas where they have interactions.

*5   For a more comprehensive discussion of the external environment, please refer to the TOTEC Framework as presented in chapter 5.

*6   For an excellent account of this highly criticised aspect of the Structural-functionalist school of thought, please refer to Buckley's work of 1967 [37].

*7   These numbers referencing the various elements that are being described in this chapter correspond directly to the 29 key areas which are presented in the expectation analysis forms which the respondents have to complete (Appendix 14).

*8   The industrial actions that were brought by the truck drivers, petrol tanker drivers, public employees (sewage workers, hospital porters, refuse collectors, etc.) and car assembly workers early this year are some examples of the damage which lower level members can cause to their organizations by jeopardizing the fulfilment of essential sectional-task challenges.

*9   A computer programme, code named IFAME II (Indices Formation And Means Extraction· Routine II), has been specially designed and written in Fortran to facilitate this process. The source documentation is presented in Appendix 16.

THE TRANSLATION FUNCTION AND DECISION-MAKING PROCESSES

A.   Translation into Organisation-Wide Challenges

B.   Translation into Sectional-Task Challenges

C.   Translation into Individual Challenges

D.   Summary and Conclusion

A great deal of discussion in organizational theory has emphasized that organizations need to adapt to their environment in order to remain viable social systems [1, 2, 3, 4]. However, there has been little systematic theoretical or empirical discourse on the interactive processes involving senior organizational members as organizations adapt to their environment. The research presented in this chapter is aimed at filling this gap by examining the adaptation process in terms of the manner in which corporate and divisional managements interact with each other, as they indulge in translating external challenges into more specific tasks and responsibilities, and in preparing organizational members into accepting them.

We have already examined in chapter five the external challenges and states of the focal divisions. We shall now operationalize the Expectations Framework and investigate corporate-divisional interaction in three translation processes, namely· the translation into organizational-wide challenges process, the translation into sectional-task challenges process, and the translation into individual challenges process.

A.   TRANSLATION INTO ORGANIZATIONAL-WIDE CHALLENGES

The aim of this section is to investigate the nature of interaction[1] between corporate and divisional managements as the external milieu is being monitored and its challenges are being selected for absorption into the focal divisions. More specifically, by examining the extensiveness of the interaction network which spans, and the intensiveness and importance of interactions which occurs between these two management groups[2], further insights into the following are planned for·

- The contingency connection between the conduct of various key interfacing issues and specific states of the external environment.

- The decision-making processes which augment, enhance or obstruct the interactive processes between the two management groups.

- The contributory rules of corporate officers and divisional managers in the organizational adaptation and challenge absorption processes.

1. Permeation

Proclamations of the necessity to monitor the environment and the means to adjust to situational demands abound. For instance, Aguilar [5] had suggested the need to scan the business environment to gather various types of environmental information; Denning [6] argued instead for a sound strategic environmental appraisal which is based on a thorough understanding of the structure of the industry in which the firm operates, demand factors in the industry, technology of the industry, and government legislations; and Lorange [7] proposed that adjustments should be supported by different systems, depending on whether the firms are geographically-oriented, product-oriented, or evolving global companies. In these and other studies [8, 9, 10, 11], the emphasis appears to be focused on techniques and systems, with little consideration of the interactive processes between key groups of organizational members as the organization adapts to its environment.

The need, thus, to refocus research effort seems to be compelling and especially so, when one considers Litterer's postulation that "the environment of the organization changes, and some groups may see before the rest of the organization that the organization must act differently to survive, or that the organization can improve itself through modified objectives." [12] Clearly, in a divisionalised organization where

there exist two management groups, with each commanding different

vantage positions to scan and understand the environment, their

interactions must surely play a crucial part in determining how

effectively they can cope with their external challenges. To test

whether this is the case, the interactions between corporate and

divisional managements concerning external relations, forecasting and

adaptation, and the identification and capitalizing of new ventures

were analysed. These key action areas are conceptualized as central to

resolving the permeation issue and their effective management is held

to be necessary if the focal divisions are to be able to command a

realistic and accurate view of their environment.

(i) Top-Down and Bottom-Up Contributions to the Permeation Task

Firstly, in analysing Table 8-1, we can see that the interaction

network between these two management groups, in terms of the actual

expectations that are held by the corporate and divisional managements

of each other with beneficial outcomes intended directly for themselves

[*3], are indeed extensive. More specifically, from this same table,

two distinct trends of interaction concerning the permeation issue can

be extracted·

- When interactions which result in benefits for the interactors

    themselves are examined, divisional management tend to hold actual

    expectations of more corporate officers than corporate management

    of divisional managers. That is, for firms ALPHA, BETA and SIGMA,

    the extensiveness of actual expectations held are 81%, 70%, 100%

    as compared to 56%, 55% and 67% respectively.

- When the expectations of the corporate and divisional managements

    are analysed separately, firm SIGMA tends to have a more extensive

    expectation network than firms ALPHA or BETA. Thus, we witness

SIGMA having a 100% corporate network as compared 81% and 70% for

firms ALPHA and BETA and a 67% divisional network as compared to a

56% and 55% network for firms ALPHA and BETA, respectively.

From these trends, we can draw various conclusions and make some

propositions about the contributory roles of the corporate and

divisional managements insofar as the permeation stage of adaptation

is concerned.

Proposition 16

Although active top-down contribution in assisting a division to scan

and familiarize itself with the external environment is strongly

acknowledged as desirable by the focal divisions, bottom-up contribution

to assist the corporate office in similar functions is also desired by

the corporate management.

Thus, in addition to the common call for more effective top management

leadership in guiding divisions through their complex environment [13],

the need for divisional members to assist top management in guiding the

whole organization through its environment is no less important. For

as the technical director of firm SIGMA explains:

> "Our divisions have world-wide production and commercial units
>
> situated from Buenos Aires to Taipeh. They act as sensing agents
>
> and help the corporate people to keep track of technological,
>
> socio-economic and political problems that may crop up in different
>
> parts of the world. They are invaluable, and though theoretically
>
> head office is expected to assist the divisions in these sort of
>
> areas, we sometimes feel the roles are reversed. Indeed, I dare
>
> say that without such feed-back from these far-flung units, the
>
> organization would be groping about in the dark and not knowing

where or how we should proceed. Having said that, I must also add that with so many divisions contributing to our knowledge of what is going on, we are in an excellent position to cross-fertilize all the different bits of information from different sources and then re-channel them to those integrated divisions who need to know about events in different parts of a common environment"

This insight is also useful in explaining why the network of expectation links in firm SIGMA is more extensive than those of firms ALPHA or BETA. Thus, as firm SIGMA is a full-fledged multi-national organization, its corporate office has tended to hold expectations of a greater number of its divisional members in order to be aware of the state of the environment which the firm will encounter. In contrast, firms ALPHA and BETA are territorially more restricted in their operations and thus, corporate reliance on divisional feedback is less as corporate staff is capable of monitoring a smaller environment by itself. As a result of this contingency connection between the span of operations and the extent of bottom-up environmental feedback required, we can now understand why the corporate management of firm SIGMA has a more extensive expectation network as highlighted earlier. Thus,

Proposition 17

The extent to which the corporate office relies on divisional management for assistance in managing the total firm's permeation issue is dependent on how territorially dispersed are its operational units. Thus, the more dispersed are its units, the more the corporate office is dependent on them for monitoring the environment and helping in the management of the firm's permeation issue.

By the same token, being a multi-national corporation, the corporate office of firm SIGMA is able to accumulate a fertile stock of environmental information upon which integrated divisions could draw to resolve their own permeation issues. Thus, as highlighted in the interaction trends extracted earlier, firm SIGMA'S divisional management tends to have a more extensive expectation network with its corporate officers than their counterparts in firms ALPHA and BETA. Therefore,

Proposition 18

The extent which the divisional management relies on corporate office for assistance in managing the divisions permeation issue is dependent on whether the division concerned forms part of an integral and widespread network of operations that is co-ordinated by the corporate office. Thus, the more integrated the network of operations which the division belongs and the more the corporate office is able to pool different items of information about their common environment, the more the divisional management will be dependent on it for monitoring the environment and helping in the management of the divisions permeation issue.

(ii) Contingency Links between External States and
     Permeation Adjustment Choices

In chapter 5, three key environmental features were established for each of the focal divisions. These, namely, are the environmental stability (changes in level of competition), environmental manageability (absolute level of competition) and environmental erosiveness (impact of competition upon divisional profitability). We shall now investigate the implications which these external states may hold for the permeation interactions between the corporate and divisional managements.

a. Stability and The Accuracy of Perception

As accurate perception is crucial to impelling actions and behaviour along a particular course [14], we shall begin by establishing whether the relative stability of the environment is likely to affect the accuracy with which corporate and divisional managements perceive the permeation expectations that they may hold of each other. The first step in this task is to examine Tables 5-3, 5-4 and 5-7 to pinpoint the respective environmental states of the focal divisions. From these tables, one can see that in terms of the number of task environments where changes in competition are significant, the environment of division Sigma emerges as the most unstable, followed next by that of division Alpha, and lastly by division Beta which has the most stable external environment. When this order of stability is juxtaposed and viewed against the ability of the corporate and divisional managements to correctly perceive the proportion of expectations that are held of them (see Table 8-2), one can see a clear association between them. Thus, for division Sigma which has the most unstable environment, both its corporate and divisional managements had incorrectly perceived the proportion of expectations that is held of them. In subsequent interviews with the respondents from firm SIGMA, it emerged that the root cause of such breakdown in perception was the incessant modification made to the adaptation activities, in attempting to suit changing environmental states, which resulted in much uncertainty of what permeation expectations should be held by the respondents or be perceived by the objects. In the case of firm ALPHA, only its corporate management has incorrectly perceived the proportion of actual expectations that are held of them. In contrast, firm BETA, which has the most stable environment, both its management groups have correctly perceived the proportion of actual expectations that are held of them.

This contingency relationship clearly forewarns the potency of the environment in changing the adaptation requirements to the extent that the new requirements may differ with such magnitude from those previously undertaken that supporting units will not be able to correctly perceive them. Therefore, one can state that

Proposition 19

The stability of the external environment of a division determines the changes that are necessary in its adaptation programmes. Thus, the more stable the environment, the less the adaptation programmes will need to change.

Proposition 20

The stability of the adaptation programmes determines the stability of the permeation expectations and the accuracy of their perception by corporate and divisional managements. Thus, the more stable the adaptation programmes, the more stable will be the permeation expectations and the more accurately will they be perceived by corporate and divisional managements.

Proposition 21

The stability of the external environment of a division influences the accuracy which corporate and divisional managements perceive the permeation expectations that are held of them. Thus, the more stable the environment, the more accurate will be the perception of the corporate and divisional managements of their permeation responsibilities.

b. Environmental Management and The Extensiveness,
    Intensiveness and Importance of Interaction

Having ascertained the contingency link between the stability of the environment and the perceptual accuracy of members of their adaptation responsibilities, our next task is to investigate the significance of

such responsibilities and the manner of their conduct which may contribute to the management of the external environment. More specifically, we plan to discover·

- Whether the appropriate number of corporate officers who respond to divisional expectations concerning the permeation issue will have any bearing on the management of the divisions' external environment.

- Whether extensive and intensive interaction over the permeation issue will contribute to the management of divisional environment. As a corollary, to discover what factor(s) prompts for more extensive and intensive corporate-divisional interactions.

- Whether the environmental state will affect the work performance of the interactors. As a corollary, to discover the work attitudes of corporate and divisional members with a well managed divisional environment toward interactions which are connected with the permeation issue.

In response to the first specific task, table 5-1 was examined and it was found that division Alpha has the best managed environment, in terms of the absolute level of competition in all the task environments, followed next by division Beta and lastly by division Sigma. Next, by computing and examining Table 8-1, firm ALPHA was established as having the highest percentage of corporate officers who responded to divisional expectation for assistance in the adaptation process. In fact, more corporate officers perceived that they should contribute to the divisional permeation issue than is actually required (94% of corporate officers perceiving that they are expected to be involved with the permeation issue as compared to 81% of corporate officers who are actually expected to do so). In contrast, the percentage of corporate officers in firms BETA and SIGMA who perceives this permeation

responsibility is less than is actually expected (56% of corporate officers perceiving to 70% that is actually expected in firm BETA, and 67% of corporate officers perceiving to 100% that is actually expected in firm SIGMA).

When the net difference between the number responding to the number expected is computed, we can see that firm ALPHA has a surplus response of +13%, firm BETA has a deficit response of -14% and firm SIGMA has an alarming deficit response of -33%. When this analysis is juxtaposed and viewed against the relative levels which the three firms are able to manage their environment, the association between a surplus response by corporate officers and environmental manageability becomes evident. Considering that corporate contribution in handling the permeation issue is imperative if a division is to be able to manage its environment, as discussed in an earlier section, it is clear that a division's ability to manage its environment will be hindered if such contribution is not forthcoming. Thus,

Proposition 22

Environmental manageability for a division is contingent upon the appropriate number of corporate officers who can respond to divisional managers' permeation expectations. Thus, the higher the surplus of response, the more manageable will be the environment but the higher the deficit of response, the less manageable will be the environment.

Secondly, in establishing whether the extensiveness and intensiveness of interaction between corporate and divisional management will contribute to the management of divisional environment, the Spearman Rank Correlation Coefficient Test was administered to these three variables and the results obtained are presented as Tables 8-3, 8-4 and 8-5.

From these tables, we can observe various correlations which are only significant, that is, they are not due to chance occurrence, for firm ALPHA. As firm ALPHA has managed its divisional environment best, we can be confident that those correlations found for it will provide a realistic insight of those attributes which are crucial to environmental management (see Table 8-3). The correlations in question, which are all significant at $p < .05$, are as follows:

1. The strong positive correlation between a high level of competition that is experienced and expected at the TOTE and a situation where there is high extensity of interaction, in connection with the permeation issue, between corporate and divisional management.

2. The strong positive correlation between a high level of competition that is expected in the overall environment and a situation where there is high intensity of interaction, in connection with the permeation issue, between corporate and divisional management.

3. The strong positive correlation between a situation where competition at the FOTE, SOTE and overall environment is perceived to have high importance for divisional profitability and a situation where there is high extensity of interaction, in connection with the permeation issue, between corporate and divisional management.

4. The strong positive correlation between a situation where competition at the SOTE is perceived to have high importance for divisional profitability and a situation where there is high intensity of interaction, in connection with the permeation issue, between corporate and divisional management.

When these four sets of significant correlations and the rest of the correlations, which also show positive but weak association between the variables, pertaining to firm ALPHA are analysed, the following propositions can be supported.

Proposition 23

Environmental manageability is contingent upon the extensity and intensity of interactions, connected with the permeation issue, which are conducted between corporate and divisional managements. Thus, the more extensive and intensive are their interaction over the permeation issue, the better managed will be the environment.

Proposition 24

The extensity and intensity of interactions between corporate and divisional managements, which are connected with the permeation issue, is contingent upon the erosive nature of the environmental state. Thus, the more the external competition is perceived to have important effect upon divisional profitability, the more extensive and intensive will corporate-divisional interactions be.

Finally in exploring whether the condition of the environment will have implications for the work performance of the interactors involved with the permeation issue, the correlation between the relative importance of competition and the importance of the permeation issue for the work performance of the interactors was computed. From the results, as shown in Tables 8-3, 8-4 and 8-5, the following correlations which are all significant at $p < .05$ can be extracted. Incidentally, it must be pointed out that these significant correlations were only found for firm ALPHA, the firm whose division (Alpha) has the best managed environment (see Table 8-3).

1. The strong positive correlation between a high level of competition
   that is experienced at the TOTE and a situation where interactions
   connected with the permeation issue are held by the interactors to
   be of high importance for their work performance.

2. The strong positive correlation between a high level of competition
   that is expected at the FOTE, TOTE and overall environment and a
   situation where interactions connected with the permeation issue
   are held by the interactors to be of high importance for their
   work performance.

3. The strong positive correlation between a situation where
   competition at the SOTE, TOTE and overall environment is perceived
   to have high importance on divisional profitability and a situation
   where interactions connected with the permeation issue are held by
   the interactors to be of high importance for their work performance.

From these correlations, one can conclude that the holding of an

appropriate work attitude toward the permeation issue by both corporate

and divisional managements appears to be important in the actual

management of the environment. As we have seen in firm ALPHA, the two

management groups have regarded external forces as capable of affecting

their individual work performance and have taken a serious attitude

that efforts for resolving the permeation issue is necessary if their

own work performances are not to be impaired. The condition leading

to the inception of such attitude may be best explained by the external

affairs director of firm ALPHA, for as he states:

"We may be the least glamorous or talked about function $^{*}4(15)$

but I believe we provide a good service for the company by creating

an awareness and respect for what goes on in the outside world

amongst our senior colleagues - Times have changed, we are not in

a seller's market nor do we have dominant products to permanently
captivate a restricted clientele. Why, just last month, I had to
chair a regular meeting for our senior managers and I had to
reappeal to them to avoid being cloistered up in their little
functional domain ..... detached and unaware ..... and instead to
care more about how they can contribute to coping with incessant
changes in external demand and dangers. They just have to realise
that our success in coping with the outside matters a great deal to
what they hope to achieve in the inside ...... it is as blunt as
that!"

Management writers have often, under the rationale of seeking to service
growth through internal elaboration [16] or seeking to seal the
technical core activities against distortion and uncertainty [17],
treated the adaptive and maintenance functions as if they are separate
functions which must be undertaken by different organizational members
[18]. For instance, Kast and Rosenzweig who are particularly attuned
to this notion have plainly stated that "some forces within the social
organizations are geared to the maintenance of the system, and other
forces and sub-systems are geared to adaptation". [19] Quite
evidently, from our findings just described, firm ALPHA who has adapted
and managed its environment well does not appear to hold such views in
practice. Instead, its management believes that the awareness and sharing
of the adaptive tasks is important for them to be able to adjust
efficiently their maintenance work performance. In other words, both
management groups regard the maintenance and adaptation work as
inextricably linked and any attempts to demarcate the two will create
"counteracting forces which often create tensions, stresses and
conflicts" [20] and if left uncurbed can impair the effectiveness

of the organization in coping with its external challenges. Thus, we can further propose that:

Proposition 25

Environmental manageability is contingent upon a supportive work attitude of corporate and divisional managements toward the permeation issue. Thus, the greater they internalize the efforts needed to cope with environmental challenges connected to, and important for, their own work performance, the more they will expend energy toward the management of their environment.

Proposition 26

A supportive work attitude toward the permeation issue is consistent with a deliberate effort to imbue organizational management with greater cognisance of environmental challenges and to enrich their maintenance functions with appropriate adaptation responsibilities. Thus, the more effort there is to integrate the adaptation and maintenance functions, the more will a supportive work attitude be instilled amongst organizational management.

c. Erosiveness and The Satisfactoriness of Interaction

In this sub-section, we shall conclude the investigation of interactions which are connected with the permeation issue by establishing whether the satisfactory conduct of such interactions; or as operationalised here, the satisfactory fulfilment of permeation expectations, will actually help to minimize the impact of external disruptions upon divisional profitability. Recalling that the permeation issue, as conceptualised in the expectations framework, is concerned with (i) securing the goodwill of the widest possible repertoire of externalities (key action area· external relations), (ii) the assessment of environmental

conditions, threats and opportunities (key action area: forecasting and adaptation), and (iii) enriching the organization's stock of supra-survival properties through lessening its dependence on a few externalities or a narrow portfolio of profitable interests (key action area: identifying and capitalising on new ventures), it seems reasonable to expect that when the permeation issue is not satisfactorily managed, the potency of external forces to erode organizational profitability will be stronger.

To test this hypothesis, the importance of competition in all the task environments upon divisional profitability was correlated with the satisfaction of permeation expectations. The results computed are presented in Table 8-6 and from it, the following correlations, significant at $p < .10$, were observed.

1. In firm SIGMA, there is a negative correlation between a situation where competition at the FOTE is perceived to have high importance on divisional profitability and a situation where there is a high satisfaction of permeation expectations.

2. In firm BETA, there is a negative correlation between a situation where competition at the FOTE, SOTE and overall environment is perceived to have high importance on divisional profitability and a situation where there is a high satisfaction of permeation expectations.

From these negative correlations, one can conclude that when permeation expectations have been satisfactorily fulfilled, the erosive nature of external competition tends to be lower. Therefore, one can propose that·

Proposition 27

The satisfactory fulfilment of permeation expectations play an important

part in controlling the potency of competition in eroding divisional

profitability. Thus, the more satisfactorily the permeation interactions

between the corporate and divisional managements have been conducted, the

less potent will competition be in eroding divisional profitability.

2. Formalisation

In the previous section, we have unravelled the significance and conduct

of interactions which are connected with the permeation issue. In this

section, we will seek to understand how such challenges are consolidated

by the corporate and divisional managements of the focal firms studied.

More specifically, we will examine their interactions which are connected

with the formalisation issue, that is, with setting the direction for

the division subject to the organizational resouces available (key action

area: planning) and with deciding the actions and resouce commitments

that are necessary to steer the division in the direction selected (key

action area policy formulation).

In this context, our interest will be focussed on a central theme of

decision-making that is often raised by scholars of organization control.

This namely, concerns the process of interpersonal influence which

expands the classical interpretation of control as emanating from the

formal structure to one which encompass the interpersonal nature of

control [21 to 26]. In the main, two perspectives of interpersonal

influence can be derived at, namely, that concerning the degree of

participation and the extent of power equalization permissable within

an organization. For example, an organization characterised by a

substantial amount of interaction and mutual influence is analogous to

a participative system. Likewise, an organization in which the

distribution of control or influence is more egalitarian, as opposed to

hierarchical, is characterised as a power equalized system.

Theoretically, these perspectives of interpersonal influence are useful

as a platform to investigate the formalisation interaction between

corporate and divisional managements because they accomodate strategic

decision-making of which the formalisation issue is concerned about and

they relate to the existence of two distinct groups of individuals who

must be dependent, to a greater or lesser extent, on each other for their

survival. Therefore, in furthering our investigation of the interpersonal

influence between corporate and divisional managements as the organization-

wide challenges are being consolidated, these perspectives will be related

to.

The operationalization of interpersonal influence is realized by Q.14

which measures the actual and desired level of influence that is exercised

by seven levels of corporate and divisional management on broad divisional

policy decisions $^{*5 (27)}$, by Q.16 which measures the locus of decision

making for major divisional policies and long range planning $^{*5 (28)}$, and

by Q.19 which measures the divisional objective setting approach

actually employed by the focal firms and the approach that is desired

by their corporate and divisional management. (Appendix 11)

(i) The Impact of a Participative System on the

        Perceptual Clarity of Formalisation Expectations

Proponents of a participative organization system have often sought

support by claiming that such a system automatically results in more

organizational effectiveness. Invariably, their explanation of this

connection centres around enhanced motivation, commitment and loyalty

which serve as the basis for the psychological integration of individuals

into a productive system. For instance; Tannenbaum [29], Likert [30], and Lawrence and Lorsch [31] have consistently claimed that participation improves involvement, results in enhanced member loyalty, identification and commitment, and finally produces a highly integrated and tightly knit social system. Whilst the importance of such cause-effect relationship cannot be decried or treated as beyond the realm of possibility, it must be pointed out that nothing is offered in pragmatic terms of how members actually co-operate and interact within a participative system to make it effective.

Recalling Blake and Mouton [32] who highlighted the importance of mutual understanding and agreement between interactors in attaining organizational effectiveness and March and Simon [33] who postulated that disagreements between interactors regarding organizational facts and ideas contribute to intergroup conflict, our first task is to uncover what connection there is, if any, between a participative organization system and the clarity and accuracy which corporate and divisional managements are able to perceive the areas and intensity which they should appropriately interact with each other.

To establish the degree of participation which is practised in the focal firms, the actual nature of objective setting approach (Table 8-7), the locus of major policy formulation and long range planning (Table 8-8), and the actual volume of total corporate and divisional influence [*6 (34)] (Table 8-9) were compiled and analysed. From these tables, firm BETA emerged as the most participative organization as it has the most participative actual objective setting approach, a decentralised locus of decision-making and the highest total volume of corporate and divisional influence over its broad divisional policies. Applying

similar measures, firm ALPHA emerged as the next most participative

organization and firm SIGMA emerged as the least participative

organization.

Next, in finding how accurately corporate and divisional managements

perceive the areas and proportion of formalisation expectations that

they hold of each other, Table 8-2 was compiled and analysed. From it,

the two management groups of firm BETA appear to be clearly aware of

their formalisation responsibilities. As can be seen, the two

management groups' perception of their formalisation responsibilities

are in concurrence with what is actually expected. Firm ALPHA follows

next with a clear awareness of its formalisation responsibilities

evident in only one direction, that is, only its divisional management's

perception is in concurrence with what is actually expected. In contrast,

the perceptual awareness in firm SIGMA is the lowest as both its

corporate and divisional managements were unable to accurately perceive

the proportion of actual formalisation expectations that are held of

them.

This association between the extent of participation and the accuracy

of perception of the areas and intensity of interaction necessary for

managing the formalisation issue suggests an intervening variable to

qualify the simplistic connection between motivation and organization

effectiveness. Inasmuch as participation is able both to enhance

motivation and improve the clarity of perception of the necessary

efforts that must be committed, it is arguable that the latter

outcome of participation may be more decisive in improving effectiveness.

Whilst motivation may lead to greater intention to commit effort, it is

only when such intention can be translated into appropriate effort that

effectiveness can be realized. In other words, motivation is about the

strength of intention to commit effort whereas clear understanding and

agreement about what responsibilities must be discharged is about

ensuring that efforts committed are appropriate for the task at hand.

As Campbell [35] has concluded in his study of the interplay between

managerial behaviour, performance and effectiveness,

> "Given two individuals with an equal desire to expend effort, the
> individual with the greater specific knowledge concerning the nature
> of the organization's goals and their priorities should perform at
> a higher level".

Therefore, it is reasonable to propose that·

Proposition 28

Participation improves the clarity of perception about the organization-

wide challenges and formalisation responsibilities that must be discharged.

Thus, the more participative the system of decision-making, the clearer

will the interacting participants be about their organization-wide

challenges and formalisation responsibilities which they must discharge.

Proposition 29

Clarity of perception about the organization-wide challenges and

formalisation responsibilities improves individual work performance and

organizational effectiveness. Thus, the clearer the individuals are of

their organization-wide challenges and formalisation responsibilities,

the higher will their work performance and organization's effectiveness.

(ii) Participative Differential and the Scope of Formalisation Interaction

Management authors have frequently warned against dissecting the

management of the planning function of organization-wide challenges

from the management who is responsible for their realization and

fulfilment [36, 37]. The consequence of such separation is best noted

by Machin and Wilson [38] who described the attributes of planning,

per se, as adding up to,

> "an 'unnatural process' sufficiently removed geographically and
> hierarchically from the work place which will ultimately generate
> the planned output as to have an aura of depersonalised unreality
> far from the day to day process of operational management"

Nowhere is the danger of such managerial separatism more evident than

in divisionalised organizations where the very existence of a corporate

office, supported by its attendant staff functionaries, is sustained by

the principle of central planning designed to ensure that the whole

organization grows in an orderly and consistent manner. However, the

extent to which separatism occurs will vary from one divisionalised

organization to another, and depends on factors ranging from the

philosophical propensity of corporate zealots to be involved substantially

in divisional planning to the ability and will of divisional managers to

actually want to participate in planning the challenges of their

division.

It is clear then that when one examines the desirability of corporate

or divisional management's involvement in the planning of some

organization-wide challenges, a situational approach is more appropriate.

In other words, rather than focusing on the desirability of participation,

per se, it is more salient to focus on the level of participation that is

perceived to be appropriate, and held to be desirable, by the potential

participants concerned. The wisdom of taking into consideration the

aspirations and aptitude of individuals before stipulating the scope

for participation is best underscored by the cardinal rule of the

expectancy theory which stresses that,

"An individual must believe that his efforts should produce

performance; that is, if he tries he can do it, the situation is

one in which it is possible to do it, and he has the ability to

do it" (39)

To further substantiate this point, let us examine Table 8-7. From it

we can see that the levels of participation that are perceived to be

desirable vary amongst the focal firms studied. More important, seeking

full participation, as when the "broad plans and problems of the company

as a whole are presented to the divisional management involved and the

objectives felt to be best are then set jointly by the corporate and

divisional managements through group participation and discussion" *7

does not appear to be the aim of the firms. Therefore,

Proposition 30

Full participation in planning the organization-wide challenges of a

division is not sought by its operational managers. Instead, selected

participation, contingent upon the aptitude, and aspirations of the

managers, is more evident in the firms studied.

Accepting then that there are individuals who are high in authoritarianism

and low in needs for independence (40) that is, those who do not

respond well to having their jobs enriched with new responsibility for

participation in planning and decision-making, what implications are

apparent should more participative responsibilities be desired than is

actually permitted? To answer this query, let us first establish the

"Participative Differential" for the three focal firms. This is a

simple term introduced to denote the difference between the level of

participation that is actually practised and the level which is regarded

as desirable by the members concerned. From Table 8-7, we can see that

the participative differential for firm ALPHA is negligible and insignificant, is significant (p<.025) for firm BETA, and substantially significant (p<.005) for firm SIGMA.

Next, in tracing the effects of such participative differential upon the formalisation interactions between the corporate and divisional managements, the matching between the number of divisional managers who perceived that they should be involved and the actual number of whom the corporate officers actually stipulate should be involved was first examined. As can be seen from the analysis as recorded in Table 8-1, the difference is greatest for firm SIGMA (-44%), less for firm BETA (-15%) and least for firm ALPHA (+7%). Interestingly, these figures indicate that firms BETA and SIGMA which have significant participative differentials, that is, a higher level of divisional participation is desired than is actually practised, have also a greater number of divisional managers perceiving that they should be involved in the formalisation issue than the number of managers that the corporate officers actually held as appropriate.

In addition, when the proportion of actual formalisation expectations that is held by corporate and divisional managements of each other is computed (see Table 8-10) firm ALPHA emerged as the firm with the most intensive interaction between the two management groups (6.09), firm BETA emerged with the next most intensive interaction (5.50), and firm SIGMA emerged with the lowest interaction (4.63).

From these analyses it is clear that high extensity matching and interaction intensity are associated with low participative differential. More important, three outcomes are likely when the appropriate scope of interaction, as is desired by the division managers, is not conducted.

Firstly, the rationale of participation in the planning of organization-wide challenges is that because divisional individuals and small groups are more intimately involved with environmental changes, they can, with great immediacy and accuracy, provide a planning process with information and judgments regarding local systems. Incorporating this function throughout the range of the planning domain provides the whole with the adaptiveness and vitality of the aggregrate of local system adaptiveness and vitality. However, before this coupling synergy can be achieved, the appropriate extensiveness of links must be established and the appropriate intensiveness of what Etzioni terms "collective reality testing" [41] by the participants, that is, the disposal of obsolete information and acceptance of new ones, must be undertaken through them. Clearly, as discussed earlier, the participative differentials which exist in firms BETA and SIGMA have prevented the appropriate scope of interaction to occur. The reason for this state is as Machin and Wilson [42] have warned.

> "No amount of broad statements on a top management corporate plan
> about what is expected can actually provide detailed guidance in
> respect of the interaction that happens between functions at the
> bottom of the organization."

Secondly, in failing to conduct the appropriate scope of interaction and thus, obtaining a clearer understanding of how the strategic framework, within which individual work responsibilities are designed and nested, is derived at, the divisional management progressively tends to underrate the importance of the formalisation issue for their work performance. As can be seen from Table 8-11, the importance level which divisional management ascribes to the formalisation issue for their own work performance is highest for firm ALPHA (3.71) which also experiences

negligible participative differential, the best match interaction

extensity, and the most intensive interaction between its two

management groups. In contrast, firms BETA and SIGMA which have

significant participative differentials, mismatch of interaction

extensity and lower intensity of interaction, have rated the importance

of the formalisation issue for the work performance of their divisional

managers at a lower level, that is, at the 2.94 and 2.75 level,

respectively. A potential danger of such lack of appreciation of the

importance of the formalisation issue to their work performance is the

eventual evolvement of a cognitive screen which prevents situations at

local work level which may endanger some master plans from being noticed

and raised to the attention of those at the corporate level.

Thirdly, in as much as "participation in a complex social system is

necessary to develop and maintain a sense of identity by experiencing

oneself as potent and directed" [43], the failure to bring about

appropriate scope of participative interaction may create amongst

divisional managers a pseudo-conviction of incapability and unworthiness

insofar as the management of the formalisation issue is concerned. As a

production manager of division Sigma apathetically expresses,

> "Planning and policy formulation is an esoteric privilege of the
>
> centre as far as we are concerned. We may see bugs in the impressive
>
> plans handed down to us once a year but then, it is not our doing.
>
> They (corporate officers) design those plans on sets of assumptions
>
> which I am sure are different and do not interlock with those which
>
> our work is based. Maybe it is a good thing, they get on with
>
> planning as they are experts in those matters and we get on with
>
> doing .... (pause to think) ..... maybe I am wrong in saying that,
>
> I don't know. We are required to work according to those plans
>
> and we do all we can".

Following these discussions, the following propositions are in order:

Proposition 31

The participative differential provides a situational indicator of the level of participation which is appropriate for a firm. Thus, the lower the differential, the lesser is the difference between the actual and desired level of participation which is sought by divisional managers in planning their organization-wide challenges.

Proposition 32

A participative differential affects the scope of formalisation interactions between corporate and divisional managements. Thus, the higher the participative differential, the greater will be the mismatch of interaction extensity and the lesser will be the intensity of interaction that are connected with the formalisation issue.

Proposition 33

The adequacy of the scope of formalisation interaction affects the adaptiveness and vitality of the division and ultimately, of the whole firm. Thus, the greater the matching of interaction extensity and the greater the intensity of interaction, the more adaptive and vital will be the division and the firm.

Proposition 34

The adequacy of the scope of formalisation interaction affects the importance which divisional managers view the formalisation issue for their work performance. Thus, the greater the matching of interaction extensity and the greater the intensity of interaction, the more cognitive will divisional managers be of the importance of the formalisation issue for their work performance.

Proposition 35

The extent which divisional management foresees the importance of the formalisation issue for their work performance affects their cognitive alertness and readiness to detect local work situations which are detrimental to some organization-wide challenges. Thus, the more the divisional managers foresee the formalisation issue as important to their work performance, the more alert and ready they are to detect and raise attention to work situations which are detrimental to some organization-wide challenges.

Proposition 36

The adequacy of the scope of formalisation interaction affects the sense of ability, worth and identity of divisional managers. Thus, the greater the matching of interaction extensity and the greater the intensity of interaction, the more will divisional managers feel able to manage the formalisation issue, regard the underlying purpose as meaningful and worthwhile and identify with the resultant organization-wide challenges.

3. Operationalisation

The aim of this section is to analyse the concluding issue involved in absorbing and translating external threats and opportunities into organization-wide challenges. In the previous section, we have examined how the organization-wide challenges have been formalised by the co-operative effort of both corporate officers and divisional managers. Our task now is to investigate the manner which these management groups interact to operationalize such challenges, that is, to bring about their fulfilment by revising and setting for the whole organization its major decision framework, systemic orientation and structural morphology. (44, 45)

Outwardly, the manifestation of tackling this operationalisation issue
is the stipulation and enforcement of broad scope and limits which
organizational activities, resource movements and utilisation, and
interpersonal behaviour should appropriately abide by and occur within
(key action area   policy implementation).

(i) Corporate Share of Executive Responsibility

It is strange that although a voluminous amount has been written about
the need for lower level management to participate in the planning and
formulation of organization-wide challenges, hardly any systematically
researched materials can be found which provide a comprehensive account
of the extent which top management should participate in the execution
and enforcement of such challenges. Thus, whilst decentralisation of
decision-making to divisional managers has been extensively covered,
the sharing of executive responsibilities by corporate officers has
only been marked by a disturbing paucity.

Therefore, our first task is to examine the extent of corporate
involvement in executive matters that is held to be appropriate and
desirable by the divisional managers of the three focal firms. Referring
to Tables 8-1 and 8-2, we can observe, using the measures of the
extensity and intensity of actual expectations that are held of corporate
officers in connection with the operationalisation issue, that divisional
management clearly indicated that they would want corporate involvement
in the execution and enforcement of policies which are prescribed for
their divisions. More specifically, the management of division Sigma
indicated the strongest desire for corporate involvement as the
operationalisation expectation was held of 71% of corporate officers
and the proportion of such expectation was held at the 3.04 level.

The management of division Alpha projected themselves as bearing the
next strongest desire for corporate involvement in the execution of
policies by holding the operationalisation expectation of 53% of
corporate officers and the proportion of such expectation was held at
the 2.20 level. In contrast, division Beta has the lowest desire for
corporate involvement in executive matters as the operationalisation
expectation was only held of 41% of corporate officers and the
proportion of such expectation was held at the 2.18 level.

Next, to trace the precise areas where the corporate officers are
involved operationally as they seek to implement divisional policies,
Q.16 and Q.17 (Appendix 11) were designed and administered to the
respondents. The former question ascertains the extent of corporate
involvement in making operational decisions pertaining to sales, product-
mix, product-quality standards, production-efficiency standards,
manpower needs, selection of executive personnel and executive performance
appraisal systems. The latter question establishes whether corporate
involvement in eleven key divisional functions is of a policy setting
kind, that is, advising and providing basic approaches, or of an active
and operating kind. The results of these two questions are compiled
and presented as Tables 8-8 and 8-12, respectively.

From these two tables, one can see that none of the depicted activities
or functions is the exclusive executive responsibility of divisional
management. More important, an association between the extent which
corporate officers are expected by divisional managers to be involved
in operationalizing the organization-wide challenges and their active
involvement in key functions is apparent when the conclusion drawn
earlier from Tables 8-1 and 8-2 is analysed against the findings of
Tables 8-8 and 8-12. Thus, from Table 8-8, one can detect that

corporate involvement in making operational decisions is highest for

division Sigma (1.55), next highest for division Alpha (1.40) and lowest

for division Beta (1.17). Likewise, when examining Table 8-12, corporate

involvement in key functions of division Sigma appears to be of a highly

active and operating kind (1.71), followed next by corporate involvement

in division Alpha which is of a moderately active and operating kind (1.66)

and lastly by corporate involvement in division Beta which is of a least

active and operating kind (1.38). The best explanation obtained for this

connection between a high corporate responsibility in executing

divisional policies and the high corporate operational involvement in

key divisional functions comes from the commercial director of firm

SIGMA.

> "We at the corporate level take a keen interest in seeing that those
>
> policies which we lay down will actually be adhered to. Some have
>
> argued that a well designed budgetary control system will be able
>
> to achieve that, and yet give people in the operating units the
>
> autonomy to run their own show and contribute to what our industrial
>
> psychology consultants have pedantically termed their 'increasing
>
> returns learning curve' and 'self-actualisation'. Not that we don't
>
> believe in the reasonings of such an approach, but it is just that
>
> from experience we feel that the surest route to implementing
>
> policies is to do it yourself and be particularly watchful of their
>
> application in critical functional areas. This way, things get done
>
> speedily and we minimize conflicting argument of one party losing
>
> out to another as a result of certain policies. You see, we
>
> exercise our overriding authority to enforce them and if need be,
>
> we can make immediate surgical repairs to faulty parts of policies
>
> at the point of application".

Upon further probing of different aspects of this conversation the writer was able to draw three basic reasons to explain why the implementation of policies requires the sharing of executive responsibility in key divisional operations·

- Firstly, when there is a need to expedite the implementation of policies which are urgent. It seems that corporate intervention in such circumstances will create an aura of exigency to rally concerted efforts toward the implementation of crucial policies. This form of corporate executive intervention is most evident, for instance, in divisional profit crisis situations caused by, say, low productivity which requires the immediate implementation of new policies to revamp manufacturing processes and methods. Another common situation which prompts for corporate intervention is during periods of damaging industrial unrest which require the implementation of revised policies to improve labour relations.

- Secondly, when there is a need to overrule opposition and procrastination in implementing controversial policies which serve the interests of one party more than another. For example, when corporate officers intervene in situations where the policy calling for rapid customer satisfaction in a variety of product lines has resulted in opposition from the production department as its manufacturing runs will lose continuity and efficiency of scale.

- Thirdly, when there is a need for flexibility in implementing as yet untried policies. For instance, in implementing a policy on flexible working hours amongst lower level manufacturing employees, close corporate involvement is useful to swiftly modify or abandon any impractical parts of the policy before widespread chaos can be caused. Remembering that major policies are usually introduced or revised

once a year, this grass-root corporate involvement is sensible to prevent prolonged and wasteful disruptions to organizational routines.

Having established that corporate involvement in active implementation of policies is not shunned by divisional management and also the main reason for corporate management to participate in operational matters, the writer proceeded to ascertain how successfully corporate management have been able to perform such executive tasks. To achieve this insight, the views of divisional managers as to how satisfied they are of corporate fulfilment of their actual operationalisation expectations as well as the corporate officers' perception of their own performance to such expectations were procured. Their views are compiled and presented in Table 8-13. As the difference in their views was not found to be statistically significant, and in order to obtain a more objective assessment of the corporate office's success in fulfilling their executive role, the views of the divisional management were singled out for analysis and discussion. Accordingly, it emerged that the corporate office of firm SIGMA was most successful in performing their executive function (3.60), followed next in the level of successful performance by the corporate office of firm ALPHA (3.33) and lastly by the corporate office of firm BETA (3.00).

In comparing this analysis and those previously described, it appears that the more extensively and intensively corporate officers are involved in the execution of divisional policies and related operational tasks, the more successful they are in carrying out such function. The reason for this association is, as it transpired from interview conversations with the respondents, that as corporate officers are more involved in such executive role, they tend to become more familar and skilful in discharging the tasks involved. To summarize our discussions so far,

the following propositions are presented:

Proposition 37

The operationalisation of organization-wide challenges requires the implementation of broad divisional policies by corporate officers through their participation in executing key divisional decisions and functional operations. The major reasons for such executive involvement can be summarized as seeking to expedite the implementation of urgent policies, to overrule oppositions to controversial policies and to achieve policy flexibility and continuity.

Proposition 38

The amplitude of corporate participation in the operationalisation of organization-wide challenges determines the satisfactoriness of its fulfilment. Thus, the more extensive and intensive is corporate participation in operationalizing the organization-wide challenges, the more familar, skilful and satisfactory will corporate management be in fulfilling this role.

(ii) Formalisation and Operationalisation Control - A Non-Zero Sum Perspective

So far we have established the circumstances where corporate officers' participation in the operationalisation of organisation-wide challenges tend to also involve them in the operational affairs of their divisions. In addition, we have also shown that the more involved they are in such executive matters, the more satisfactory they become in performing them. These findings clearly present an anachronistic dilemma for the conventional attitude toward management control. On the one hand, it is deemed advisable that divisional managers should have absolute executive power if they are to be held wholly accountable for their performance. Yet, on the other hand, the need for sharing executive power with corporate officers appears justified and from the opinions of divisional

managers, even desirable. Furthermore, this dilemma is exacerbated by the apparent linearity between the successful employment of such executive power by the corporate officers to the amount of executive power that is actually wielded by them.

In an attempt to discover whether such loss of executive power by the divisional managers may be associated to or indeed, compensated by a corresponding gain in legislative power, as when interactions between the corporate and divisional managements over the formalisation issue take on a more extensive and intensive pace, the Spearman Rank Correlation Co-efficient Test was computed between paired items of the formalisation and operationalisation variables. From the results as compiled in Table 8-14, we can immediately notice the following sets of correlations which are germane to our investigation.

1. In firms ALPHA and BETA, a very strong positive correlation between a high intensity of formalisation interaction and a high intensity of operationalisation interaction $(p < .05)$.

2. In firms BETA and SIGMA, a very strong positive correlation between a high extensity of formalisation interaction and a high extensity of operationalisation interaction $(p < .05)$.

3. In firm SIGMA, a very strong positive correlation between a high extensity of formalisation interaction and a high intensity of operationalisation interaction $(p < .01)$

These correlations, therefore, permit us to suggest that an increase in the sharing of legislative power, that is, increase in formalisation interaction, is linearly related to an increase in the sharing of executive power, that is, increase in operationalisation interaction.

More important, it indicates that insofar as the formalisation and operationalisation issues are concerned, they are not held by the managements of the focal firms to be an "everything" or "nothing" arrangement. The underlying thinking beneath this willingness to trade the executive and legislative power is best summed up by the managing director of division Beta·

> "Strange that we should touch on this subject (the distribution of executive and legislative responsibilities) but frankly, we are not power-hungry or emotional about active corporate involvement in some of our operations. We work very closely in the initial planning and design of all the policies and projects which we have to embark on over the next one to five years and so by the time we get to work on them, what needs to be done is well ironed out and clear ...... if corporate people can spare the time and energy to lend us a hand and work along jointly agreed lines, we more than welcome them. Besides, I am also the Technical Director at the Group Board and so, we have very good liaison with corporate people and can kick a fuss at the highest level if they mess about or disrupt our operations."

Therefore, from this conversation, it is clear that formalisation interaction has a compensatory effect which neutralizes any loss of operationalisation authority. In other words, divisional management appears not to object to the sharing of their executive responsibilities provided corporate officers have an accurate awareness of such responsibilities and are able to discharge them efficiently. In this context, then, divisional participation in the legislative process is necessary because it provides.

- An opportunity to mutually develop and consent to those necessary tasks or operations so that no disputes concerning their specific requirements or scope will arise when corporate officers assume responsibility for their accomplishment.

- An opportunity to voice opinions on areas where corporate involvement may prove most feasible or effective.

- An opportunity to reclaim exclusive executive authority should corporate officers prove incapable of discharging their executive responsibilities.

The necessity of achieving satisfactory interaction over such legislative process (formalisation interaction) prior to the distribution of executive responsibilities to corporate officers (operationalisation interaction) is also reflected by the following sets of correlations which are all extracted from Table 8-14.

1. In firms ALPHA and SIGMA, a very strong positive correlation between a high satisfaction of formalisation interaction and a high satisfaction of operationalisation interaction $(p < .05)$

2. In firms BETA and SIGMA, a very strong positive correlation between a high intensity of formalisation interaction and a high satisfaction of operationalisation interaction $(p < .01$ and $p < .05$, respectively).

3. In firm SIGMA, a very strong positive correlation between a high extensity of formalisation interaction and a high satisfaction of operationalisation interaction $(p < .05)$.

Therefore, in concluding this discussion, one can state that·

Proposition   39

The control of the formalisation and operationalisation issues is not
regarded as a zero-sum game by corporate or divisional management. Thus,
the loss of control by corporate management in the formalisation issue
is compensated by a corresponding gain in control in the operationalisation
issue. Similarly, the loss of control by divisional management in the
operationalisation issue is compensated by a corresponding gain in control
in the formalisation issue.

Proposition   40

The sharing and accomplishment of divisional executive responsibilities
by corporate officers is contingent on the overriding objectives,
policies, and related operations being mutually planned by corporate
and divisional managements. Thus, the more often a participative approach
has been adopted to plan the overriding objectives, policies and related
operations, the more often will divisional executive responsibilities be
shared with and be satisfactorily accomplished by corporate officers.

B.   TRANSLATION INTO SECTIONAL-TASK CHALLENGES

In the previous discussion, we have traced and described the contingencies
which underlie the primary activities undertaken by corporate and
divisional managements to cope with external threats and opportunities
and to absorb them as organization-wide challenges. We shall now proceed
further by investigating how such organization-wide challenges are being
transformed into specific sectional-task challenges which are amenable
to being disseminated to, and identified with, different functional groups

within the organization. More importantly, we shall ascertain whether the corporate managements' interest in their divisions is likely to continue and extend to this translation process and if so, to define the translation issues which are of interest to them, the circumstances which compel them to take such interest, and the implications of their interest for the effective management of their divisions. This pursuit is especially salient when one considers that contemporary management literature appeares to have ground to a halt and to be content with only uncovering the limits of corporate involvement in the making of major and minor policy decisions of their divisions[27,28,29].

1. Rationalisation

As the gradation of organization-wide challenges into specific task challenges for various sections of the divisional community necessitates the rational selection of those tasks that are appropriate and feasible, we shall commence by establishing whether the activity of supplying technical and managerial opinions prior to making rational task choices will form a basis for interactive links between corporate officers and divisional managers (Key action area· consultation). The purpose of securing this insight is two-fold.

- Firstly, to understand the scope of corporate-divisional consultation on technical and managerial matters when the input, throughput and output domains of the division are subjected to varying states of stability.

- Secondly, to understand the implications underlying the state of consultative linkage which spans between corporate and divisional managements in the focal firms.

(i) Input - Throughput - Output Domain Stability and
     The Scope of Consultative Links

In Chapter 5, we have investigated the stability of the input and output

domains by studying the significance of change in competition level in

the first, second and third order task environments (see Tables 5-2,

5-3 & 5-4). From this investigation, we have concluded that division

Beta has the most stable input and output domains, followed next by

division Alpha, and then by division Sigma as it has the least stable

domains.

As our concern is with the evolvement of sectional-task challenges, the

writer reasoned that in order to achieve a realistic perspective of the

operational environment of divisional management, the condition of the

throughput domain must also be known. Thus, to operationalize and

establish the relative stability of the throughput domain of the focal

divisions, Q.30 was designed and administered to ascertain the rapidity

of change in divisional manufacturing processes and products as a result

of technological advancement. In addition, this question also ascertains

the relative importance of such change for the profitability of the

divisions. The model outlining the manner which the input - throughput -

output domain stability is operationalized in total is diagrammatically

presented in Figure 8-1.

The responses which are obtained from Q.30 are compiled in Table 8-15 and

from it we can observe that division Beta has the most stable throughput

domain as it encounters the slowest change in its manufacturing processes

and products (3.13). Division Alpha followed next (3.39) and lastly by

division Sigma which has the most unstable throughput domain (4.46).

Therefore, from this total input - throughput - output domain perspective,

we can for the first time measure the true operational difficulties which

the focal divisions have to contend with. In addition, from Table 8-15 we can also see the association between the rapidity of change in divisional manufacturing processes and products and the importance of such change for divisional profitability. Thus, in division Beta, which experiences the slowest change in its manufacturing processes and products, the importance of such change for its profitability has been ranked at the lowest level (3.69) and followed by division Alpha whose ranking for the importance of change for its profitability is at a next higher level (4.39). In contrast, division Sigma which experiences the most rapid change in its manufacturing process and products has ranked the importance of such change for its profitability at the highest level (4.85). This analysis, therefore, suggests that the more unstable the throughput domain, the more impact it will have on divisional profitability.

As such, when a division is confronted with an unstable input - throughput - output domain which has been shown to be clearly capable of impeding its profitable progress, just how effective will the corporate office be in providing appropriate technical and managerial advice to cope with this dilemma? To obtain the answer, the divisional managers' perception of the proportion of rationalisation expectations which they should appropriately hold of their corporate colleagues was examined. This information of the extent which the divisional managers perceive they should consult their corporate colleagues on technical and managerial matters will provide us with an objective measure of the divisional managers' confidence of their corporate office as a source for technical and managerial advice. Accordingly, Table 8-16 was examined and from it, one can see that the managers of division Beta hold the highest proportion of perceived rationalisation expectations

of their corporate colleagues (3.79), followed by the managers of
division Alpha who hold the next highest proportion of perceived
rationalisation expectations (3.50), and then by the managers of division
Sigma with the lowest proportion of perceived rationalisation expectations
(3.38).

In addition, to check whether the divisional managers' confidence of
their corporate colleagues is matched by a similar confidence of the
corporate officers in themselves as a source to be consulted on for
technical and managerial advice, the corporate officers' views of the
proportion of rationalisation expectations which they actually expect
their divisional managers to hold of them was also examined. By
abstracting again from Table 8-16, we can observe that the corporate
officers of firm BETA hold the highest proportion of actual rationalisation
expectations of their divisional managers (4.33), implying that they
strongly expect their divisional managers to consult them over technical
and managerial task matters. The corporate officers of firm ALPHA
followed next by holding the second highest proportion of actual
rationalisation expectations of their divisional managers (2.90). In
contrast, the corporate officers of firm SIGMA least expect to be
consulted on technical and managerial task matters as they hold the
lowest proportion of actual rationalisation expectations of their
divisional managers (1.83).

Based on the above analyses, it is clear that the strength of the
rationalisation linkage between the corporate and divisional managements
is contingent on the stability of the input - throughput - output
domain. As it transpired from interview conversations with divisional
managers, the primary reason why there is apparently more consultation
with corporate officers during periods when the domain is stable is

that corporate officers have an overriding obligation to look after the welfare of all divisions and as such, they are forced to concentrate their efforts on routine problems which are common to as many divisions as possible and which are also amenable to standardised solutions. For instance, on such matters as financial control, external relations, organization and method (O & M), and traffic and transportation. Unfortunately, such concentration of efforts on routine problems has meant that in situations when the divisional input - throughput - output domain is unstable and thus, giving birth to new problems and requirements, corporate officers will neither be cognizant of their root cause nor will they command the specialized know-how to offer sound opinions on how best to solve them. This contingency relationship between domain stability and consultative links is also perceived by Burns and Stalker who, although they did not have a corporate-divisional context in mind, also explained the inability of one hierarchical level to lend support to another as due to the:

> "Changing conditions which give rise constantly to fresh problems and unforseen requirements for action which cannot be broken down or distributed automatically to the functional roles defined with a hierarchic structure". (46)

To summarize the main points of our discussion, we will propose that:

Proposition 41

The stability of the throughput domain is held by divisional management to have direct bearing on the profitability of their divisions. Thus, the more unstable the throughput domain, that is, the higher the rapidity which manufacturing processes and products change as a result of technological advancement, the greater will be the impact of change on divisional profitability.

Proposition 42

The stability of the divisional input - throughput - output domain is
associated with the degree of confidence which divisional management
has in the corporate office as a source for judicious technical and
managerial advice concerning future task programmes. Thus, the more
unstable the input - throughput - output domain, which give rise to
new problems requiring non-routine solutions, the less confidence will
divisional management have in their corporate officers' ability to
offer sound technical and managerial opinions to rationalize their task
choices.

Proposition 43

The stability of the divisional input - throughput - output domain is
associated with the extent which corporate management perceive they are
able to offer judicious technical and managerial advice to rationalize
divisional future task programmes. Thus, the more unstable the input -
throughput - output domain, which give rise to new problems requiring
non-routine solutions, the less will corporate management be able to
offer sound technical and managerial opinions to rationalize divisional
task choices.

(ii) The State of Consultative Links and the Projection of Needs

Finally, to conclude this section, we will investigate what consequences
may surface in a situation of unstable input - throughput - output
domain and weak rationalisation linkage between corporate and divisional
managements. Recalling our earlier discussion that in a situation of
unstable domain where new problems and requirements will be created for
the division, the most pressing issue is clearly that concerned with
establishing the approach which divisional management will employ to

obtain resources to manage their new challenges. The focus on this aspect is even more urgent when one remembers that domain instability implies slower corporate sensitiveness to the changing problems and requirements of the division and lesser probability of routinizing the allocation of appropriate resources to speedily meet the needs of the division.

A predicament clearly exists and one which is best narrated by the commercial director of division Sigma·

> "One of the problems, as I see it, of being big is that of sluggish corporate response in times of divisional crises. People have a natural instinct for survival in the corporate jungle and the popular route is to get entrenched in safe ways and abide by well-chalked guidelines. They are apprehensive and love to stay clear of requests which in their eyes are unconventional for solving equally unconventional problems. At best, they may consider our appeals but they take time and when they are ready to decide, it will probably be too late ...... now you can understand why we are getting a bashing from the Japanese and lately, from the Koreans, as well"

In seeking to understand how divisional management were able to overcome this dilemma, our research was enlightened by the work of Dutton who found that the "overstatement of needs is a particular, but universally employed, influence tactic in interunit decision situations" [47]. To ascertain whether such a tactic may have been employed by the divisions, especially during situations where the input - throughput - output domain is unstable, Q.15 was designed and administered. Essentially, this question establishes the extent to which divisional management believe it is necessary for them to overstate their needs, e.g. funds and

authority to embark on new ventures or operational activities, in order to secure prompt and satisfactory response from their corporate management. The results which were obtained have been compiled under Table 8-17 and from it, we can see a definite association between a perceived necessity to overstate divisional needs and a situation where the divisional input - throughput - output domain is unstable. Thus, the management of division Beta which has the most stable domain has perceived the lowest necessity to overstate their needs (2.00), followed by division Alpha whose management has perceived the necessity to overstate their needs at a next higher level (2.25). In contrast, the management of division Sigma which has the most unstable domain has perceived the highest necessity to overstate their needs (2.67). Therefore, from this analysis, we can suggest that

Proposition 44

In a situation of unstable input - throughput - output domain and decreasing rationalisation links, the sensitivity of corporate management to the changing problems of the division and satisfaction of its needs will be impeded. Thus, the more unstable is the input - throughput - output domain, the more will the corporate management's sensitivity to divisional problems and satisfaction of its needs to be impeded.

Proposition 45

The sensitivity of corporate management to the problems of their division and the promptness with which they respond to their division's requirements will determine the extent which divisional management will overstate their needs. Thus, the less sensitive are corporate management to divisional problems and the less prompt they are in responding to

divisional requirements, the higher will be the propensity for divisional management to overstate their needs.

2. Reconstitution

This section continues with studying the evolvement of sectional-task challenges by focusing on the process by which they are reconstituted from the organisation-wide challenges. In this respect, we shall investigate the roles of corporate and divisional managements in the actual formation of both technical and adminstrative tasks as well as the development of appropriate processes and procedures for their accomplishment (key action areas· (1) identification and specification of technical and / or administrative tasks (2) design and establishment of technical and / or administrative task processes and procedures). More specifically, we shall endeavour to establish·

- Whether the divisional managements of the focal firms perceive it desirable or necessary for their corporate officers to be drawn into the reconstitution activities which, obviously, require close and continuous involvement if they (corporate officers) are to be efficient.

- Should corporate involvement in the reconstitution activities be perceived by the divisional managements as desirable or necessary, to trace those considerations which prompt such perception which clearly implies sanctioning corporate intrusion in a responsibility area where theoretically they should command executive prerogative.

(i) Contrast in Reconstitution Roles

To identify the variation of corporate and divisional involvement in the reconstitution issue, we have to refer to Table 8-16 and examine the actual expectations of the divisional managers as well as the

perceived expectations of the corporate officers. Accordingly, we can observe that the managers of all three divisions actually expect their corporate colleagues to be more involved in the reconstitution issue than what the corporate officers themselves perceived to be the appropriate level of involvement. For instance, the proportion of actual reconstitution expectations is held by the managers of division Alpha at the 3.00 level but the proportion of corporate officers' perceived expectations is only held at the 2.08 level. Similarly, in division Beta, the actual expectations is held at the 2.78 level but the corporate officers have no perceived expectations at all. In other words, the corporate officers believe that they are not required to fulfil any reconstitution obligations for their division which is under study. As for division Sigma, where the proportion of actual expectations that is held by its managers in the reconstitution issue is the lowest when compared to those held by managers in divisions Alpha and Beta, the trend is also similar. Here, the divisional actual expectations are held at the 2.00 level whereas the corporate perceived expectations are only held at the 1.50 level.

This tendency for corporate officers to believe that they should only be superficially involved with the reconstitution issue, that is, holding a lower proportion of perceived expectations, can be attributed to three primary factors.

- Firstly, the corporate officers believe that involvement with any reconstitution activities would require intimate understandings of the operational routines at all levels of the division and that they are not in an appropriate hierarchical position to accumulate nor command such understanding. Thus, they believe that any substantial involvement by them would not be justified or efficient.

- Secondly, the corporate officers believe that substantial involvement by them in any reconstitution activities will disrupt the natural chain of command and confuse subordinates as to the appropriate source for their instructions and directions.

- Thirdly, through interview conversations with corporate officers and from such exclamations as "it is part of their contractual duties and they must be wholly accountable for its outcome", the writer concluded that the corporate officers realize that any substantial involvement by them in the reconstitution issue will deny them the justification to hold their divisional managers completely accountable for any future task performance which is less than satisfactory.

(ii) Considerations Compelling the Sharing of the
       Reconstitution Responsibility

Despite the above reasons which make any substantial intervention by corporate officers in the reconstitution affairs of the divisions unwise, our analysis has shown that the divisional managers do not appear to share the same sentiments and are quite prepared to invite corporate involvement. For instance, the managers of division Alpha have expressed the strongest desire for their corporate colleagues to be involved in the reconstitution activities (3.00), followed by the managers of division Beta with the next strongest desire (2.78) and lastly, by the managers of division Sigma with the lowest desire (2.00) (See Table 8-16). In fact, when the importance of the actual expectations as rated by the divisional holders, which indicated the importance which the divisional managers ascribe to corporate participation in the reconstitution issue for their individual work performance, was examined, there is a positive

association between a high proportion of actual reconstitution
expectations and a high importance of such expectations for the work
performance of divisional managers. Thus, from Table 8-18, one can
observe that the managers of division Alpha have rated the importance
of their actual expectations at the highest level (3.50), followed
next by the rating of managers from division Beta (3.47), and then by
the ratings of managers from division Sigma (3.25).

Clearly, this is an enigma. Not only do the divisional managers expect
their corporate colleagues to be involved in the reconstitution issue
but those who hold a high proportion of this expectation actually
believe that corporate fulfilment of it is important for their own work
performance. To obtain a judicious interpretation of this turn
of events, the writer re-examined his recordings of his interview
conversations with the divisional managers, in particular the interviews
held with the commercial director of division Sigma that was quoted in
the preceding section of this chapter. From that and similar interviews,
it was noticed that the concern which is uppermost in the minds of
divisional managers is that of securing prompt corporate response to their
needs especially in time of crisis. Equally important, it was also found
that some divisions seemed able to secure prompt corporate response while
others appeared to be less successful. For instance, if we examine Table
8-19, which is constructed from the answers obtained through Q.12, we can
see that the promptness of corporate response to five key resource
requests is highest for division Alpha (2.72), next highest for division
Beta (2.66), and lowest for division Sigma (2.40).

If we recall the rankings of the divisions in terms of their managers'
rating of their relative proportion of actual expectations and the
importance of such expectations for their work performance, we can

immediately notice that the rankings follow a linear pattern. For instance, the managers of division Alpha who have held the highest proportion of actual expectations and who have ascribed the highest importance ratings to such expectations for their own work performance have also enjoyed the most prompt corporate response to their key resource requests. From this evidence, the writer would suggest that the consideration which compels a stronger desire for corporate involvement in the reconstitution issue is the necessity to instil into the corporate office a clearer understanding of divisional task characteristics and problems so that the corporate office will be more receptive and prompt in supplying the resources to cope with such task challenges. Quite obviously, in the case of division Sigma, such a tactical move has been least employed, as its managers hold the lowest actual expectation for corporate involvement in the reconstitution issue as well the lowest importance rating for such expectations, and so not surprisingly, corporate response to its resource requests has emerged as being the least prompt.

From these analyses, we can now summarize corporate and divisional managements' thinking toward the reconstitution issue.

Proposition 46

Corporate management tends to adopt a conservative attitude about the extent which they should be involved with the reconstitution activities of their divisions. The major considerations underlying this conservatism can be summarized as the lack of a working knowledge of the operational routines at all levels of the division, the desire to prevent disruption to the natural chain of command through which instructions and directions flow between the upper and lower divisional levels, and the fear of eroding the scope for which divisional managers can justifiably be held accountable for their own performance.

Proposition 47

Divisional management tends to expect their corporate management to be more involved in the reconstitution activities of their division. The major consideration underlying this expectation is the necessity to heighten the corporate management's understanding of divisional task characteristics and problems so that they will respond more promptly to divisional requests for resources to cope with the task challenges. Thus, the more the corporate management are expected to participate in the reconstitution activities, the greater will be their understanding of divisional task characteristics and problems and the more prompt will be their response to divisional requests for resources.

3. Deployment

In the previous two chapter sections, we have gathered and analysed the major considerations leading to and critical consequences arising from the choice and development of specific task challenges that are appropriate for different sectors of the divisional community. Our aim here is to sharpen our understanding of the process and route by which these established task challenges will be deployed to appropriate locations in the division (key action area   delegation of tasks).

(i) A Neoclassical Perspective of Delegation

The principle of delegation together with other classical [*][8] principles of management such as the unity of command, matching authority and responsibility, and limited spans of control have survived unscathed since their inception. With the exception of some criticisms about their creators' assumption of universal applicability and lack of behavioural sensitivity, these principle are, nevertheless, still defended vehemently by numerous management scholars. For instance, in

his notable article "The Management Theory Jungle", Harold Koontz
sharply attacked the critics of classical principles by stating.

> "Those who feel that they gain caste or a clean slate for
> advancing a particular notion or approach often delight in
> casting away anything which smacks of management principles.
> Some have referred to them as platitudes, forgetting that a
> platitude is still a truism and a truth does not become
> worthless because it is familiar" [48]

Although the writer shares similar sentiments about the basic truth and
usefulness of such principles and emphasizes that his research objective
is not to reproach these principles, per se, he, nevertheless, believes
that there is a need to discover and elucidate on those contingencies
which influence their application in modern business organisations such
as those which are currently being studied. To fulfil this task, let
us first examine the thinking which underlies the classical principle
of delegation.

Basically, the classical principle of delegation [49, 50, 51]
advocates the transferring by top management of part of their formal
duties, particularly those which are of routine nature, to their
subordinates in order to avoid creeping task overload and inefficiency.
This fundamental objective of delegation is clearly referred to by the
classical theorists, Mooney and Reiley, when they wrote

> "One of the tragedies of business experience is the frequency
> with which men, always efficient in anything they personally
> can do, will finally be crushed and fail under the weight of
> accumulated duties that they do not know and cannot learn how
> to delegate" [52]

Thus, implicit in this classical approach to delegation are the following presuppositions:

- That a direct, vertical chain of command relationship exists between a superior and a subordinate to legitimize the transference of duties or work. That is, the superior will hold the right to choose the subordinate to the job and implicitly, he retains the right to replace the chosen subordinate should his actions or performance fail to comply with his (superior's) expectations.

- That there is a formal ownership by a superior of those duties or work which he is transferring to a subordinate. This presupposition is underscored by the primary purpose of delegation. For instance, in his research and writings, Drucker [53] has observed that delegation seemed to be merely to give relief to the owner when he distributes his work load.

- That a clear hierarchical demarcation of the superordinated and subordinated positions is in place.

- That only a superior holds the right to decide and initial the transfer of duties or work to a subordinate. That is, the transference of duties or work is always from a superior to a subordinate.

To what extent then will these presuppositions continue to form the basis of delegation in a divisionalised organization? To facilitate our analysis and response to this question, we will approach delegation in two ways, firstly, as a "top - down" and then, as a "bottom - up" managerial process.

a. Conventional "Top - Down" Delegative Route

When analysing the actual expectations which the divisional managers

hold of their corporate officers concerning the deployment of tasks to

themselves, from the data as presented in Table 8-16, we can see that

the conventional procedure of delegating by a top to a lower management

level is still operative as divisional management clearly expects the

corporate management to delegate tasks to them. However, when the

specific actual expectations were analysed and discussed with their

divisional holders, it soon became apparent that the bases upon which

delegation is conducted in divisionalised organizations are different

from those which underlie the classical approach to delegation.

Firstly, we have found that delegation has taken place even though there

is no direct, chain of command relationship between the"transferor"

and "receiver" of duties concerned. As an example, the plant director

of division Sigma is delegated tasks by the technical director of the

United Kingdom board, who is his formal chain of command boss, as well

as by the technical director of the parent board headquartered in

another European country. The rationale for such a pattern of delegation

is two-fold

1.   Delegation by the technical director of the U.K. board is intended

     to relieve his work burden and pressures arising from having to be

     responsible for a chain of five major and thirteen feeder plants in

     this country. He is wholly accountable for their productive and

     technical efficiency but is forced to delegate the routine, operational

     duties to his plant directors in order to minimize task overload, slow

     decision making, and entropy. In addition, delegation of this nature

     is intended to provide the plant director of division Sigma with an

     equitable share of task responsibility as well as a legitimate claim to

a steady flow of material and informational resources from other

vertically integrated plants which are all sequentially interdependent

*9(54) on each other. That is to say, a supplier plant must perform

its tasks properly before the recipient plant can act, and the

recipient plant must also perform its tasks properly before the

supplier plant can solve its output problems.

2. Delegation by the technical director of the parent board who has no

direct, chain of command link with the plant director is intended

to ensure that non-routine tasks designed by the parent organization

will be prescribed and monitored by a superior who has special

knowledge of such tasks and who could devote the extra time to

control their implementation. Examples of the more frequently

encountered tasks are those involved with standardising some

manufacturing procedures throughout all the plants, or those designed

to quickly take advantage of some innovations that have been

developed by the research unit at the headquarters.

As a result of these two equally important sources for routine and

specialized tasks, we found the plant director of division Sigma

expressing his actual expectations of the two technical directors,

even though one has no direct, chain of command relationship with him,

concerning the delegation of tasks to himself.

Secondly, we have found that tasks which were delegated need not

necessarily have been formally owned by the delegator, that is, there

is no indication that such tasks which are delegated will necessarily

reduce, or are intended to reduce, the overall work burden of the delegator.

For instance, when the deputy group managing director of firm ALPHA was

interviewed about his perceived expectations of the divisional general

manager, his explanation was that as he had previously headed the division, he is in an ideal position to notice any administrative or technical tasks that when performed will lead to an improvement in the effectiveness of the division. In other words, he believes that besides the routine tasks which he is formally responsible for delegating to the general managers of division Alpha and six other major divisions in the group, he should,and often does,delegate tasks that are beyond the requirements of his positional duty. For instance, when he delegated to the general manager of division Alpha the task of studying and redesigning the basis for compensating the distributors of their products, he is clearly exceeding his positional duty for the sake of wanting to improve the effectiveness of the division. Thus, we are witnessing the delegation of tasks which the deputy group managing director does not formally own and irrespective of whether he does or does not delegate them, the work burden which he is formally committed to bear will not be altered at all. Therefore, when formally owned tasks are delegated, we conceive the owner as one who wishes to seek relief from his work burden and for obvious reasons, he may appropriately be called a "relief seeking delegator". However, when we are referring to a manager who delegates tasks which he does not formally own nor afford him any relief from his work burden, then we are speaking of a manager who is more concerned about the effectiveness of the total organization. For obvious reasons, such a manager might appropriately be called an "altruistic delegator".

b. Unconventional "Bottom - Up" Delegative Route

Further analysis and discussion with the divisional managers concerning their perceived expectations revealed the startling fact that managers of all the three focal divisions believe that they have an obligation

to delegate tasks to corporate officers. A summary of the proportion
of such perceived expectations as held by the divisional managers of
their corporate officers is given in Table 8-16. Two main factors
which led to such "unconventional" practice were isolated and they are·

Firstly, the opportunities for divisional managers to delegate tasks
to corporate officers appear to be augmented in situations where the
demarcation line distinguishing between superordinated and subordinated
members is less than clear, and where "linking pin" [55] positions
abound. For example, the managing director of division Beta(who is also
a group technical director) is tacitly accepted as senior to the corporate
staff and other divisional general managers within the group, at par with
other group directors, junior to major corporate executives, but his
position is less than certain when it comes to minor corporate executives.
As these relative position rankings have not been explicitly stated in
formal structural documents, the managing director of division Beta
maintains that he is at liberty to delegate tasks to everyone in the
organization with the exception of the corporate chairman and managing
director. Thus, he has expressed perceived expectations of almost all
the corporate and group officers concerning the delegation of tasks to
them.

Secondly, where task forces or committees; such as group management
committees, technical evaluation board or permanent cross-divisional
committees, which are staffed by a mixture of corporate officers and
divisional managers, exist to solve both routine and non-routine problems,
the scope for delegation by a lower to a higher level management appears
to be widened. In such a situation, the power of the divisional members
to delegate tasks to more senior corporate officers will be enhanced
especially when the task force or committee has been commissioned by top

management to solve a major problem and / or is chaired by one of the divisional members on account of his professional skills and leadership standing. This is so because the rulings that are pronounced by the task force or committee will transcend all hierarchical boundaries, and any tasks designed to solve the issue at hand can be delegated even to senior corporate executives.

Therefore, from such circumstances as we have described, a "bottom - up" delegative practice is clearly evident in complex multidivisional organizations. More important, such delegation procedure brings into doubt the validity of the remaining two classical presuppositions and thus, the adequacy of a classical conceptualization of delegation. As we have shown, delegation has occurred and even appears to have been augmented where there is no clear hierarchical delineation of the superordinated and subordinated positions and delegation can involve the transference of duties or work by a subordinated member to a superordinated colleague(s). From our analysis, it is therefore, clear that the concept of delegation is not merely a straightforward attempt to relieve superior members of their work burden as is intended by its original proponents, but has evolved into a rather complex art that is contingent on both the structural set-up of the organization and the circumstances which surround it.

To summarize our analyses and findings, we will propose that·

Proposition 48

The delegation of tasks along a "top - down" route in a divisionalised organization is not restricted between dyads of "transferor" and "receiver" of tasks who have a direct, chain of command relationship with each other. Members outside this chain are seen to delegate to

the "receiver" of tasks when they have specialized knowledge of those
tasks which is unbeknown to the "transferor" and when they can devote
extra time and energy to control the accomplishment of those tasks.

Proposition 49

Tasks which are delegated along a "top - down" route can either be
formally owned by the "transferor", and in such case the purpose is to
provide relief to his work burden; or not formally owned by the
"transferor" and whose purpose is mainly to enhance the effectiveness
of the organization concerned. The former type of transferor has been
termed as a "relief-seeking delegator" whilst the latter is termed as
an "altruistic delegator"

Proposition 50

The delegation of tasks along a "bottom - up" route in a divisionalised
organization is augmented, firstly, when the hierarchical distinction
between the superordinated and subordinated positions is not clearly
defined and when "linking pin" arrangements permit subordinated members
to transcend formal organizational boundaries. Secondly, when
subordinated members with respected professional skills and leadership
standing are co-opted into the membership or headship of task forces
and committees which, being legitimate organs of control, will effectively
empower them to deploy tasks to superordinated members.

4. Empowerment

This is the last issue which the writer conceptualized as necessary for
concluding the translation of organization-wide challenges into
sectional-task challenges. It is reasoned that once the sectional-task
challenges have been rationalised, reconstituted and deployed to

appropriate divisional members, the recipients must be accorded adequate institutionalized power and status to execute such delegated task responsibilities (key action area authority). In this respect, we will investigate the potency of the corporate management as a source upon which divisional management must rely on for their authority and the factors which contribute to the power relations which may evolve between these two management groups.

(i) The Nature and Formation of Power Relations

Previous studies of power relations in organizations have invariably assumed two characteristics. Firstly, they have tended to focus on the individual and to neglect subunit or management-group power. This neglect has led Perrow to state:

> "Part of the problem, I suspect, stems from the persistent attempt
> to define power in terms of individuals and as a social-psychological
> phenomenon .... Even sociological studies tend to measure power by
> asking about an individual .... I am not at all clear about the
> matter, but I think the term takes on a different meaning when the
> unit, or power-holder, is a formal group in an open system with
> multiple goals, and the system is assumed to reflect a political-
> domination model of organization, rather than only a co-operative
> model .... The fact that after a cursory search I can find only a
> single study that asks survey questions regarding the power of
> functional groups strikes me as odd. Have we conceptualized power
> in such a way as to exclude this well-known phenomenon?" (56)

Secondly, they have adopted research designs, where empirical work is actually undertaken, which typically treated power as the independent variable. Power has been used in community studies to explain decisions

on community programs, on resource allocation, and on voting behaviour, in small groups it has been used to explain decision-making, and it has been used in studies of work organizations to explain morale and alienation. [57, 58] Unfortunately, within work organizations, power itself has not been explained.

In this study, therefore, it was decided to treat power as the dependent variable and to focus on corporate and divisional managements as two discrete subunits. To commence our investigation, we have adopted Dahl's concept of power [59], as many have done (Bennis, et. al. [60], Emerson [61], Harsanyi [62], Tannenbaum [63]), where power is defined as the determination of the behaviour of one social unit by another. In this context, we conceptualized that the amount of authority which corporate management varies and accords to their divisional colleagues for executing their task responsibilities will form a primary means by which corporate influence will be exerted on divisional actions and behaviour. Taking into consideration this conceptualization and the intention to study objectively the factors contributing to the variability of corporate power, we first operationalized the measure of power by ascertaining the percentage of corporate officers whom the divisional managers actually expect to accord them the authority necessary for executing their task responsibilities.

Hence, when we examine the extensiveness of actual expectations that are held by the divisional managers of their corporate colleagues, we found that the corporate management of firm SIGMA wielded the greatest power as actual empowerment expectations were held of 86% of its members, followed next by the corporate management of firm BETA with the empowerment expectations held of 37% of its members and lastly, by firm ALPHA where the empowerment expectations were held of only 33% of its corporate members (see Table 8-21).

Next, in ascertaining what independent variables may account for the variability in corporate power in the focal firms, material is drawn from the analysis of our interview conversations with the division managers and their actual expectations concerning corporate involvement with the rationalisation, reconstitution and deployment issues. As these issues are all interconnected for the purpose of translating and forming sectional-task challenges, it is conceivable that the evolvement of corporate power may be attributed to the extent which corporate management have control over them.

Firstly, to understand why corporate management's control over the rationalisation issue is likely to form the basis upon which corporate power is built, we must remember that the single most demanding challenge which confronts divisional management, or for that matter, the managements of any other organizational subunits, is that of uncertainty about future events and the ability to make a rational choice of tasks that are appropriate for coping with the uncertainties in the sources of inputs, uncertainties in the processing of throughputs, and uncertainties in the disposal of outputs. This challenge is clearly projected by Thompson [64] when he took a viewpoint from Cyert and March [65] and hailed it as a newer tradition:

> "A new tradition enables us to conceive of the organization as an open system, indeterminate and faced with uncertainty, but subject to criteria of rationality and hence needing certainty ..... we suggest that organizations cope with uncertainty by creating certain parts specifically to deal with it, specializing other parts in operating under conditions of certainty, or near certainty."

It is conceivable, then, that those subunits who by virtue of their ability to rationalize and select those tasks necessary for coping with

such uncertainties will be the centres of power within an organization.
As Crozier had suggested in his study of the French tobacco manufacturing
industry that power is related to "the kind of uncertainty upon which
depends the life of the organization". [66] March and Simon [67] had
earlier made the same point, and Perrow [68] had discussed the shifting
domination of different groups in organizations following the shifting
uncertainties of resources and the routinization of skills.

Therefore, one can suggest that when the corporate management is consulted
by their divisional counterpart for the purpose of rationalizing their
task choices to overcome uncertainty, the corporate management will be
in a powerful position to influence the actions and behaviour of the
divisional management by varying the nature of the opinions they give
concerning the suitability and necessity of particular task programmes.
By the fact that corporate management is consulted, it is implicit that
divisional management is either unsure of the most effective task
programmes to adopt, or that they are required to obtain corporate
feedback before they can exercise their options. In both cases, the
corporate office's authoritative position is confirmed and the shift in
power relations in its favour is unavoidable. In other words, the
growth of corporate power seems natural when their opinions concerning
the rationalisation of tasks are held to be desirable by divisional
management for helping them to cope with the uncertainties that they
are facing. That such opinions may be less that satisfactory in an
uncertain climate seemed to be less disconcerting than having no opinion
at all.

Secondly, when the corporate management is involved in the reconstitution
issue, that is, in the design of both the contents of tasks and the
procedures for their accomplishment, their power of influence over
divisional behaviour and actions appeared to be even more decisive. By

adjusting the nature of the tasks which the divisional managers can or cannot undertake and the means to discharge them, corporate management has an effective control over the behaviour of the divisional managers. Moreover, in most situations where corporate management is involved in the reconstitution of tasks, the divisional managers are of the opinion that corporate management possesses some expertise or privileged information which legitimizes its involvement, and are resigned to accepting what the corporate management stipulates as their proper course of behaviour or action. This point was borne out in a conversation held with the group product manager of division Sigma where he had stated·

> "Until the marketing and technical specialists at H.Q. voiced their
> approval that a tactical programme is feasible in the light of
> possible impact on the sales of associated companies and probable
> disruptions to the manufacturing routines of our feeder and main
> component plants, we are reluctant, indeed, unable to move a single
> inch."

Therefore, it can be suggested that the corporate management's involvement in the reconstitution issue forms another basis upon which their power is derived from, in particular, the type which French and Raven had classified as 'expert power' [69].

Thirdly, through the deployment of task responsibilities to different sectors of the division, corporate management acquires power of yet another kind. Essentially, this power is derived from the matching of jobs to people and thus, the basis of its evolvement takes on a more manipulative and direct character. Depending on whether such corporate involvement in the deployment issue occurs in an organization whose philosophy of management is one of egalitarian diffusion or centralised

domination, this basis of power may be perceived by divisional management
to be either legitimate or coercive. Thus, we have on record
such interview statements which range from

> "Yes, we acknowledge that it is as much their (corporate management's)
> right to prescribe appropriate tasks for us as it is for us to them.
> We are complementary to each other. Corporate boys perch on a higher
> plateau and see things far but not in fine details. We are at the
> grass-root level and we often spot dangers or opportunities which
> they would pass off as insignificant"

> to

> "It may hint of the melodramatic but I believe it is a simple case
> of big brother riding roughshod over us into tasks we feel are not
> suitable under prevailing conditions. But, what choice have we?
> The centre stipulating tasks to its periphery is an old habit and
> difficult to shake loose, we have to go along or quit"

The involvement of the corporate management in the rationalisation,
reconstitution and deployment of tasks as the basis upon which their
power is dependent is further attested when we examine and contrast
the percentage of corporate officers who are expected by the divisional
managers to be involved in these three issues and the relative amount
of power which the corporate officers wielded. Thus, when examining
Table 8-20, we can see the extensity of corporate involvement in the
rationalisation, reconstitution and deployment issues is highest for
firm SIGMA (100%, 57%, 71%, respectively), next highest for firm BETA
(47%, 26%, 26%, respectively), and lowest for firm ALPHA (41%, 7%, 9%,
respectively). When these results are juxtaposed and compared with the
relative power that was found earlier to be wielded by the corporate

managements of the focal firms, we can see a clear association between them. Thus, the corporate management of firm SIGMA who is most involved with the three issues has wielded the greatest power, followed by firm BETA whose corporate management's involvement is next highest and who also possesses the next greatest power. Finally, in the case of firm ALPHA, whose corporate management's involvement in the three issues is the lowest, the power that is wielded by them is found to be correspondingly lower. This linear association, therefore, permits us to conclude that the extent of corporate power exercised over division management, contrary to contemporary conceptualization, can be treated as a dependent variable and the extent of its variability is dependent on the scale of corporate involvement in the rationalisation, reconstitution and deployment of divisional tasks. To summarize those contingencies which underlie the power relations of the observed divisionalised firms, we propose that:

Proposition 51

Due to their different organizational context, goal priorities, functional responsibilities and interdependency needs, the corporate and divisional managements are essentially distinct subunits whose power relationship revolves mainly over the granting of authority by the corporate management to their divisional managers before they (divisional managers) can undertake or proceed to discharge certain task choices. Implicitly, this invests within the corporate management the power to influence and control the actions and behaviour of their divisional managers.

Proposition 52

The power that is wielded by the corporate management, in terms of their ability to influence and control the actions and behaviour of their divisional managers, is not an independent or determinate construct.

Instead, it is a construct whose variability is associated to, and

dependent, on the extent which corporate management is involved with

the rationalisation, reconstitution and deployment issues of their

division. Thus, the more involved corporate management is in these

issues, the greater will be their command of power to influence and

control the actions and behaviour of their divisional managers

C.   TRANSLATION INTO INDIVIDUAL CHALLENGES

The purpose of this primary chapter section is to investigate and discuss

the evolvement of appropriate challenges for individual organizational

members. Unlike the two earlier translative discourses which dealt with

challenges of an impersonal organization-wide and sectoral kind, the

emphasis here is on specific individuals and challenges which relate to

them personally. In other words, we are now focusing on the micro-

culture of organizational life and seeking to unravel the process by

which individuals are integrated with their organizations. More

specifically, we plan to ascertain:

- The extent which corporate officers are involved in the integration

    process and the precise integration roles they play.

- The effectiveness of the corporate officers' integration efforts

    and its impact upon the divisional managers' ability to internalize

    their challenges and undertake their role requirements.

1. Conditioning

In our Expectations Framework, as described in chapter seven, we have

argued that organizations may condition their individual members to be

more receptive of their prescribed challenges by taking into consideration

their opinions, needs, abilities and behavioural tendencies when

formulating such challenges. In addition, we have also suggested that

two main approaches may be adopted to facilitate the conditioning process.

These, namely, are by a direct-response or by an indirect - representation

approach. (key action areas: (1) responding (2) representing). For

instance, in the context of a corporate-divisional relationship, some

of a divisional manager's viewpoints and needs may be responded to

directly by a corporate officer with whom he has a direct interactive

relationship and who therefore, is both aware and able to respond to his

opinions and needs. An example of such interactive relationship is that

between a divisional sales manager and his immediate group marketing

director. Alternatively, some of a divisional manager's opinions and

needs may have to be represented by an intermediary to another corporate

officer who has no interactive relationship with the divisional manager

but who, nevertheless, is perceived by him as the most appropriate person

to address his viewpoints and requests. The case of a group engineering

director making some form of representation to the corporate production

director on behalf of a divisional technical manager is an example of

an intermediary mediating between two individuals with no interactive

relationship.

(i) Limits and Paths to Integrative Compromise

Implicit in such attempts to condition the individual into accepting and

internalizing his challenges is the need for compromise or what Argyris [70]

has aptly called the act of "giving a little to gain a little." However,

one of the major issues in a relationship between the individual and his

organization is how much should each "give"? Clearly, it is doubtful

that such relationship can be maximized as it is unlikely that a set of

criteria which permits all alternative courses of behaviour and action

will ever exist to allow the optimal alternative to be selected by either the individual or the organization. Borrowing from March and Simon [71], we suggest that at best what may be attempted is to "satisfice" the relationship between the two parties in question. Unlike optimizing, a "satisficing" relationship is based on a set of criteria that delimits minimally satisfactory alternatives, and the alternative(s) selected for compromise meets or exceeds all these criteria.

In this respect, it is conceivable that the outcomes of conditioning will provide the input with which both corporate and divisional managements use to define what such criteria ought to be. By promptly receiving an inflow of each other's viewpoints and expressions of needs, both management groups will be in a better position to establish mutually satisficing courses of behaviour and action. Judging by Tables 8-24, 8-25 and 8-26 which clearly show the willingness and ability of these two management groups to express the extensity (percentage) and intensity (proportion) of their conditioning expectations of each other as well as the relative importance of such expectations for their work performance, it is apparent that the process of conditioning does exist to integrate these individuals, and between them and their organization, by providing them with appropriate definition of what their work ought to be in return for meeting their needs.

How, then, does the process of conditioning actually operate? The search for an answer was based on ascertaining and analysing the intensity and importance of expectations that were held by the two management groups in the responding and representing sub-activities of the conditioning process. From such analyses, of Tables 8-22 and 8-23, and a careful review of interview conversations as held with the corporate and divisional respondents, two operative paths can be distinguished·

Firstly, for the divisional managements of Alpha, Sigma and Beta, a
higher proportion of their actual expectations were found to be held in
the responding (3.70, 2.20 and 2.00, respectively) than in the
representing (3.35, 1.75 and 1.60, respectively) key action area.
Similarly, when the importance of such expectations for the work
performance of the divisional managers was examined, the responding key
area was found to be regarded as more important (2.90, 2.60, 3.20,
respectively) than the representing key area (2.40, 2.00, 2.40,
respectively). A diagrammatical representation of this relative
emphasis in the two conditioning paths is given in Figure 8-2. The
considerations frequently expressed by divisional managers as those
which prompted a higher emphasis toward the responding path are as
follows·

- There prevails a strong belief by the divisional managers that
  being senior management personnels, they should have direct access
  to most, if not all, corporate executives when expressing their
  opinions or needs rather than having to channel them through some
  intermediaries. As such, a preference for the direct-response
  rather than the indirect-representation path is understandable.

- Interestingly, when the divisional managers were questioned, via
  Q.25 of the NOCAM questionnaire, about the relative accessibility
  of their corporate offices, the trend of their answers tends to
  resemble the pattern which they declare the proportion of their
  responding expectations. Thus, when extracting from Table 8-27,
  we find the corporate office of division Alpha as being the most
  accessible (4.00), followed next by the corporate office of
  division Sigma (3.67) and lastly by the corporate office of
  division Beta (3.00). Deducing from various interview conversations,

the writer is inclined to suggest that these associated trends indicated that the preference for a direct-response path may to a large extent be contingent on whether corporate officers permit themselves to be made freely accessible or opt to shield themselves from excessive contacts by rigidly adhering to the formal, hierarchical network of command.

- In addition, the divisional managers believe that a direct access and response integrative path helps to overcome either inaccuracy or even complete failure to transmit their opinions or expression of needs to appropriate corporate officers. Such distortion or break in upward communication has been explained on a few occasions by the divisional managers as due to the tendency of intermediaries who are also their immediate superiors to "tone down" their viewpoints or requests for fear that these will be interpreted by other organizational superiors as a direct reflection of their (intermediaries) inadequacy in managing their own situations. However, on most occasions, such communication distortion or break has been attributed to the intermediaries' responsibility for a number of divisions involved with a variety of business ventures and problems which, thus, renders them generalists with little indepth appreciation of the importance of localised opinions or urgency of needs. In both cases, the result is that indirect representation through intermediaries is not looked upon favourably as a path to facilitate the conditioning process.

Secondly, for the corporate managements of firm ALPHA and BETA, a higher proportion of their actual expectations are held in the representing (4.50 and 1.00, respectively) than in the responding (3.20 and N.E.H., respectively) key action area. As for the corporate

management of firm SIGMA, equal proportion of expectations were held in both the representing and responding key action areas (at the 2.00 level). The relative emphasis placed by these two sets of firms in the conditioning paths are illustrated in Figures 8-3 and 8-4 respectively. The consideration underlying this higher emphasis on the representing key area is that corporate officers often view their divisional managers as a peripheral extension of themselves and should, therefore, represent on their behalf appropriate expectations, viewpoints and rationale for their behaviour and actions to other divisional members. This emphasis in dealing with other divisional members via the divisional managers may also reflect a restrained interventionist policy insofar as divisional affairs are concerned. By securing divisional response and co-operation through its managers rather than through direct interaction with other divisional members, it is conceivable that this may be a tactical manoeuvre in support of a broader design to shield corporate officers from excessive involvement in a wide range of divisional problems and activities. This suspicion is justified if we recall, as fully described in chapter six, the significant desire of firms ALPHA and BETA for a Selective Involvement and Control (S.I.C.) Approach for managing their divisions. (The analysis from which this conclusion is drawn is summarized under Table 6-1) Thus, when such a "minimally involved" management philosophy is upheld, it is not surprising that a restrained, indirect-representing path is emphasized. Similarly, the influence of the management philosophy upon the choice of conditioning path is also evident in firm SIGMA. As can be noticed from Table 6-1, firm SIGMA has not indicated any significant desire for either an involved or non-involved management philosophy. Consequently, its Corporate Office has placed equal emphasis on both the direct-responding

and indirect-representing paths toward integrating divisional members.

To summarize our analyses and discussions, we propose·

Proposition 53

The purpose of the conditioning process as operationalized through the
"direct-responding" and / or "indirect-representing" paths is two-fold
Firstly, to bring about greater internalisation and fulfilment of
challenges by considering and incorporating the corporate officers' and
divisional managers' viewpoints and needs when forming such challenges
for them. Secondly, to bring about more "satisficing" relationships
between corporate officers and divisional managers by adjusting and
agreeing on these responsibilities which they should undertake in
exchange for some desired benefits.

Proposition 54

Divisional managers tend to place greater emphasis upon the "direct-
responding" path in facilitating the conditioning process. This
emphasis is derived largely from the consideration that direct access
to corporate officers for attention is a justifiable right which
transcends all hierarchical boundaries, that corporate officers have
tacitly approved of such path by permitting themselves to be made
freely accessible to the divisional managers, and that such path will
ensure safe and undistorted transmission of divisional viewpoints and
expressions of needs to appropriate corporate localities.

Proposition 55

Corporate officers tend to place greater emphasis upon the "indirect-
representing" path in facilitating the conditioning process. This
emphasis is derived largely from the consideration that divisional
managers are a peripheral extension of the corporate entity and
therefore should represent on its behalf appropriate expectations and

viewpoints to other divisional members; and that the prevalent

management philosophy, in this case, a "Selective Involvement and

Control" philosophy, has dictated the choice of such conditioning path.

(ii) Structural-Processual Antecedents to Role Conflict

The study of role conflict has mainly focused on intrapsychic processes

[72, 73], on personality characteristics [74, 75], and on patterns

of social relations amongst various role incumbents [76, 77]. By

definition, role conflict is assumed to have occurred when a role

incumbent feels that he or she is faced with incompatible expectations

[78] and as Rizzo, House and Lirtzman [79] have identified, there are

four basic interrelated types of role conflict that are all based on

perceptions of inconsistent demands. These, namely, are: (1) intersender

conflict when inconsistent demands are made on the role incumbent by one

or more senders, (2) interrole conflict when a person holds two or more

positions simultaneously, (3) intrasender conflict when the availability

of time, resources, and capabilities of the individual are incongruent

with the role behaviour expected; and (4) person-role conflict when the

role incumbent's internal standards or values and the defined role

behaviour are incompatible.

On closer examination of these four types of role conflict, one can

immediately recognise that the root cause may be a lack of awareness and

understanding by those who prescribe challenges for a role incumbent of

his abilities, work capacity, and any resource or authority constraints.

In other words, role conflict may have arisen simply because the

conditioning process relating to the role incumbent and his actual or

potential interactors has not been effectively managed or planned for

As we have pointed out in the previous discussion, by the proper

management of the conditioning process and its sub-activities of responding and representing, an individual's viewpoints, needs, aptitudes and behavioural tendencies will be transmitted to and taken into account by those who are responsible for designing and prescribing his challenges. Consequently, it is expected that whatever challenges or roles that the individual will be required to undertake will be devoid or reduced of conflict.

To test this hypothesis, Q.33 of the NOCAM Questionnaire was administered to the divisional managers of the focal firms to measure the dependent variables of role conflict and ambiguity. This question is incorporated into the questionnaire on the basis of twenty-two items that were originally developed by Rizzo, House and Lirtzman [80] and of these, the first eleven items measured the level of role conflict while the rest measured the level of role ambiguity. The reported coefficient alpha (Cronbach) [81] estimates of internal reliability were 0.82 for role conflict and 0.78 for role ambiguity. The answers obtained from this question has been analysed and compiled under Table 8-28. In addition, the independent variable of conditioning effectiveness was measured by ascertaining the extent which divisional managers were satisfied with their corporate fulfilment of their conditioning expectations (Table 8-30) and expectations in the sub-activities of responding and representing (Table 8-29). Finally, by applying the Spearman's rank correlation coefficient test the relationship between these two variables was then measured.

Judging from Table 8-31, we can see that with the exception of division Beta where the correlation statistics is not computable because of insufficient number of its managers who are prepared to describe how satisfied they are with corporate fulfilment of their conditioning,

responding and representing expectations, there is a clear positive

relationship between each pair of variables analysed. Even when all the

available responses, as obtained from all the focal divisions, were

analysed jointly, the relationship between the various pairs of

interested variables was in the predicted direction. Thus, from the

same table, we can extract the following significant correlations:

1. A strong positive correlation between a high level of satisfaction

   with the fulfilment of expectations connected with the conditioning

   issue and a low level of role conflict.

2. A strong positive correlation between a high level of satisfaction

   with the fulfilment of expectations connected with the responding

   issue and a low level of role conflict.

3. A strong positive correlation between a high level of satisfaction

   with the fulfilment of expectations connected with the representing

   issue and a low level of role conflict.

What conclusions can we draw from such statistical trend? Firstly, it

supports our hypothesis that role conflict can be traced to a more

fundamental organizational antecedent of disruption in the process of

conditioning and more specifically, in the sub-activities of responding

and representing. Hitherto, extensive empirical work has generally

shown the adverse outcomes of role conflict but strikingly, little in

terms of the antecedents of role conflict. This is especially true with

regard to identifying the structural-processual influences such as those

just pointed out. The use of structural-processual properties as a means

of conveying formal, role relevant challenges to individuals is,

implicitly at least, among the most ubiquitous and enduring prescriptions

to be inferred from organizational theory [82, 83, 84], and yet,

little attention has been paid to them as likely sources of role conflict. This research certainly seems to indicate that the conditioning, responding and representing key processes which bridge multiple hierarchical levels are where corrective actions must be focused if role conflict is to be minimized.

Secondly, the data shows the potency of the corporate office in influencing the degree of role conflict that is experienced by divisional managers. To a large extent, such conflict has arisen from difficulties in determining a fair exchange, when stipulating the demands that individuals of one management group can justly make on individuals of another group. As Rogers [85], by using data from a national survey, has found, that when contacts between groups of individuals involve the exchange of resources or joint decision making to provide necessary resources, the desire to protect their own interests often creates conflict arising from difficulties in defining the terms of exchange between compliance to work requirements and receipt of resource benefits. Thus, in a corporate-divisional context where the exchange of corporate resources for divisional fulfilment of duties and responsibilities is necessary, conflict becomes inevitable and as shown by our analysis, can be eliminated through the effective management of the conditioning process. It is clear then, that although the focal divisions are autonomous profit centres, the state of its senior managements' roles are still vulnerable to corporate influences. As other studies [86, 87] have also found, this vulnerability of top management members who are boundary spanners, is primarily attributed to their interorganizational relationships than intraorganizational relationships as would be the case for middle and lower level management members. Thus, it is important to focus attention on relationships which span appropriate hierarchical levels when it comes to eradicating senior divisional managers' role conflict.

To highlight the main points of our discussion, we suggest that

Proposition 56

Role conflict as experienced by divisional managers is attributed to the extent which the conditioning process, and responding and representing sub-activities have been satisfactorily conducted. The more satisfactory these process and activities have been conducted, the lower will be the level of role conflict for divisional managers.

Proposition 57

The level of divisional management whose role conflict is attributed to the actions of corporate management is primarily the level where boundary spanners with direct exchange relationships with corporate officers reside. Implicitly, therefore, the more senior the divisional management, the more will their role conflict be attributed to the actions of corporate management.

2. Formation and Effort Stipulation

This chapter section is concerned with the remaining stages of the individual challenge translation process. In the previous section we had investigated the conditioning stage whereby feedback of the opinions, abilities, and personal and social requirements of individuals are obtained and considered prior to the design and prescription of challenges for them. We shall now progress further by studying the actual formation of the challenges and the stipulation of the minimum required efforts that the holders of such challenges must devote to realize their fulfilment (key action areas· (1) functions and duties definition (2) standard and target setting). In this respect, we shall address our study to two questions

- What effects does corporate-divisional interaction over the formation and effort stipulation issues have on the design process and nature of jobs for divisional managers?

- What implications does effective corporate-divisional interaction over the formation and effort stipulation issues hold for the role theory?

(i) Factors and Considerations Underlying the Design of Jobs for Divisional Managers

A considerable amount of research on job design has been accomplished in the past two decades and invariably, the research results pertaining to job requirements can be summarized under three categories. The first category is concerned with the matter of "autonomy" whereby the job holders can regulate and control their own work worlds. They can decide when they are doing well or poorly, and they can organise themselves to do what is needed. Management's function is to specify the work outcomes desired. In other words, autonomy implies self-regulation and self organization and that those working will be managed or evaluated on the basis of outcomes rather than on conformity to rules. In terms of the benefits of autonomy in jobs, past research suggests that it leads to high job meaning, higher satisfaction and higher outcome performance. Such positive consequences have been demonstrated in settings such as coal mining [88] chemical refinery maintenance [89], and aircraft instrument manufacture [90].

The second category concerns "adaptation" whereby the elements of a job permit its holder to learn from what is going on around him, to grow, to develop and to adjust. To provide adaptability, the job should permit the individual to set his own standards of quantity and quality of performance and to obtain knowledge of results over time (long-loop

feedback). Where adaptation has been promoted in the jobs of individuals in oil refineries [91], automated chemical plants [92], and paper and pulp plants [93], the research has demonstrated various positive outcomes.

The third category concerns "variety" whereby the elements of a job should be different and capable of providing the necessary stimuli to sustain the holder's alertness and interest in their work and working environment The origin of this category of job requirement is on research that were conducted on radar watchers soon after World War II and on monkeys raised in restricted environmental conditions Essentially, it was found that under situations without stimulus or working without variety, individuals gradually became mentally regressive and insensitive to less obvious factors that could improve their work efficiency.

Clearly, in the case of divisional managers, the third category of job requirement will not be seriously lacking. Being holders of a variety of general management responsibilities, as can be attested by the wide range of key action areas where actual and perceived expectations are held of them, it is evident that their jobs are rich with stimuli Instead, what is of interest to this study is whether "autonomy" and "adaptability" are present in the jobs of divisional managers and if they are, how they are brought about.

Firstly, to study the issue of job autonomy, we must evaluate the relative emphasis that corporate officers placed on work outcomes and work rules. As previously noted, autonomy in jobs implies a stronger emphasis on the outcomes of a job holder's actions rather than on his conformance to rules. To ascertain the extent which corporate officers concentrate on divisional work outcomes, we proceeded to

examine the views of divisional managers on the importance of corporate

interest and involvement in defining their functions and duties, that is,

the desired outcomes. We reasoned that since the extent of such interest

and involvement will eventually determine the importance of the corporate

office as a source upon which divisional managers must depend on for a

clear definition of what their jobs ought to be, an accurate measure of

corporate emphasis on outcomes will be the importance which divisional

managers ascribe to corporate involvement in such formation role. Hence,

from Table 8-26, we can observe that corporate emphasis on outcomes is

highest for division Sigma (3.00), moderate for division Alpha (2.75),

and lowest for division Beta (2.33).

Next to ascertain the relative emphasis placed on work rules, we

examined the divisional managers' responses to Q.26 of the NOCAM

questionnaire. By computing the product of the amount of the rules

that are prescribed for the managers and the nature, that is, the

generality or specificity, of such rules (Table 8-32), we were able to

establish that the corporate emphasis on rules is highest for division

Sigma (2.10), moderate for division Alpha (1.87), and lowest for

division Beta (1.65).

From these analyses, two distinct trends can be noticed:

1. When the focal divisions are examined separately, the emphasis on

   outcomes is stronger than on rules. That is, the emphasis on

   outcomes for divisions Sigma, Alpha and Beta, is, respectively, at

   the 3.00, 2.75, 2.33 level whereas the emphasis on rules is at the

   2.10, 1 87 and 1.65 level.

2. When the focal divisions are examined jointly, the emphasis on

   outcomes appears to have a linear relationship to the emphasis on

rules. That is, the ranking for the emphasis on outcomes for divisions Sigma, Alpha and Beta is, respectively, at the highest, medium, lowest level and the ranking for the emphasis on rules for these divisions is also of the same order

The conclusion drawn from these trends is that although job autonomy is experienced by the divisional managers, the scope for such autonomy is contingent on the scale of corporate involvement in the formation of their work outcomes. This relationship is also revealed when the Spearman Correlation Coefficient test was applied to the variables of work rules and work outcomes. Thus, one can observe the following significant Correlation from Table 8-33·

1. A higher emphasis on work outcomes is positively correlated with a higher emphasis on work rules

This evidence suggests an underlying tendency of corporate officers to prescribe rules in order to ensure that divisional managers achieve those outcomes which they have designed and possess a direct interest in. More important, it questions whether the issue of autonomy permissible in the jobs of divisional managers can, as previous research has suggested, be enhanced by a straightforward switch in emphasis from work rules to work outcomes. As just discussed, they both appear to be inextricably and linearly linked.

To what degree are divisional managers satisfied with their prescribed rules and is their satisfaction related in any way to the amount and nature of these rules? To seek the answers, Q.26 designed to measure the characteristics of the rules and Q.28, designed to measure the satisfaction level, were administered and the Spearman Correlation Coefficient test was applied to the resultant divisional responses

(Table 8-32). From the analysis, as documented under Table 8-33, we
can observe two distinct attitudes toward the prescribed rules·

1. In division Sigma, there is a positive correlation between a high
    amount and high specificity of rules to a high level of satisfaction
    with rules.

2. In division Alpha and Beta, there is a negative correlation between
    a high amount and high specificity of rules to a high level of
    satisfaction with rules.

The reason for these opposing trends has been traced to two factors:
(1) the diversity of business (2) the corporate control approach.
For instance, division Sigma is a prime division which forms one of
three main business groups in the firm and is subjected to close
corporate surveillance and control. More often than not, the corporate
office intervenes in primary policy decisions as well as secondary
operating decisions, as attested by the centralisation index of Table
8-8, and as a result, divisional managers find themselves heavily
dependent on the corporate office for instructions and directions. In
such a situation, the divisional managers took the standpoint that rules
are useful because they prevent uncertainties and disputes over the work
that they have been instructed to perform or courses of action that they
have been directed to pursue. In contrast, divisions Alpha and Beta
form one of many divisions incorporated within their firms and corporate
involvement in their management takes on a limited and largely
administrative character. The managers of both divisions are given a
free hand to manage their affairs and instructions and directions are
few and far between. As such, they view any imposition of a vast amount
of rules, especially the detailed and specific types, as being
restricting and unsatisfactory.

Furthermore, although the ability to influence the formulation of rules was found to have positive impact on the divisional managers' attitudes toward such rules, it was also discovered that divisional managers do not always exert their influence to reduce the amount of rules or change them from being detailed and specific to general and broad rules. Such findings were made when, firstly, the responses from Q.28, designed to measure the level of satisfaction with rules, were correlated with the responses from Q.27, designed to measure the level of influence over the formulation of prescribed rules. Thus, from Table 8-33, we can observe the following correlation for all focal firms:

1. A higher level of influence over the formulation of prescribed rules is positively correlated with a high level of satisfaction with such rules.

Secondly, when the responses from Q 27, designed to measure the level of influence over the prescribed ru'.es, were correlated with the responses from Q.26, designed to measure the amount and nature of rules prescribed. Hence, from Table 8-33, we can extract the following correlations:

1. In division Sigma, there is a positive correlation between a high level of influence over the prescribed rules and a high amount and high specificity of such rules.

2. In divisions Alpha and Beta, there is a negative correlation between a high level of influence over the prescribed rules and a high amount and high specificity of such rules.

The reason for exerting influence to bring about different amount and nature of rules is mainly that the managers of division Sigma prefer

rules to guide their work behaviour and so do not attempt to reduce the amount or alter the specificity of such rules. As previously explained, such preference has evolved from a higher divisional dependence on the corporate office for instructions and directions and a resulting need for rules to ensure their correct interpretation and conduct. In contrast, the managers of divisions Alpha and Beta have a lower dependence on the corporate office for instructions and directions, and so accounts for the apparent tendency to exert influence to lessen the amount and specificity of prescribed rules.

Therefore, from the evidence just presented, it is clear that the issue of job autonomy for divisional managers hinges on important and complex considerations. Whilst the attitudes of the managers toward rules or restriction of autonomy is ameliorated by having the power to influence its formulation, the direction which such influence is exerted is not unquestionably toward fewer rules or lesser specificity. The strategic value of a division and the proclivity of the corporate office to subject it to close scrutiny in order to preserve its value are key considerations which intervene in the final decision to restrict job autonomy and indeed, in determining whether the divisional managers will be receptive to, and supportive of, such restriction.

To summarize our findings, we present Figure 8-5 and to facilitate our elucidation of its contents, we present the following propositions·

Proposition   58

The degree of autonomy which is permitted for divisional managers to discharge their jobs is dependent on whether the corporate officers are initially involved in the formation of the desired outcomes of such jobs. Thus, the more the corporate officers are aware of, have a direct interest

in, and involved with the formation of the outcomes of jobs intended for divisional managers, the greater will be the tendency to prescribe rules and the more specific and detailed will such rules be to ensure the attainment of the desired outcomes. (A)

Proposition 59

The attitude of divisional managers toward a restriction of job autonomy is influenced by the degree which they are dependent on their corporate officers for instructions and directions, and perception of whether specific rules will be useful to prevent uncertainties and disputes over the intepretation of, and compliance with, such instructions and directions. Thus, the greater the divisional managers' dependence on their corporate officers for instructions and directions and the greater their perception that specific rules will facilitate the interpretation of, and compliance with, such instructions and directions, the more they will desire and be satisfied with such specific rules   (B)

Proposition 60

The attitude of divisional managers toward their prescribed rules in general is dependent on whether they are able to exert influence in the initial formulation of such rules   Thus, the greater the divisional managers are able to exert influence on their prescribed rules, the more satisfied they will be with such rules   (C)

Proposition 61

The direction which divisional managers will attempt to influence the amount and nature of rules to be prescribed for them is dependent on the extent which they perceive rules are useful to prevent uncertainties

and disputes over the interpretation of, and compliance with, instructions

and directions. Thus, the greater the divisional managers perceive that

rules are useful to prevent uncertainties and disputes over the

interpretation of, and compliance with, instructions and directions, the

more they will exert influence to secure a higher amount of rules and

of a more specific and detailed form. (D)

Having examined the level of autonomy that is allowed in the jobs of

managers in the focal divisions and the considerations which are essential

to its evolvement, we shall now focus our attention on the other

requirement which has often been proclaimed as important for individuals

and which their jobs should seek to provide. This, namely, concerns the

need to promote "adaptation" by permitting job holders to set their own

quality and quantity (efficiency) standards of performance. More

specifically, we aim to establish the extent which the managers of the

focal divisions believe it necessary to set their own work standards and

thus, enhanced their own adaptability, and the intervening considerations

that may have prompted them to hold such belief.

To fulfil this task, we, first, examined the percentage of corporate

officers whom the divisional managers hold actual expectations that are

connected with the effort - stipulation issue, that is, concerning the

setting of quality and efficiency benchmarks for guiding divisional

managers' work performance (key action area· standard and target setting).

In addition, we also examined the percentage of divisional managers whom

the corporate officers hold perceived expectations over this same issue.

Next, by comparing the two sets of responses we were able to form an

understanding of the extent which adaptation is desired by the divisional

managers, the extent which adaptation is promoted by the corporate

officers, and the difference between the two attitudes toward adaptation.

Accordingly, from Table 8-24, one can notice that the managers of all focal divisions tend to expect more corporate officers to be involved in defining their quality and efficiency work benchmarks than the number of corporate officers who perceived it necessary to do so. That is, the managers of divisions Alpha, Beta and Sigma, respectively, held actual "effort - stipulation" expectations of 100%, 75%, and 50% of their interacting corporate colleagues as opposed to only 50%, 25% and 33% of such colleagues who perceived such expectations were held of them.

Likewise, when the proportion (intensity) of the divisional managers' actual expectations was compared to the proportion of the corporate officers' perceived expectations, the higher divisional desire for corporate involvement in the stipulation of work efforts is also evident. Thus, from Table 8-25, one can observe that the proportion of actual expectations that were held by managers of divisions Alpha, Beta and Sigma is at the 3.32, 3.33 and 2.00 level whilst their corporate officers' perceived expectations were held at the 1.50, 3.00 and 2.00 level.

What conclusions can one draw about the job requirement of adaptation from this research evidence? Firstly, we suggest that insofar as these focal divisions are concerned, there is no fervent desire by their managers to achieve complete self-determination of the quality and quantity standards that guide their work efforts. Instead, what we have witnessed reveals a strong inclination to share the control of this key aspect of their work life. We, therefore, conclude that if, as postulated by contemporary research [95, 96], self-determination of the standards of one's performance is the basis for gaining personal adaptation, development and growth, then it is clear that for those divisional managers studied, it is not an avenue through which they will proceed to achieve their adaptation, development and growth. Indeed,

during the course of interview sessions with these managers, none of
them has been recorded to have mentioned that setting their own
performance standards is desirable for enhancing their personal
adaptation, development or growth.

Secondly, we suggest that the apparent keenness of divisional managers
to share the right to determine their work standards can be attributed
to two intervening considerations. As drawn from interview
conversations, the first related to a desire to develop a harmonious
working relationship with the corporate officers. They argued that by
accepting corporate rulings on at least some of their performance
standards, the psychological syndrome of "they must be slackening or
have something to hide, otherwise why shouldn't independent standards
be welcomed", which can readily nurture mistrust and suspicion between
themselves and their corporate colleagues, will be removed. The
removal of such syndrome will then pave the way to a more meaningful
and harmonious working relationship between them. The second intervening
consideration related to a desire for more mutual influence. By
sacrificing the control of some key aspects of their work life, the
divisional managers forsee their attainment of a greater influence over
their corporate colleagues in the making of policy decisions which
pertain to their division. Statements such as "we have to accept some
checks on the standards of our performance if we wish to obtain greater
authority and corporate confidence in deciding our own divisional
policies" and "to be fair, corporate people cannot allow us to have a
good amount of freedom to run our business without at least some claim
to the standards under which the managers should operate" reveals such
thinking, and which, theoretically, resembles Skinner's concept of
operant conditioning and expectancies [97] and Tannenbaum's notion of
increasing mutual control [98].

To summarize the main points of our discussion, we propose

Proposition 62

The notion of commanding greater self-determination of one's own quality and efficiency work standards for the purpose of enhancing personal adaptation, development and growth is not upheld by the divisional managers studied. None of the divisional managers regarded the setting of one's own standards of work performance as inherently desirable or as a mechanism through which they can achieve personal adaptation, development or growth.

Proposition 63

The divisional managers regarded the sharing of the right to determine their quality and efficiency work standards as appropriate in the face of two intervening considerations. Firstly, to eradicate the "must be slackening and guilty of something" syndrome and thus, facilitate the cultivation of a harmonious and meaningful working relationship with corporate officers. Secondly, to justify corporate confidence in their work performance by setting their efforts against standards that are stipulated by the corporate officers and thus, justify the receipt of greater authority to formulate their own policy decisions.

(ii) Formation and Effort-Stipulation Antecedents
      of Role Ambiguity

In the previous section, we have acquainted ourselves with the implications of corporate involvement with the formation and effort - stipulation issues for promoting the job autonomy and personal adaptation of divisional managers. We shall now proceed further by investigating the consequences that may arise from the manner which corporate officers actually manage these issues.

To begin with, we reasoned that since these two issues are concerned with the definition of the functions and duties of the divisional managers, and the setting of work standards and targets, the manner which they are being handled may bear some relationship to the degree of role ambiguity that is experienced by these managers. As Lyons [99] has claimed, role ambiguity may result if position incumbents lack adequate role - relevant information, as when information is restricted or when role expectations are not clearly defined. Rizzo, House and Lirtzman [100] also held similar views and argued that role ambiguity was related to the predictability of responses to one's behaviour and the clarity of behavioural requirements or expectations. This line of inquiry is theoretically appealing because if some relationships between the formation and effort - stipulation issues, and role ambiguity can be demonstrated, one can then pinpoint the areas for remedial actions to eradicate any role ambiguity.

To conduct this inquiry, the extent which the corporate officers have satisfactorily managed the formation and effort- stipulation issues was first established and recorded under Table 8-30. Next, the extent of role ambiguity that was experienced by the divisional managers was measured by administering the last eleven items of Q.33 of the NOCAM questionnaire. The answers subsequently obtained have been compiled under Table 8-28. Finally, the Spearman Correlation Coefficient test was applied to these two sets of data to establish the relationship between them. The test results have been compiled under Table 8-34 and from it, one can extract the following significant correlations:

1. A strong positive correlation between a high level of satisfaction with the fulfilment of expectations connected with the formation issue and a low level of role ambiguity.

2. A strong positive correlation between a high level of satisfaction with the fulfilment of expectations connected with the effort - stipulation issue and a low level of role ambiguity.

What implications can one draw from these findings? Firstly, it reaffirms the importance of the corporate office as a source which determines the work life of the divisional managers. More significantly, it distinguishes the notion of decentralised decision-making of policies and operations for divisions from that of decentralised decision-making of duties and standards of performance for divisional managers and reveals that the two need not necessarily be linearly related. In fact, insofar as the focal divisions are concerned, there appears to be centralised corporate involvement in both the formation and effort - stipulation activities even though the divisions enjoy decentralised autonomy in making various policy and operational decisions. This, again, reflects the point raised in the previous discussion that corporate officers' influence over the work contents and standards of the divisional managers provides them with an alternative though subtle form of control to ensure that autonomous power accorded to managers to run their divisions will not be misused.

Secondly, the findings reveal the key antecedents to role ambiguity that may be experienced by divisional managers. Unlike other research which concentrated mainly on the attitudinal, psychosomatic and behavioural consequences of role ambiguity [101, 102, 103, 104], our efforts cast light on the areas and factors that are likely to cause role ambiguity. As our correlational analysis has shown the positive association between the satisfactory handling of the formation and effort - stipulation activities and a low level of role ambiguity, any future attempts to curb role ambiguity amongst divisional managers should focus on the manner

which corporate officers have managed such activities and to seek more effective ways of managing them. Therefore, we suggest that·

Proposition 64

The extent of corporate involvement in the making of divisional policies and operational decisions bears no relationship to the extent of corporate involvement in the formation of duties and stipulation of performance standards for divisional managers. The only common theme between them is that they are both control mechanisms that are employed by corporate officers. In situations where autonomy is accorded, as when policy and operational decisions are decentralised, the latter form of involvement provides corporate officers with an alternative albeit subtle mechanism to ensure that the autonomous power that is accorded to the divisional managers will not be misused.

Proposition 65

The antecedents of role ambiguity that is experienced by divisional managers can be attributed to the extent which corporate officers are able to satisfactorily manage the formation and effort - stipulation issues. Thus, the more satisfactory are the corporate officers' efforts in managing the formation and effort - stipulation issues, the less role ambiguity will be experienced by the divisional managers.

D.   SUMMARY AND CONCLUSION

The analysis which has been presented in this chapter demonstrates the vast amount of useful information that could be obtained by focusing on the "translation processes" when studying about the management of multidivisional firms. The insights which have been obtained has added to the sum knowledge of the writer in terms of both his understanding of

the theories read in connection with the disciplines of management and organization, and his acquisition of newer perspectives connected with the same. More important, these insights have raised questions about the appropriateness of some of the writings which other authors have made about management and organization. Being an inductive piece of research, these questions have only been raised when they are supportable by empirical data.

As the writer is also concerned with obtaining a practical perspective for improving the effectiveness of divisionalised organizations, this research has sought to uncover contingencies which practicing managers can relate to and act on. In this respect, fifty propositions and the contingencies which underscored them were drawn about three key corporate-divisional interaction phases.

The first phase of corporate-divisional interaction, categorized under the rubric of Translation into Organization-Wide Challenges, relates to the external environmental search for appropriate opportunities to capitalize on and threats to be guarded against. In this respect, the elements of all the Three Order Task Environments provide the sources upon which the search is directed at and the issues of Permeation, Formalisation and Operationalisation serve as the rational themes against which all search efforts must be related to.

The second phase of corporate-divisional interaction, categorized under the rubric of Translation into Sectional-Task Challenges, relates to the systematic break-down of broad challenges that must be confronted by the division into manageable tasks for dissemination to appropriate sectors of the organization. In this respect, the issues of Rationalisation, Reconstitution, Deployment and Empowerment serve as

the rational themes against which all transformation and dissemination efforts must be related to.

The third phase of corporate-divisional interaction, categorized under the rubric of Translation into Individual Challenges relates to the design and definition of the limits of individual actions and behaviour to support the fulfilment of appropriate sectional and organization-wide challenges. In this respect, the issues of Conditioning, Formation and Effort - Stipulation serve as the rational themes against which all individual work demarcation efforts must be related to.

Finally, the investigation and findings have shown that the translation facet which has been developed a priori and built into the Expectations Framework seemed to be justified as items for study. The wealth of insights obtained about the dangers and opportunities connected with the management of divisionalised organizations, and the frequent acclaim by senior managers who participated in this research that relating their experiences and expectations to the key action areas connected with the translation processes has helped them to rethink their purpose and pattern of interaction bears testimony to the viability of the framework and versatility of the research methodology that have been used. The power of the methodology to capture reciprocated data (actual versus perceived expectations) and its ability to raise testable propositions provides a useful medium for other contingent research.

CHAPTER 8   FOOTNOTES

*1   The term "interaction" that is used in connection with the

        Expectations Framework is intended to be specific and relates

        to the situation where a respondent holds some actual or

        perceived expectations of an object. Thus, in such context,

        the respondent may be said to be "interacting with" the object

        or simply, to be "holding some expectations of" the object. In

        addition, this relationship may be described interchangeably as

        an "interaction link" or an "expectation link". By extension,

        a set of such relationships may be referred to as "a network of

        interaction links" or "a network of expectation links".

*2   For an elucidation of how these interaction states are to be

        measured, please refer to the section of Chapter 7 titled

        "Analytical Treatment of Data Obtained for Key Action Areas".

*3   This methodological step separating those expectations which

        are held to benefit the interactors themselves from those

        expectations which are held to benefit some other third party is

        undertaken to identify and isolate those expectations which

        relate directly to the actual work performance of the interactors

        concerned. As our study is primarily concerned with the manner

        which the corporate and divisional managements interact in

        direct support of each other, this step is designed to weed out

        any expectations which are held in support of some other third

        party. Otherwise, their inclusion in the analysis may distort the

        true picture of corporate-divisional interdependency. For

        instance, by separating a corporate chairman's expectation of

        his divisional general manager to provide him with support and

        assistance from another expectation of similar support and

assistance for a sister division will give us a more realistic

measure of how dependent the corporate chairman is upon his

divisional general manager. To gain further insight into how

this methodological step is operationalized, please refer to

the section of chapter seven titled "Operationalizing the

Expectations Framework" and footnote 8 of the same chapter.

*4   A function which Boddewyn[15] has also described as crucial to

the management of the organisation-environment interface but

sadly, the state of art at present clearly shows that it is a

"corporate function in search of conceptualisation and theory".

*5   Question 14 was modelled along a similar line of questioning

as developed by Tannenbaum and Kahn [27]. However, a distinct

difference in this question is that both actual and desired

level of influence as perceived by a respondent has been

captured. Question 16 is similar to that developed by Negandhi

and Prasad[28] but the range of possible answers was modified to

suit a divisionalised management context.

*6   Following Tannenbaum's[34] approach, participation is measured

in terms of the total volume of corporate and divisional influence,

that is, the sum of the mean influence that is exercised by each

of the two management groups. Thus, the greater the sum of the

means, the more participative is the system of organisation.

*7   This is the quoted description of scale 5 of Q.19. For

descriptions of other scales, please refer to Appendix 11.

*8   The word "classical" often implies out of date and no longer

used. However, this word has been applied to these principles

mainly because they have been around the longest and should not

be mistakenly taken to imply that they are defunct and no longer

useful. In actuality, these principles are still theoretically sound and continue to form the bedrock of modern management practices.

9   The work of Thompson[54] provides a valuable treatise on the various patterns of interdependence with which multidivisional firms may be faced. This author cogently suggests that three types of interdependence are commonly found in complex organisations and briefly, they are:

(1)   Pooled Interdependence, where major operating units may have virtually no contact with one another but where each unit renders a discrete contribution to the whole organisation and in turn is supported by the whole.

(2)   Sequential Interdependence, where the output of one major unit is the input for another unit.

(3)   Reciprocal Interdependence, where the output of each unit represent input for the other units. In this case, each unit presents direct contingencies for every other unit.

THE FACILITATION FUNCTION AND LEADERSHIP PATTERNS

A.   Facilitation of Individual Challenge Fulfilment

B.   Facilitation of Sectional-Task Challenge Fulfilment

C.   Summary and Conclusion

Having explored the manner which the challenges of the focal divisions, of their major task sectors, and of their individual managers have evolved and being stabilized, our next task is to investigate the processes which facilitate the fulfilment of these challenges. More specifically, we aim to evaluate the contributions of the corporate management unit in various key facilitation areas and uncover the considerations and implications which underlie such contributions. Implicitly, this investigation is intended to also enrich our understanding of the wider issue of corporate leadership.

Commonly, leadership studies have a conceptual base which is built on a narrow theme of decision-making and the contentious issue of the degree which subordinates should be permitted to participate in the processes involved. That is, the concern is in seeking a clearer understanding of the "autocratic" and "democratic" leadership styles and of the attendant factors which influence, and outcomes which result from, the choice of the different styles [1, 2, 3, 4]. To avoid repetition, this study plans to extend its sight to areas other than decision-making in order to construct a more comprehensive picture of the factors which form the leadership patterns which the corporate managements of the focal firms choose to enact over their divisions.

A.　　　　　FACILITATION OF INDIVIDUAL CHALLENGE FULFILMENT

In the Expectations Framework, as introduced in chapter seven, it was conceptualized that there are five key issues where timely

and appropriate corporate response will be helpful to facilitate the fulfilment of those challenges that are prescribed for divisional managers. These, namely, are the development, direction, motivation, advisory, and resourcing issues. In this chapter section, we will study them individually and collectively to ascertain their actual usefulness to divisional managers, the manner which corporate officers respond to them, and the conclusions which one can draw about the leadership tendencies of the focal firms.

1. Development

This issue is concerned with the provision of appropriate programmes, systems and facilities for the development and training of divisional managers (key action area   development and training). Theoretically, managerial development is important for two reasons. Firstly, to inculcate in managers an appropriate "attitudinal commitment to the philosophy, values, and goals of their business organisation" [5] and secondly, to supplement them with "skills that they lack but are imperative for the efficient management of their job responsibilities." [6] When these purposes are viewed in the context of divisionalised firms, two important questions immediately raise to mind

-   To what extent can the corporate office satisfactorily manage the development of divisional managers?

-   What intervening factor(s) influences the capability of the corporate office to satisfactorily manage the development of divisional managers?

(1) Managing the Development of Divisional Managers

According to a recent research published by Campbell, et. al. [7],

training and development costs have risen to a point where, along with

the costs of salaries and materials, they have come to represent one of

the major financial costs that organizations incur. Since no

organization can function effectively unless it is staffed by members

who have the appropriate skills and motivational proclivity to perform

the jobs, it is not hard to understand why organizations invest so much

in training. Notwithstanding the vast financial investments that are

involved, there are many problems associated with using training as a

way of assuring that the members of an organization have the necessary

skills and orientations. Training and development is a complex

psychological process that can be difficult to manage.

Two fundamental problems associated with managerial development can

readily be discerned. The first problem is connected with deciding the

socio-technical skills that a manager must be taught so to enable him

to plan and control his work environment more efficiently, and the

cognitive - emotional orientation that he must cultivate in order to

motivate him toward more effective work effort. The second problem

is connected with ascertaining which particular manager actually

requires training and development so that financial investments so

incurred will be effectively and economically utilised. It is clear

from a survey of contemporary literature on development that these

fundamental issues only receive a minute amount of attention as compared

to, say, an overwhelming preoccupation with extolling the workability

of new training techniques or lending criticisms at some old ones. As

Campbell aptly observes·

"By and large, the training and development literature is

voluminous, non-empirical, non-theoretical, poorly written, and

dull. As noted elsewhere, it is faddish to an extreme. The fads

center around the introduction of new techniques and follow a

characteristic pattern. A new technique appears on the horizon

and develops a large stable of advocates who first describe its

"successful" use in a number of situations. A second wave of

advocates busy themselves trying out numerous modifications of the

basic techniques. A few empirical studies may be carried out to

demonstrate that the method "works". Then the inevitable backlash

sets in and a few vocal opponents begin to criticize the usefulness

of the technique, most often in the absence of data. Such

criticism typically has very little effect. What does have an

effect is the appearance of another new technique and a repetition

of the same cycle." [8]

Whether the corporate office has a role to play in the development of

the divisional managers appears not to be in dispute. As can be

attested by Table 9-3, the managers of the focal divisions have described

their actual expectations of their corporate colleagues in connection

with the development issue as important for their work performance. More

specifically, the importance of such actual expectations is rated at the

3.75, 3.27 and 3.50 levels by the managers of divisions Alpha, Beta and

Sigma, respectively. However, what seems to be perplexing is how the

corporate executives satisfactorily decide what development programmes

are appropriate and which divisional managers should participate or

indeed, will benefit from them.

The writings of Gagné [9] prove to be especially useful in guiding our

investigation on these issues. Unlike other psychologists (for example:

Bass and Vaughan [10], McGhee and Thayer [11]) who emphasize the primacy

of the so-called traditional principles of learning; that is, on how the material is to be taught, and stressing the advantages of such matters as spaced, over massed learning and the role of reinforcement, Gagné, suggested that the principles of learning should be placed in a secondary role and the primary consideration should be given to an intensive analysis on training content and context. Typically, total performance on a job can be analysed as performance on a number of tasks which are relatively distinct from one another. Looked at this way, the basic procedure in training design is to identify these separate tasks and what makes for successful performance on them. The next step is to teach the employee how to perform each task in a way that will facilitate transfer when the whole job has to be performed. This approach, in short, suggests that corporate officers who are responsible for training should spend time analysing jobs and tasks relevant for divisional managers, and looking at the behaviours that lead to successful performance on each task.

Deducing from this suggestion, it would appear that in order for the corporate officers to be able to satisfactorily conduct the development of the divisional managers, they must possess knowledge of two crucial factors. Firstly, they must be aware of the individual task responsibilities of the divisional managers so that wherever necessary, skills suitable for their performance can be imparted to them. Secondly, they must be conscious of the cognitive - emotional orientations of the managers so that appropriate programmes to influence their motivational drive toward more effective work performance can be implemented. Building on this reasoning, we reexamine the corporate officers' involvement in the translation of challenges for individual managers, as explained in the previous chapter, to ascertain whether they possess

such knowledge. In this respect, we have to focus on how satisfactorily corporate officers have managed the actual expectations of their divisional managers concerning the conditioning, formation, and effort-stipulation issues. Recalling our analysis of these issues in the previous chapter, the manner in which corporate officers managed the first issue will provide us with an indication of their awareness of the cognitive - emotional needs of the divisional managers while the second and third issues will indicate corporate awareness of the individual task responsibilities of the divisional managers.

Hence, upon analysing Table 8-30, one can notice that the corporate officers of firm BETA appeared to command the highest awareness of the cognitive - emotional needs and task responsibilities of their divisional managers as they have most satisfactorily managed the conditioning, formation and effort - stipulation issues (at levels 3.30, 3.00 and 3.50, respectively). The corporate officers of firm ALPHA followed next as they have satisfactorily managed these same issues at the next highest level (at levels 2.55, 2.50 and 2.58, respectively). In contrast, the corporate officers of firm SIGMA appeared to have the lowest awareness as their management of these issues is at the least satisfactory level (at levels 2.17, 1.75 and 2.00, respectively). Furthermore, when the ability of the corporate officers to satisfactorily manage the development of their divisional managers is examined, their relative ability is found to follow a similar trend. Thus, from Table 9-4, one can observe that the corporate officers of firm BETA have most satisfactorily fulfilled the actual expectations of their divisional managers concerning the development issue (at the 3.25 level), followed next by the corporate officers of firm ALPHA (at the 3.07 level), and lastly by the corporate officers of firm SIGMA who had managed the development issue at the least satisfactory level (at the 2.88 level).

Therefore, from this linear relationship between the ability of the corporate officer to successfully manage the development issue and the successful management of the conditioning, formation and effort stipulation issues, one can conclude that the satisfactory development of divisional managers is contingent on the corporate officers having a working knowledge of the intrinsic orientation and the task responsibilities of managers concerned. In addition, this finding also reaffirms and highlights the importance of Gagné's emphasis on intensive analysis of training content and context rather than traditional principles of learning as the primary consideration in planning the development of organizational members. To summarize our discussion, we propose

Proposition 66

The extent which the corporate officers can satisfactorily manage the development of divisional managers is contingent on the knowledge which the corporate officers possess of the cognitive - emotional needs and individual task responsibilities of these managers. Thus, the greater the corporate officers' knowledge of the cognitive - emotional needs of the divisional managers and their individual task responsibilities, the more satisfactory will the corporate officers be able to manage the development of these managers.

Proposition 67

The extent of the corporate officers' knowledge of the cognitive - emotional needs and individual task responsibilities of the divisional managers is contingent on the extent which the corporate officers have satisfactorily managed the conditioning, formation and effort - stipulation issues. Thus, the more satisfactorily the corporate

officers have managed the conditioning, formation and effort -

stipulation issues, the greater will be the corporate officers'

knowledge of the cognitive - emotional needs and individual task

responsibilities of the divisional managers.

2. Direction

Theodore Herbert, the eminent scholar of organisational behaviour once

wrote

> "The directing activity of the manager relates to the organization's
>
> human element. The manager, responsible as he is for results,
>
> cannot leave to chance the willingness or capability of his
>
> subordinates to contribute their maximum efforts toward desired
>
> results. Without direction, organizational members might soon
>
> lose their sense of purpose or lose sight of the ways in which
>
> their efforts fit into the overall operation. If the manager
>
> fails in his directing activity, his subordinates might well find
>
> themselves alienated, dissatisfied, unproductive, and at odds with
>
> management." (12)

In this section, we will investigate whether the direction issue (key

action area directing) when viewed in the context of corporate -

divisional relationship is as important as Herbert has suggested. More

specifically, we will focus on

- The extent to which corporate officers provide, and divisional managers

  require, directions.

- The considerations which impel corporate officers to provide, and

  divisional managers to require, directions.

(i) Determinants of the Extensity and Intensity of Corporate Direction

Organisational writers have frequently postulated that a key determinant of the propensity of a superior to intervene and direct the actions of his subordinates is the level of confidence which the superior holds that his subordinates possess the appropriate skills to independently and efficiently accomplish their related task objectives. As Litterer succinctly explains:

> "For any executive to be willing to delegate substantial amounts
> of responsibility and authority, he must possess a high degree of
> confidence in their ability to handle matters in a way that will
> reflect credit on both of them. A subordinate who fails not only
> brings disgrace to himself but also to the superior to whom he
> reports and who is held accountable for his performance. It is
> unlikely that many people will delegate freely to those in whom
> they do not have considerable confidence. Since a generally
> recognised point in management today is that executives are made
> rather than born, this means that any decentralised organisation
> must of necessity be deeply concerned with training and developing
> executives to perform efficiently and competently in their posts." [13]

Implicitly, Litterer suggests that delegation is appropriate, and organising and directing the behaviour and actions of executives becomes less compulsory when they are suitably competent and skilful in discharging certain task responsibilities.

Another factor which is commonly held to be important in influencing the inclination of a superior to make decisions and direct the actions of his subordinates in accordance with these decisions is the extent to which the superior believes the value systems of his subordinates, which

pertain to the philosophy, values, and goals of their business
organisation, are consistent with his own. Kast and Rosenzweig
describe this inclination in the following manner:

> "In more dynamic industries and organisations, there is an influx
> of people from the outside and progress may be relatively rapid up
> through the hierarchy. In this case more overt attention may be
> paid to developing consistent value systems throughout the
> organisation. These development programs are carried on in
> addition to training for specific skills and functions within the
> organisation. The emphasis is often on general management philosophy
> and its application in a particular company...... If the
> managerial group, by and large, has a consistent value system with
> regard to pertinent organisational issues, members of top
> management can delegate decision - making and be reasonably
> confident that the results will conform to their expectations.
> That is, the decisions will be made just as if they were doing
> it themselves. Without this confidence, management is likely to
> retain centralized control and reserve the right to make decisions
> or at least review them at the top level." [14]

In other words, these two factors of managerial skills and value systems
are precisely those which the development issue, as discussed in the last
section, is concerned with. Therefore, by examining the corporate
officers' perceived expectations concerning the development issue, one
can obtain a measure of their confidence in the skills and value systems
of their divisional managers. That is, the lesser the corporate officers'
confidence that the skills of their divisional managers are adequate or
whose value systems are consistent with theirs, the more will the
corporate officers perceive that they must develop the skills and value
systems of their managers.

Accordingly, when examining Tables 9-1 and 9-2, one can see that the corporate officers' perception of the extensity (percentage) and intensity (proportion) of their involvement in the development issue is marked. More specifically, in firms ALPHA, BETA and SIGMA, the extensity of the corporate officers' perceived expectations is 50%, 75% and 33%, respectively, and the intensity of their perceived expectations is at levels 1.00, 3.60 and 1.00, respectively. This clearly shows that the corporate officers in the focal firms do not have complete confidence in the skills and value systems of their divisional managers as they felt compelled to undertake the development of their managers in these matters.

Theoretically, then, one would expect the corporate officers to perceive that they must organise and direct the actions of their divisional managers. However, upon analysing the perceived expectations of the corporate officers in all focal firms, this does not appear to be generally the case. As can be observed from Tables 9-1, 9-2 and 9-3, with the exception of those corporate officers from firm SIGMA, none of the others from firms ALPHA and BETA perceive that they should be involved in the direction issue or believe that such involvement is important for the work performance of their divisional managers. Therefore, it is clear that the level of corporate confidence in the divisional managers' skills and value systems is only a relatively weak factor in influencing corporate decision to organise and direct the actions and behaviour of divisional managers.

What, then, is the stronger influencing factor? Following the analysis of the questionnaire responses and interview conversations, the writer is inclined to suggest that the factor which accounts for the stronger tendency by corporate officers from firm SIGMA to direct the actions of

their divisional managers is consistent with a form of administrative rationality which for want of a better name will be called 'Strategic Stringency'. Basically, it implies that these corporate officers have adopted a stringent control over their divisional managers by actively directing their actions and behaviour for some strategic reasons. In this case, two main reasons can be discerned. Firstly, because of the corporate perception that the external environment of its division is in a crisis state and direct corporate intervention in directing its management is urgently needed to reverse the situation. As we have discussed in chapter five and in particular, when considering the manageability and stability of the task environments and the pressure which they bring to bear on the survival prospect of division Sigma, this corporate apprehension appears to be well founded. Secondly, because of the corporate belief that division Sigma, being vertically integrated with other feeder and main component plants, would require direction from a higher management authority to ensure adequate co-ordination amongst all the operational units concerned.

The opposite administrative rationality may be called 'Strategic Leniency'. Gouldner [15] and Blau [16] were, perhaps, the only two authors who had touched briefly on this subject when they noticed that formal rules and directives were deliberately not enforced by superiors for the explicit purpose of cultivating a good relationship with their subordinates and thus, enhancing their personal authority. As Gouldner states, "the rules ---- created something which could be given up as well as given use." Unfortunately, in this study we did not detect any strategic leniency being exercised in the interaction between corporate officers and their divisional managers to enable us to furnish detailed insight into the circumstances that may lead to its occurrence.

Finally, in returning to the earlier question raised in connection with Herbert's quotation, it would appear that directing the actions and behaviour of subordinates should not be assumed as a universally accurate generalisation of the situation in any divisionalised firm. For instance, the corporate officers did not perceive it necessary for them to direct their divisional managers except, as in the case of firm SIGMA, where strategic considerations dictate. Of course, to be fair to Herbert, the divisional managers themselves did expect their corporate officers to direct their actions and behaviour, and believe that such direction is important for their work performance. This is shown up clearly when one examines the extensity, intensity, and importance of their actual expectations concerning direction in Tables 9-1, 9-2 and 9-3, respectively. However, the reason which constantly recurs as to why they hold such expectations is hardly that of not wishing to "lose their sense of purpose or lose sight of the ways in which their efforts fit into the overall operation" or to prevent themselves from being "alienated, dissatisfied, unproductive, and at odds with management". Instead, the reason is to ensure that corporate officers when required to provide specific directions will take a keener interest in local problems and operational difficulties so that they will formulate more realistic policies, and be more objective in the appraisal of managerial performance. In the words of the special projects director at division Beta·

"As you may be aware, the engineering industry is generally going through a difficult spell. Our order books aren't altogether glowing and with the best will and intention, our efforts to improve it, confidentially speaking, are not as successful as we wished, partly, because of the scarcity of projects floating freely to be netted and partly, because of the technical-people

problems involved. Marketing problems should be easy to grasp.

Let me try and explain the technical-people problems. Essentially,

we design and manage large scale and complex industrial projects

and installations. Strictly speaking, we are not a manufacturing

organisation and so we need to draw on the efforts of other

manufacturing units in the Group to support our programmes. Thus,

we are placed in a position where we are employed by clients to

assess, impartially, the technical, commercial and financial

merits of our sister divisions' supplies to ensure that their

performance and operational reliability are adequate at a

competitive cost. The dilemma is not only obvious, it is damn

difficult to handle, especially when internal supplies are not up

to required standards and come from a major sister division which

is headed by someone influential. Under such circumstances, we

gladly welcome the top brass to mediate and tell us what to do so

that if our performance should suffer, they would at least

appreciate how that is brought about. Otherwise, with so many

units and each singing their own tunes,---- some more forceful

than others ---- it is easy for them to misjudge and chastise us,

and make rulings that have little sympathy with local predicaments."

To conclude, one can state.

Proposition 68

The corporate officers' confidence in the skills and value systems of

the divisional managers is not a decisive factor which influences

corporate involvement in the direction issue. Thus, low corporate

confidence in the skills and value systems of the divisional manager

does not automatically result in a corresponding increase in corporate

tendency to direct and organise the behaviour and actions of divisional

managers.

Proposition 69

The tendency of corporate officers to be involved in the direction issue
is contingent on the need for an administrative rationality called
strategic stringency. Thus, the greater the need for strategic stringency;
as when the external environment is in a crisis state, or when divisions
are vertically or sequentially integrated, the higher will be the
corporate tendency to direct and organise the behaviour and actions of
divisional managers.

Proposition 70

The desirability of divisional managers for corporate involvement in the
direction issue is contingent on the need for corporate appreciation of
local difficulties so that more realistic policies may be formulated for
them and their managerial performance more objectively appraised. Thus,
the greater the need for corporate appreciation of local difficulties,
realistic policies and objective performance appraisal, the more will
divisional managers desire their corporate officers to direct and
organise their behaviour and actions.

3. Motivation

Managerial motivation has been the subject of an increasing number of
empirical studies over the last few years and two concepts have provided
the bases for many of these studies; the motivation-hygiene
concept (Herzberg, et. al. [17]), and the need-hierarchy concept
advocated by Maslow [18]. Other studies, some critical and others
supportive, have since followed. Perhaps, the two most noteworthy are
those which relate to the works of Vroom, and Porter and Lawler.

Victor Vroom started off by partaking in the vanguard of the attack on

Herzberg's two-factor theory in 1964 when he argued that the two-factor

conclusion was only one of many that could be interpreted from

Herzberg's research findings. As he states,

> "One could also argue that the relative frequency with which
>
> job-content or job-contextual features will be mentioned as sources
>
> of satisfaction and dissatisfaction is dependent on the nature of
>
> the content and context of the work roles of the respondents." [19]

Vroom went on to cite the classic study of the assembly-line worker, by

Walker and Guest [20], to support his interpretation. Contrary to most

critics, Vroom did propose an alternative to the Herzberg model which

he attacked. His model is built around the concepts of valence,

expectancy and force; and its basic assumption is that·

> "the choices made by a person among alternative courses of action
>
> are lawfully related to psychological events occurring
>
> contemporaneously with the behaviour." [21]

In other words, Vroom's concept of force is basically equivalent to

motivation and is shown to be the algebraic sum of the products of

valences (ie the strength of an individual's preference for a particular

outcome) multiplied by expectancies (ie the probability that a particular

action or effort will lead to a particular first-level outcome).

Lyman Porter and Edward Lawler propose a multivariable model to explain

the complete relationship that exists between job attitudes, job

performance, and task or organisational variables. Their model counters

some of the simplistic traditional assumptions made about the positive

relationship between satisfaction and performance and is one of the newer,

more promising models of managerial motivation. Similar to the Vroom

model, Porter and Lawler's model is based largely upon an expectancy theory of motivation. The future-oriented expectancy theories emphasize the anticipation of response-outcome connections, whereas the habit-oriented drive theories emphasize past stimulus-response connections. Porter and Lawler explains their choice for the expectancy approach as follows:

> "The emphasis in expectancy theory on rationality and expectations seems to us to describe best the kinds of cognitions that influence managerial performance. We assume that managers operate on the basis of some sort of expectancies which, although based upon previous experience, are forward-oriented in a way that does not seem to be as easily handled by the concept of habit-strength." [22]

As to the difference between Porter and Lawler's model and that of Vroom, one may say that the former is more explicit in defining and distinguishing between actions and outcomes, and between the different types of expectancies associated with each. As the details of Porter and Lawler's model are very lengthy and have been well documented in the works of Graen [23], Lawler and Suttle [24], and Heneman and Schwab [25], they would not be repeated here. Instead, it suffices to outline only the genesis of the expectancy theory, and to point out that when discussing motivation, "leading behavioural scientists tend to agree that the expectancy theory is the most comprehensive best-developed, and most relevant for the study of management." [26]

Extending from the basic tenet of the expectancy theory, the main interest of our study is to investigate the following·

- The extent which the valences and expectancies of divisional managers are dependent on, or attributed to, the actions and efforts of their officers, and vice versa.

- The causes for these motivational states.

In this research context, we have made the apriori reasoning that for senior divisional managers and corporate executives such as those selected for our study, the needs which are intrinsically significant for them and indeed, whose realization may be attributed to the efforts of each other are· conducive organisational climate, security of occupational tenure, and opportunity for personal growth and development (key action area· motivation). It was assumed that other needs will be subsumed in, and subservient to, these primary needs.

(i) Motivational Valence and Expectancy· States and Causes

Firstly, to ascertain the valence, or strength of desire, for these primary needs, we analysed the importance of such needs for the work performance of divisional managers. Hence, from Table 9-3, one can observe that the valence of the managers from division Sigma is highest (4.53 level), and next highest for managers from divisions Alpha and Beta (both at the 4.00 level). Secondly, to ascertain the expectancy of the divisional managers, or perceived possibility, that these primary needs can be provided by their corporate officers, we examined Tables 9-1 and 9-2. By analysing the extensity (percentage) and intensity (proportion) of the actual expectations of the divisional managers concerning the motivational needs, we can see that the managers of division Sigma hold the highest expectancy (75%, 3.44 level), followed by the managers of division Alpha with the next highest expectancy (75%, 3.20 level), and lastly by the managers of division Beta with the lowest expectancy (67%, 2.25 level).

Interestingly, when the valence and expectancy of the corporate officers, in terms of the importance, percentage and proportion of their actual expectations which are connected with the three primary motivational needs, were also examined, the rank order for the three focal firms emerged to be the same as that for the divisional managers. For instance, when the impor:ance (Table 9-3), percentage and proportion (Tables 9-1 and 9-2) of the corporate officers' actual expectations were analysed, one can see that the corporate officers of division Sigma have the highest valence and expectancy (4.80 level, 33'' and 5.00 level, respectively), followed by the corporate officers of division Alpha with the next highest valence and expectancy (4.00 level, 25% and 4.80 level, respectively), and lastly by the corporate officers of division Beta with the lowest valence and expectancy (2.00 level, 25% and 1.00 level, respectively).

This close resemblence in the pattern of valence and expectancy of both corporate officers and divisional managers presents us with a new enigma. Clearly, some common phenomenon must have affected the motivational attitudes and needs of these two management groups. From accumulated research knowledge of the workings of the focal firms, the writer is convinced that the phenomenon in question is the latitude of corporate involvement in the affairs, both in policy decisions and functional operations, of their divisions. Hence, when the corporate officers are deeply involved in divisional matters, its managers will increasingly perceive themselves as having less control over events which contribute to the realization of their motivational needs. Instead, the divisional managers will believe that the fulfilment of needs such as organizational climate, security, and their growth and development

as directly attributed to the actions of their corporate officers. By the same token, when corporate officers are involved in divisional matters, they will increasingly recognise that a satisfactory organizational life is also affected by the manner which divisional managers act and behave. In other words, as the corporate officers assume greater responsibility for their divisions, they will find their organizational life less solely bound up with events in their immediate corporate environment but increasingly, influenced by the performance of, and conditions in, their divisions. Consequently, the fulfilment of their primary motivational needs will progressively move beyond their own direct control.

The association between corporate involvement in divisional affairs and the extent which the valence and expectancy of one management group is attributed to the actions and efforts of the other is more clearly understood if we recall the analyses as presented in Tables 8-8 and 8-12. As can be seen, the former Table shows that the locus of divisional decision-making is most centralised in firm SIGMA (1.55 level), next most centralised in firm ALPHA (1.37 level), and least centralised in firm BETA (1.27 level). Following a similar pattern of corporate involvement amongst the focal firms, the latter table shows that the corporate officers' operational involvement in divisional functions is most active in firm SIGMA (1.71 level), next most active in firm ALPHA (1.66 level), and least active in firm BETA (1.38 level). The relative extent of corporate involvement amongst the focal firms is, therefore, of the same rank-order as their pattern of corporate-divisional valence and expectancy that we revealed in the previous three paragraphs.

It is clear from these findings that a recognition of the interaction

effects amongst organizational variables as they affect managers'
perception of needs and sources of fulfilment will provide a better and
more realistic understanding of managerial motivation. For example,
it is no longer adequate to accept the generalisation that higher-level
managerial positions are associated with more need fulfilment than
lower-level managerial positions, as postulated by Porter [27]; or
that tall structures in large companies will produce greater fulfilment
of managers' security needs, as postulated by Porter and Siegel [28].
One must consider more basic organizational variables such as the
managers' ability to control their own work environment, ability to
experience meaningful job challenges and ability to personally fulfil
their primary needs when discussing managerial motivation. Such
recognition of the interaction effects between organizational variables
and motivation provides additional knowledge regarding the conditions
under which optimum motivation is most likely to occur. For instance,
divisional managers at the same organisational level, but working
within structural and control arrangements which may be differentiated
by corporate superiors according to some functional, operational, or
administrative rationale, may not respond similarly to the same
motivational system since job level and the type of organizational
structure and control interact to produce different perceptions of
needs and need fulfilment. Thus,

Proposition 71

The valence and expectancy of divisional managers' needs which are
directly dependent on corporate actions and efforts is contingent on
the extent of corporate involvement in divisional decision-making and
functional operations. Thus, the greater the corporate involvement in
divisional decision-making and functional operations, the greater is

divisional valence and expectancy of needs whose fulfilment are dependent

on the actions and efforts of corporate officers.

Proposition 72

The valence and expectancy of corporate officers' needs which are directly

dependert on divisional actions and efforts is contingent on the extent

of corporate involvement in divisional decision-making and functional

operations. Thus, the greater the corporate involvement in divisional

decision-making and functional operations, the greater is corporate

valence and expectancy of needs whose fulfilment are dependent on the

actions and efforts of divisional managers.

Proposition 73

Managerial motivation is contingent on basic structural and control

arrangements. Thus, the greater the managers are able to control their

work environment, to experience meaningful job challenges, and to

personally fulfil their primary needs, the more optimum will be the

conditions for their motivation.

4. Advisory

This section investigates the provision of managerial and technical

opinions and suggestions for facilitating the successful fulfilment of

individual challenges (key action area· advice and guidance). Although

the provision of advice and guidance has often been assumed to involve

"a staff-expert and line-user of the expert's knowledge" [29], or

"between a specialist and the operating man" [30], our study shows

that within a corporate-divisional context, this is not strictly so.

For instance, if we examine Table 9-5, we can, firstly, see that in all

the focal firms (ALPHA, BETA and SIGMA), the extensity (percentage) of

corporate officers whom the divisional managers actually expect to be provided with advice and guidance is noticeably high (100%, 75% and 83%, respectively). Secondly, further analysis reveals that this divisional expectation is held of both corporate executives and staff specialists. Even in interview conversations, the writer is unable to detect any specific tendency to seek advice and guidance from any particular corporate line or staff groups. Hence, contrary to common belief, advisory relationships with both corporate generalists and specialists are held to be equally desirable by divisional managers.

Furthermore, this type of corporate-divisional relationship is important to develop as managers of the focal divisions have frequently expressed the belief that their corporate executives have inadequate personal liasion with them. By and large, this situation has been traced, firstly, to the spatial and functional distance that exists between them. For instance, a corporate managing director will rarely have the opportunity or indeed, the inclination to make more than cursory visits to his far-flung divisions, let alone interact in a personal and advisory capacity with his divisional managers. Secondly, due to the almost complete reliance on corporate staff members and minor corporate (group) executives to handle divisional problems and bridge their interests with those of the firm. Therefore, major corporate executives tend to become increasingly detached and isolated from their divisional managers.

The necessity for more advisory liasion is further reflected when the opinions of divisional managers concerning the corporate standing in seven leadership attributes were examined (opinions captured by Q.25 of the NOCAM questionnaire) and correlated with the extent which their

corporate executives have satisfactorily managed an advisory relationship

with them. Thus, from Table 8-27, we can notice that the corporate

executives of firm ALPHA have fared best in their leadership standing

(at level 3.64), followed by the corporate executives of firm SIGMA (at

level 3.57), and lastly by the corporate executives of firm BETA (at

level 3.07). When we juxtapose this analytical trend against that which

shows the relative level at which divisional managers' actual expectation

for an advisory relationship has been satisfied, we can immediately

notice that the firm whose corporate officers have most satisfactorily

managed an advisory relationship, have also emerged as possessing corporate

leadership of the highest quality. This finding is more clearly shown

when we look at Table 9-8 which reveals that the corporate officers of

firm ALPHA have most satisfactorily managed the advisory expectations

of their divisional managers (at level 3.96), followed by corporate

officers from firm SIGMA (at level 3.40) and lastly by the corporate

officers from firm BETA (at level 3.11).

It is evident, then, from these analyses that there is a linear

association between the extent of advisory relationship, the level of

leadership quality, and the satisfaction level with the advisory

relationship. For instance, managers from division Alpha who have the

most extensive and satisfactory advisory relationship with their

corporate officers, have also corporate leadership of the highest

quality. This, therefore, suggests that in the context of our research

divisions, the danger of corporate executives offering "unasked-for advice

which in more benign circumstances often confuses managers and raises

resentment over what the receiving managers feel to be interference or

being asked to adopt programs that will make them look good but will

also interfere with the managers' operation" [31] is not founded or

apparent. As we have seen, the divisional managers appear to welcome advice from their corporate executives, and the amount provided does not adversely affect the managers' satisfaction with them or their esteem of corporate leadership behaviour. In short, we conclude:

Proposition 74

Advisory relationship is desired by divisional managers with both corporate executives and staff specialists. In fact, with the tendency for spatial and functional distance to separate corporate executives and divisional managers, more interpersonal advisory relationship between them is held by divisional managers as necessary to improve leadership quality.

Proposition 75

Corporate advice is not regarded to be excessive or intrusive by managers of the research firms. In fact, the extent of advisory relationship between divisional managers and their corporate executives tends to influence their esteem of corporate leadership and satisfaction with the advisory relationship. Thus, the more extensive is the advisory relationship between divisional managers and corporate executives, the higher is divisional esteem of corporate leadership and satisfaction with their advisory relationship.

5. Resourcing

This is the last major issue which we conceptualized as important to facilitate the fulfilment of individual challenges by providing for individuals appropriate informational, material, and moral assistance and encouragement (key action area· support and co-operation). More specifically, we conceptualized that the satisfactory management of the

resourcing issue will facilitate the fulfilment of an individual's challenges in three ways·

1. In that appropriate colleagues will anticipate and volunteer useful and timely information to the individual.

2. In that appropriate colleagues will consider the individual's situation and needs before deciding and introducing policies so that undue problems or complications will not be created for him.

3. In that appropriate colleagues will contribute to the development of a cohesive and collaborative team to support the individual's work efforts.

To help us establish the extent which these three outcomes are likely to arise from a satisfactory resourcing relationship, Q.22, Q23 and Q.24 of the NOCAM questionnaire were administered to the managers of the focal divisions. From their responses, as compiled under Table 9-9, we can see that any straightforward inter-division comparison is not possible as there is no trend running through any of the focal divisions to indicate that they fare consistently in the three outcomes. For instance, although the corporate officers of firm SIGMA fare best in outcomes 1 and 2 (at levels 3.22 and 3.89, respectively), they emerged worst in outcome 3 (at level 3.78). This lack of consistency is further compounded as the corporate officers of firm SIGMA had emerged as second most successful in satisfying their divisional managers' actual expectations which are connected with the resourcing issue, that is, at level 4.00 (see Table 9-8).

Hence, to unravel the interconnections amongst the various variables, a Spearman correlation coefficient test was administered to the divisional

responses concerning the three outcomes and their level of satisfaction with the resourcing issue. The results are compiled under Table 9-10 and from it, one can extract the following sets of significant correlation·

1. In firm SIGMA, and in the Composite Analysis, a strong positive correlation between a high corporate satisfaction of resourcing expectations and a high corporate anticipation and volunteering of information - Outcome 1 (both at p<.05)

2. In firms ALPHA and SIGMA, and in the Composite Analysis, a strong positive correlation between a high corporate satisfaction of resourcing expectations and a high corporate response to divisional needs and situation before making policy decisions - Outcome 2 (at p<.10, p<.05, and p<.01, respectively).

3. In firms BETA and SIGMA, and in the Composite Analysis, a positive correlation between a high corporate satisfaction of resourcing expectations and a high corporate team spirit - Outcome 3 (all at p<.10).

Upon analysing these correlations, one can draw the following conclusions about the resourcing relationship between corporate officers and divisional managers. Firstly, judging from the composite analysis, it would appear that although a satisfactory resourcing relationship would result in all three outcomes suggested, by far the most probable outcome is greater corporate consideration of divisional needs in making policy decisions (r_s = .82). Similar tendency is also observed in firms ALPHA and SIGMA (r_s = .86 and .89, respectively). This suggests that the central area of corporate support and co-operation is primarily

connected with policy issues, an outcome not surprising considering that corporate involvement in policy decision-making is probably the most enduring and minimal means for its officers to exert influence without completely depriving divisional managers of the autonomy of running their own business affairs and operations. Once a policy decision has been reached, the standing plan will serve as a guideline for decision making throughout the division.

Secondly, the selective areas where support and co-operation is rendered by corporate officers reflect certain fundamental administrative and organizational philosophy of the focal firms. For instance, from accumulated interview knowledge, the team outcome in firms BETA and SIGMA (r_s = .97 and .74, respectively) reflects the interdependency amongst their divisions and the stronger emphasis on collaboration between corporate officers and divisional managers to smoothen this interdependency. As we have previously discussed, division Sigma is vertically integrated with other sister divisions, and division Beta requires the supplies from its sister divisions to support its design programmes. Thus, the teaming of corporate officers and divisional managers to resolve any interdivisional conflict and differences forms an important aspect of their resourcing relationship. As for the anticipation and volunteering of information which featured as a prominent outcome of corporate support and co-operation in only firm SIGMA (r_s = .89), the explanation may be simply that the business of firm SIGMA is spread worldwide and the particular division which we are studying is sequentially integrated with other main component and feeder plants situated both in this and other overseas countries. Hence, as we have explained in the last chapter on the permeation issue, the corporate office tends to function as a central pool to collect and disseminate information of the business conditions in all relevant

markets to the focal division. Under such organizational arrangement, the anticipation and volunteering of information as a significant feature of corporate support and co-operation for division Sigma is both natural and necessary. To highlight the main points of our discussion, we suggest that:

Proposition 76

The resourcing relationship between corporate and divisional managements centre primarily on the area of policy decision-making and the accommodation of divisional needs to ensure that policies formulated would not create undue problems and complications for the division. Thus, the more satisfactory the resourcing relationship, the more likely will divisional needs be accommodated by corporate officers in the formulation of divisional policies.

Proposition 77

The anticipation and volunteering of information, and the strengthening of team collaboration as outcomes of a resourcing relationship is contingent on the administrative and organizational philosophy of the firm. Thus, when a division is highly interdependent or vertically integrated with other sister divisions, the greater will be corporate anticipation and volunteering of information, and strengthening of team collaboration with the division to resolve any interdivisional conflict and differences.

B.   FACILITATION OF SECTIONAL-TASK CHALLENGE FULFILMENT

Having investigated the primary issues whose effective management will facilitate the fulfilment of individual member's challenges, our next

objective is to isolate and explore other issues which have direct
implications for the fulfilment of sectional task challenges, that is,
on those challenges whose fulfilment require the co-operative effort
of various organisational individuals who may be from the same or
different functional domains. In this respect, we have conceptualized
that three major issues will be of particular significance to sectional-
task challenge fulfilment. These, namely, are the (1) harmonization
issue, (2) synergy-extraction issue, and (3) conflict-control issue.

1. Harmonization

This issue focuses on the cultivation of a harmonious relationship with
the rank and file organizational members (key action area   industrial
relations). This issue was included in the research focus because it
is reasoned that the state of industrial relations and the organizational
energy so generated at the grass root level is one of the main
contributory factors to the successful accomplishment of sectional-task
challenges. Moreover, industrial relations, being one of the more
pervasive staff functions, will also provide us with a suitable platform
from which to analyse the wider issue of line and staff relationships
as occurring within a divisionalised context.

To begin our investigation, we analyse through Q.17 of the NOCAM
questionnaire the nature of corporate involvement in industrial relations
matters in the focal divisions. Accordingly, from Table 8-12, it can be
analysed that the corporate officer of division Sigma are operationally
most active in divisional industrial relations (at level 1.50), followed
by the corporate officers of division Alpha (at level 1.42), and then
by the corporate officers of division Beta whose involvement tends to be
more of a policy setting kind (at level 1.29). Interestingly, when the
importance of corporate involvement in industrial relations matters for

the work performance of divisional managers is examined, it appears that

where corporate involvement are more active, such involvement tends to

be held by divisional managers as more important for their work

performance. For instance, by examining the importance of divisional

managers' actual harmonization expectations in Table 9-7, one can observe

that corporate involvement is most important for managers of division

Sigma (at level 4.00), next most important for managers of division Alpha

(at level 3.75), and least important for managers of division Beta (at

level 3.62). What conclusions can one draw from these analyses?

Firstly, it is clear that active involvement by corporate officers in

industrial relations will progressively lead to the divisional managers

accepting that corporate officers will assume greater responsibility for

a function which is important for their (divisional) work performance.

This outcome can be attributed to the tendency for staff functions to be

specialized and dominated in their operation by particular members of the

organisation. The rationale for this arrangement is best explained by

Davis:

> "The argument is simple. If the managerial staff function is
>
> conceived as a set of activities facilitating the work of the
>
> organisation, these activities can be carried out more
>
> effectively through the use of division of work leading to a
>
> specialization of managerial labour." [32]

Secondly, by judging from the analysis of Table 9-8, the manner in which

corporate officers handle the harmonization issue in the focal divisions

seems to be influenced by the nature of their involvement. This is

evident if we focus on the fact that the corporate officers have most

satisfactorily managed the harmonization issue for division Sigma (at

level 5.00), followed next by the corporate officers for division Alpha
(at level 3.66), and then by the corporate officers for division Beta
(at level 3.50). From this additional finding, two further sub-points
can be extracted. The first sub-point suggests that the nature of
corporate involvement contributes directly to their effectiveness in
managing the industrial relations function. Thus, the more operationally
active they are, the more satisfactory they seem to manage the industrial
relations function. The second sub-point suggests that more active
operational involvement by corporate officers will not necessarily be
resented by divisional managers as the higher level of satisfaction with
corporate involvement attests. In fact, and contrary to the writings
of Wray [33], Mullen [34], and Brinker [35], throughout our interviews,
no feelings of frustration, isolation, detachment from the rest of
management, or an overall pervasive feeling of being threatened by
corporate involvement in the staff function of industrial relations
could be detected.

The writer is of the opinion that this absence of open hostility by
divisional managers toward active corporate involvement in the industrial
relations staff function can be accounted for by the willingness of the
corporate staff concerned to accede to the demands of divisional managers
rather than steadfastly adhering to professional values or conduct which
may be at odds with divisional requirements. For example, the corporate
personnel director of firm SIGMA temporarily abandoning his broader
objective of maintaining harmony with trade unions when the divisional
production manager insisted that a particular employee should be
disciplined for constantly breaching some factory regulations.

As to the reason why corporate staff members are prepared to accede to the demands of divisional managers, it may be that there is a growing awareness amongst staff members that as they advance upward, decisions about their career prospect will increasingly be made by someone who is not a staff person. For example, in our focal firms, the corporate / group line directors working in consultation with their divisional general managers and functional counterparts have the responsibility for appraising and rewarding the performance of corporate staff members. Similar conclusions have also been drawn by Dalton in his study of this aspect of line-staff relationship:

> "At some point a line executive makes the choice as to who will be the top staff-member, and he may well look on things from a line point of view and not be particularly interested in professional values and standards. This outlook penetrates several levels down and, in effect, as a staff man moves upwards in the staff department, he meets with a changing set of "acceptable" standards for his behaviour. The closer he gets to the top of the staff organisation, the more he knows that future rewards are dependent on his conforming more to the expectations of line than of professional staff colleagues." [36]

To highlight the main points of our investigation, we suggest that:

Proposition 78

With the tendency for the industrial relations function to be specialized and appropriately trained corporate staff designated to manage it, increasingly active and operational corporate involvement for its management will diminish direct divisional control over a function which is important for their work performance. Thus, the more active and operational is corporate involvement in this staff function, the less direct control will divisional managers exercise over it.

Proposition 79

The effectiveness of corporate management of the industrial relations function is dependent on the nature of their involvement with this function. Thus, the more actively and operationally involved are corporate officers in this staff function, the more satisfactory their involvement tends to be.

Proposition 80

The acceptance of active corporate involvement in the industrial relations function is attributed to the extent of indirect control which divisional managers are able to exert over the actions of the corporate staff concerned. Thus, the more indirect control which divisional managers can exert over their corporate staff's actions, the more acceptable will be corporate involvement in the staff function in question.

Proposition 81

The indirect control which divisional managers can exert over their corporate staff's action is dependent on the extent which they can influence the appraisal and reward of corporate staff's performance. Thus, the more the divisional managers can influence the appraisal and reward of corporate staff's performance, the greater will be their indirect control over the actions of corporate staff.

2. Synergy-Extraction

Differentiated functions are a necessary part of any organisation. Without this feature, people who are members would not be able to achieve anything beyond what would result if they all worked as isolated individuals. However, differentiation brings with it certain consequences which may or may not be beneficial to the health of the organisation.

Two important consequences can readily be discerned.

Firstly, differentiation affects the interactions which occur amongst members in an organisation. The ways in which functions are divided and allocated amongst different members, particularly with respect to the horizontal division of labour, strongly determine who will be able to interact with whom. The particular interactions that are encouraged or discouraged may or may not contribute to organisational goal attainment. Similarly, they may or may not contribute to individual satisfaction. In any event, the longer the period of time over which particular patterns of interactions occur, the more stabilized they become.

Secondly, differentiation affects the attitudes of individuals in different positions within the organisation. When an individual can, or must concentrate on a particular or limited aspect of the total work of a group, section or organisation, he tends to develop certain viewpoints about these specialized activities [37, 38, 39]. In turn, these viewpoints or attitudes toward these activities will affect his relations with other people and such things as his motivation to perform effectively and his degree of commitment to the organisation [40, 41].

Considering that differentiation may produce dubious consequences for the organisation and its members, the organisation must take steps to ensure that the benefits which accrue from differentiation will outweigh any risks involved. The principal means by which the benefits of differentiation will be optimized and resulting risks will be minimized is to integrate the efforts and activities of individuals or groups of individuals in a logical, efficient and timely fashion (key action area· co-ordination). This linkage between differentiated functions and rational co-ordination might well be summed up by a sort of reverse paraphrase of a well-known biblical quotation· "What,

therefore, has been put asunder, the organisation must put together."

In the context of our study, the help of the corporate officers in
putting together the differentiated activities of the focal divisions
is clearly desired by the divisional managers. As can be attested by
Table 9-11, almost all the corporate officers were actually expected by
the divisional managers to be involved in such synergy-extraction
function, that is, actual expectations connected with this issue were
held of 100% of the corporate officers of firms ALPHA and BETA, and
83% of the corporate officers of firm SIGMA. What seems to be less
clear is the methods of co-ordination which the corporate office employs
and the instruments by which they are maintained. These topics, therefore,
form the major content of this chapter section.

(i) Co-ordination· Methods and Instruments

In the Expectations Framework, as outlined in chapter 7, we described
three main methods for achieving co-ordination and these, namely, are·
(1) voluntary co-ordination, (2) directive co-ordination, and (3)
facilitated co-ordination. The first is achieved when an individual is
self-directing and co-ordination is essentially voluntary in nature;
the second is when an individual receives instructions both as to what
to do and when to do it; and the third is when special integration units
are assigned to the task of co-ordinating work between relevant
individuals or groups of individuals. To facilitate these three methods
of co-ordination, we conceptualized that for promoting voluntary
co-ordination, policies will play a prominent role. Policies, as a
rule, are fairly general statements and consequently leave broad areas
for discretion. This promotes voluntary co-ordination as the individual
is permitted to be self-starting and self-directing in the details of

his work although the broad objectives of his work are guided. As for promoting directive co-ordination rules will be used as, in effect, they are standing orders designed to direct the actions and behaviour of the individual. Finally, for promoting facilitated co-ordination, we conceptualized that committees, task forces and meetings will be used. These integration mechanisms liaise between interdependent units and help to transmit and clarify to each other their particular time, goal and situational orientations.

To establish the extent to which policies (voluntary co-ordination), rules (directive co-ordination), and committees, task forces and meetings (facilitated co-ordination) are employed in the focal firms, Q.14, Q.27 and Q.18 (NOCAM questionnaire) were designed and administered. The responses obtained have been compiled under Tables 9-15, 9-16 and 9-17, respectively. Assuming that the degree of influence which corporate officers decide to exert in the formulation of policies and rules, and origination of integration mechanisms will provide an indication of the importance which they ascribed to these means, one can draw the following picture about the emphasis which is placed on the various methods of co-ordination:

1. In terms of the usage of voluntary co-ordination, the corporate officers of firm SIGMA have placed the highest emphasis on it (difference between actual corporate and divisional influence is at level 1.53), followed by the corporate officers of firm ALPHA who placed medium emphasis on it (at level 0.93), and then by the corporate officers of firm BETA who placed the lowest emphasis on it (at level 0.60). (See Table 9-15).

2. In terms of the usage of directive co-ordination, the corporate
    officers of firm ALPHA have placed the highest emphasis on it
    (difference between actual corporate and divisional influence is
    at level 0.17), followed by the corporate officers of SIGMA who
    placed medium emphasis on it (at level 0.01), and then by the
    corporate officers of firm BETA who placed the lowest emphasis
    on it (at level -0.17). (See Table 9-16)

3. In terms of the usage of facilitated co-ordination, the corporate
    officers of firm ALPHA have placed the highest emphasis on it
    (origination scored at level 2.31), followed by the corporate
    officers of firm SIGMA who placed medium emphasis on it (at
    level 2.28), and then by the corporate officers of firm BETA who
    placed the lowest emphasis on it (at level 2.27). (See Table 9-17)

What conclusions can one draw about co-ordination from these figures?

Firstly, directive co-ordination emerged as the method which is least
emphasized by the corporate officers from all focal firms. As shown
above, the difference between actual corporate and divisional influence
is negligible and in the case of firm BETA, corporate influence is
actually less than that of the division. Furthermore, when we examined
Table 9-16, we found that the desired level of corporate influence has
been scored at a negative level, that is, less than divisional influence
(at levels -0.58 for firm BETA, -0.53 for firm SIGMA and -0.20 for firm
ALPHA). This again suggests lower corporate emphasis on the usage of
directive co-ordination. Considering that senior divisional managers
possess valued experiences and skills, the lower emphasis on directive
co-ordination is understandable because the application of rules to
maintain this method of co-ordination tends to restrict their autonomy

and in turn, cast doubts on the willingness of these managers to remain in service with the firms. As Rushing has also noted

> "Since participant demand increases and supply decreases when participant skill and ability rise, organisations employing highly skilled and technically experienced participants must be careful not to inhibit participant autonomy; otherwise, they risk losing participants to organisations with less restrictive control structures." [42]

Secondly, the extent of corporate influence in introducing the various co-ordination methods and instruments seems to affect their ability to satisfactorily co-ordinate divisional efforts and activities. For instance, when referring to Table 9-14, one can see that the corporate officers of firm ALPHA have most satisfactorily co-ordinated divisional activities (divisional managers' actual expectations connected with the synergy-extraction issue were met at level 3.49), followed by the corporate officers of firm SIGMA who have next most satisfactorily co-ordinated divisional activities (at level 3.40), and then by the corporate officers of firm BETA who have least satisfactorily co-ordinated divisional activities (at level 2.70). When we compare this against the previous analysis which showed the relative level of corporate influence over the co-ordination methods and instruments we can see the association between these two variables. For example· the corporate officers of firm BETA who exerted the lowest influence over the co-ordination methods and instruments have emerged as having least satisfactorily co-ordinated divisional activities. This suggests that corporate influence in introducing co-ordination methods and instruments is important because it provides them with an opportunity to gain an insight into the

situational needs of divisional managers and develop their understanding
of the co-ordination process. This, in turn, helps to improve their
ability to satisfactorily co-ordinate divisional efforts and activities.

Thirdly, the state of the external environment of the focal divisions
and the level of interdependency between them and their sister divisions
appear to determine the extent which corporate co-ordination involvement
is regarded by divisional managers as important for their work performance.
For instance, from Table 5-1, one can observe that division Sigma
experiences and expects the highest level of competition (at levels 3.29
and 3.48, respectively), division Beta experiences and expects the next
highest level of competition (at levels 3.01 and 3.21, respectively), and
division Alpha experiences and expects the lowest level of competition
(at levels 2.73 and 3.11, respectively). When these relative environmental
states are juxtaposed against the importance which divisional managers
view corporate involvement in their co-ordination, the association between
high environmental instability and high importance of corporate
co-ordination involvement is evident. That is, from Table 9-13 one can
notice that the importance of corporate co-ordination involvement is
highest for division Sigma (the importance of divisional managers' actual
expectations concerning the synergy-extraction issue is at level 3.25),
next highest for division Beta (at level 3.23), and lowest for division
Alpha (at level 3.00). This suggests that increased corporate involvement
in co-ordinating divisional activities is perceived by divisional managers
to be necessary when confronted with increasing environmental turbulence.
More important, it represents another illustration of the "conditional-
intervention" management strategy which we have fully described in
chapter six.

In addition, the extent of interdependency between divisions also appears to determine the importance of corporate co-ordination involvement. Let us first examine the interdependency status of the focal divisions. Division Sigma has the highest interdependency status since it is vertically integrated with other sister divisions, division Beta has medium interdependency status since it has the option of procuring the services or products of external firms if those of its sister divisions are not up to required standards, and division Alpha has the lowest interdependency status since it does not depend on its sister divisions for the supply of inputs or disposal of outputs. When these status are viewed against the previous analysis of the relative importance of corporate co-ordination involvement in the focal divisions, the association between high divisional interdependency and high importance of corporate involvement becomes clear. This association can be explained by the fact that only the corporate office possesses the authority to adjudicate in any inter-divisional conflict and to force the acceptance of a particular decis.on ruling which may favour one division more than another. Therefore, in a high interdependency situation with greater potential for inter-divisional conflict, the role of the corporate (group) office in co-ordinating divisional efforts and activities is understandably more important and desirable.

To summarize our findings, we propose that:

Proposition 82

Voluntary co-ordination, directive co-ordination and facilitated co-ordination are all observed to be used in co-ordinating the efforts and activities of senior divisional managers. However, corporate emphasis on directive co-ordination is markedly less as the usage of

rules, being an instrument to maintain this method of co-ordination, is

not particularly favoured for managing divisional managers since its

proscriptive outcome is perceived to inhibit divisional autonomy.

Proposition 83

The ability of corporate officers to satisfactorily manage the co-ordination

of divisional managers is contingent on the extent of their influence in

introducing the various methods and instruments of co-ordination, and

resulting ability to gain an insight into divisional situation. Thus,

the greater the corporate officers' influence in introducing the various

methods and instruments of co-ordination, and resulting ability to gain

an insight into divisional situation, the more satisfactory will corporate

officers co-ordinate the efforts and activities of divisional managers.

Proposition 84

The state of the external environment which confronts the division and

the scale of its interdependency with other sister divisions determine

the importance of corporate involvement in co-ordinating the efforts and

activities of the division's managers. Thus, the more unstable the

external environment and the greater the division is interdependent with

other sister divisions, the more important will corporate co-ordination

involvement be for the work performance of the divisional managers.

3. Conflict-Control

This is the final major issue whose efficient management we conceived as

important to facilitate the fulfilment of sectional-task challenges.

More specifically, this issue is concerned with the co-operative effort

that is rendered by corporate officers to identify, or assist in the

identification of, areas and causes of conflict and to develop mechanisms

for eliminating any differences which are organisationally dysfunctional

(key action area· conflict identification and resolution). To investigate

this issue, we will focus our attention in two areas

1.   The circumstances which produce conflictful situations in a

      divisionalised organisation.

2.   The role of corporate officers in managing and resolving

      dysfunctional conflict.

(i) Antecedents to Intergroup Conflict

From our detailed study of the functioning of the focal firms, conflict

which directly affects corporate-divisional relationship are of two

categories. The first category is lateral conflict which arises from

lateral relations between two divisions, or between departments or

sections of the two divisions. Such lateral relations are necessary

when there is mutual task dependence between the two divisions, that

is, when they depend on each other for assistance, information,

compliance, or other co-ordinative acts in the performance of their

respective tasks. According to Miller [43], such interdependence is

more likely to result in the inter-linked units performing without

external control or supervision. However, studies such as those of

Dutton and Walton [44] indicated that task interdependence not only

provides an incentive for collaboration, but also presents an occasion

for conflict. Of the focal divisions, Sigma and Beta possess structural

arrangements which necessitated mutual interdependence with their sister

divisions. As previously explained, division Sigma receives its inputs

from and disposes its outputs to other sister divisions, and division

Beta is required to procure its inputs from sister divisions if they conform to required standards. Therefore, from a structural viewpoint, mutual interdependency is greater for division Sigma than for division Beta. As for division Alpha, it is an autonomous division as it is the only division in the firm which deals in that line of business, and procures its inputs from and disposes its outputs to external sources. Three main courses of conflict which arises from lateral relationships between divisions Beta and Sigma and their respective sister divisions have been isolated.

- Firstly, when external demands necessitated one of the interdependent units to suboptimize. For example, when division Beta refuses to procure the services or products of sister divisions, even though they have a slim order book and excess capacity, on grounds of poor quality. The dilemma is real and the temptation for division Beta to look elsewhere for suitable inputs is great since it has a contractual commitment to its clients to design and construct industrial equipments and installations to an exacting standard.

- Secondly, when the terms of transaction between the interdependent units are ambiguous. For example, in the case of division Beta, no policies exist to stipulate at which minimum level of quality standard the supplies of sister divisions must degenerate before it can procure from external sources, or the maximum level of cost per unit or excess capacity the sister divisions must sustain before it should procure internally.

- Thirdly, when the interdependent units develop distinctive role conceptions and objectives. For example, division Sigma perceiving its objective as to manufacture efficiently and to maximize the usage of its productive capacity whilst the sister division

perceiving its objective as to purchase and manufacture sufficiently to satisfy external demands for its finished goods. Thus, the ability of division Beta to produce sufficiently to utilize its excess productive capacity and so reduce the cost per unit output, will be dependent on the ability of its sister division to purchase its outputs. In other words, as Wilson [45] and Landsberger [46] have also discovered in their studies, the more complex the organizational coupling between two independent units and the greater their interests differ, the more tension and conflict will be created.

The second conflict category arises from vertical relations between a focal division and its corporate (group) office. Two main causes of vertical conflict has been noticed in the focal firms.

- Firstly, when corporate officers exert pressure on divisional managers for efficiency and technical competence which are inconsistent with local situations and technical requirements. For example, division Alpha being the only division which specializes in medical products often find itself in conflict with corporate officers over such issues as the feasibility of a high investment dust free zone to assemble, and quarantine chamber to sterilize, endotracheal tubes with low pressure cuffs, or the administrative rationale of being consolidated in a group comprising of divisions dealing with industrial instruments, ceramics, spark plugs, industrial pressure devices and hypertac connectors. As the corporate and group executives are mainly familiar with, and managerially oriented in the way of, divisions dealing with industrial products, any conflict between them and the managers of division Alpha is, therefore, not surprising.

- Secondly, when divisional managers are granted authority to make

decisions but such decisions create more opportunities and reasons

for them to disagree with their corporate officers or counterparts

in sister divisions. For example, division Beta being tacitly

given the authority to decide on whether to purchase internally

and when they decide against doing so, conflict may result with

both sister division and those corporate officers who dispute with

such decision. In the case of division Beta, this authority has

been legitimized by the fact that division Beta is regarded as an

important and useful "bait" to attract profitable work for other

divisions. However, the fact that division Beta commands a

powerful lobby, as its managing director is also the group technical

director, the propensity to make full use of this authority, be

unyielding to compromise, and to prolong the intrasigency is vastly

accentuated. This conflictful outcome of decentralised decision-

making process is also noted by Gamson in his writings [47] and

later by Corwin [48] who tested this idea in his study of teachers

and their participation in the authority system.

(ii) Corporate Role in Conflict Resolution

Faced with these conflictful situations, the role of the corporate office

in their resolve is certainly perceived by the managers of the focal

divisions as important to facilitate their work performance. More

significant, from Table 9-13, it appears that the more a focal division

is confronted with conflict of either lateral or horizontal nature, or

both, the more important is corporate involvement in conflict resolution

held to be. For instance, based on the extent of inter-divisional

dependency as a measure of the probable amount of conflict experienced,

one can notice that the importance of corporate involvement in conflict-

control is highest for division Sigma which experiences the highest amount
of interdependency and conflict (the importance rating for divisional
actual expectation is at level 4.37), next highest for division Beta
which experiences the next highest amount of interdependency and conflict
(importance rating at level 3.58), and lowest for division Alpha which
experiences the lowest amount of interdependency and conflict (importance
rating at level 3.17).

How, then, do corporate officers successfully tackle their organizational
conflict? To obtain the answer, we first examine Table 9-14 to assess how
satisfactory the corporate officers have managed conflict situations in
the focal divisions. Hence, we can observe that the corporate officers
of firm ALPHA have most satisfactorily managed their conflict situations
(the satisfaction rating for divisional actual expectations is at level
4.67), followed by the corporate officers of firm SIGMA (at level 3.70),
and then by the corporate officers of firm BETA who have least
satisfactorily managed their conflict situations (at level 3.42). Next,
we administered Q.21 of the NOCAM questionnaire to establish the form
of conflict management approach that has actually been employed in the
focal firms, that is, to determine whether the approach is one which
tends to avoid, deny or suppress conflict, or one which acknowledges
that conflict is part of the job and should be discussed whenever it
arises. Thus, from Table 9-18, one can establish that conflict
management in firm ALPHA tends to most closely resemble the latter
approach (at level 3.91), followed by firm SIGMA whose conflict
management approach bears the next most resemblance to the latter
approach (at level 3.46) and then by firm BETA whose conflict management
approach bears least resemblance to the latter approach (at level 3.44).
This, therefore, suggests that an approach which acknowledges the
inevitability of conflict and confronts it by open discussion is the

most satisfactory for managing conflict. More important, it seems reasonable to argue that invalid perceptions and beliefs on the part of those opposing parties could be the source of much organisational conflict. As Deutsch [49] had also briefly pointed out in his writings, misunderstanding is conceivably the major factor in prolonging conflict and even in inhibiting its resolution. This argument is supported when one considers that those structured methods of resolving intergroup conflict that have been developed all use some form of controlled communication to remove "misunderstandings" (Blake, et. al. [50], Burton [51]; Fisher [52]; Stern, et. al. [53]).

Thus, we can state that

Proposition 85

The conflict which directly affects corporate-divisional relationship are of two categories, namely lateral and vertical conflict. Lateral conflict as between interdependent divisions arises from three main causes. Firstly, when the combination of external demands and asymmetrical relationship force one of the interdependent divisions to suboptimize. Secondly, when the terms of transaction between the interdependent divisions are ambiguous. Thirdly, when the interdependent divisions develop distinctive role conceptions and objectives.

Vertical conflict as between corporate and divisional managements arises from two main causes. Firstly, when corporate management exerts pressure on divisional management for efficiency and technical competence which are inconsistent with local situations and technical requirements. Secondly, when divisional management participates in an authority system which creates jurisdictional ambiguities.

Proposition 86

The importance of corporate involvement in conflict management is

dependent on the extent of lateral and /or horizontal conflict. Thus,

the greater the extent of lateral and /or horizontal conflict, the more

important is corporate involvement in conflict management for the work

performance of divisional managers.

Proposition 87

The root cause of lateral and horizontal conflict is invalid perceptions

and beliefs on the part of the opposing parties. Thus, the more conflict

is regarded as inevitable and its underlying misunderstandings openly

discussed, the more satisfactory will conflict be managed.

C.   SUMMARY AND CONCLUSION

The detailed study which we have just undertaken clearly shows that

corporate leadership should not be treated simply in such terms of being

"democratic" or "autocratic". As we have witnessed, their performance

in eight key areas shows that their leadership skills should be explained

by the manner they handle fundamental and organisationally relevant

issues which are connected with facilitating the fulfilment of individual

and sectional-task challenges.

This need for a shift in the concept of corporate leadership is best

underscored by our analysis which demonstrates the necessity for, and

complexities involved in, initiating psychological structure and leadership

consideration. More specifically, the former facet of leadership shows

corporate preoccupation with such tasks as directing, advising and guiding,

supporting and co-operating, and co-ordinating managerial efforts; whilst

the latter shows their concern with creating a conducive work environment

by developing and training individuals, contributing to their motivation, promoting industrial harmony, and resolving dysfunctional conflict. In effect, corporate handling of these tasks has provided us with an alternative and more comprehensive paradigm of corporate leadership and revealed the situational factors which it impinges upon as being far more extensive and complex than previously realised.

The unravelling of such complexities has been facilitated by the methodology which has been developed for this study. This research study is about senior management who offer as well as receive leadership. Without a medium which is capable of capturing the cognition of managers about the leadership that they offer or wish to receive, the systematic and comprehensive revelation of the contents and processes of leadership may not be attainable. As earlier investigation has shown, the degree of reciprocity over the leadership attributes that are offered or wished for (perceived and actual expectations) by senior managers has provided us with a means to analyse and understand other contingently identified variables dealing with broader issues such as information exchange, inter-personal accessibility, team cohesion, and conflict management.

To summarize, this investigation has, firstly, provided the writer with a clearer understanding of leadership theories and the extent which these theories match with organizational realities. Secondly, it has uncovered the contingencies which underlie the twenty propositions connected with the process of facilitating managers to fulfil their challenges and thus, provides for managers practical viewpoints with which to reassess their leadership approaches and effectiveness. Finally, it confirms the appropriateness of including the "facilitation processes" as a facet of the Expectations Framework and the versatility of the methodology that was developed to operationalize it.

THE CONTROL AND INTEGRATION FUNCTIONS

AND SYSTEMS CONFIGURATION

A.   Control of Challenge Fulfilment

B.   Integration of Challenges

C.   Summary and Conclusion

This chapter completes our analysis of the Expectations Framework by investigating corporate-divisional interactions which are connected with the last two framework facets, namely, the Control of Challenge Fulfilment and the Integration of Challenges. In the last two chapters, we have devoted our effort to finding out how organisation-wide challenges, sectional-task challenges and individual challenges have been formed and their fulfilment facilitated by a series of decision-making processes and leadership practices. In this chapter, we will focus our attention on understanding how the accomplishment of such challenges is controlled and integrated into a rational whole with the aid of various management systems to realize the goals of the organisation and its members.

A.   CONTROL OF CHALLENGE FULFILMENT

In chapter seven we postulated that organisational control revolves around three concentric control loops. At the nucleus, the inner loop controls the accomplishment of individual challenges, and extending outwards, the middle loop controls the accomplishment of sectional-task challenges whilst the outer loop controls the accomplishment of organisation-wide challenges. This structuring of control loops is not arbitrary but intended to highlight that an outer loop is subservient to the inner loop, that is, the satisfactory outcome of the outer loop is dependent on how satisfactorily the inner, adjacent loop has been managed. For instance, the control by a company of its organisation-wide challenge of combating intense competition, declining market share, and shrinking profits is dependent on the efficient control of its sectional-

task challenge of acquiring precise and timely intelligence of competitors' products, and achieving shorter turn-about time lapse between research, development, and introduction of new products. In turn, the control of such sectional-task challenge is dependent on the efficient control of the individual challenges of members who are charged with resolving this hypothetical organizational dilemma. Hence, one would need to ensure that the R. & D. director has satisfactorily fulfilled his positional challenges (e.g. professionally and occupationally competent to continue holding his present position) and task-related challenges (e.g accurate interpretation of market research intelligence of competitors' product advantages, generation of new product ideas which are technically feasible, and rapid translation of such ideas into saleable goods).

To test these hypothesized linkages between individual challenge control and sectional-task challenge control, and between sectional-task challenge control and organizational-wide challenge control, at divisional level, we administered a Spearman Correlation Coefficient test to the divisional managers' rating of how satisfactorily their corporate officers have met their actual expectations in respect of these three elements of control at divisional level. The test results which are presented in Table 10-1 clearly show the linkages to be in the predicted direction. That is, with the exception of division Beta where the statistic is not computable because of the lack of raw responses, there is a positive association between a satisfactory management of the individual challenge control and a satisfactory management of the sectional-task challenge control, and between a satisfactory management of the sectional-task challenge control and a satisfactory management of the organization-wide challenge control. How, then, do the corporate officers manage these control loops

and what are the considerations that must be taken into account to ensure their efficient maintenance? To seek the answers, we will need to analyse these control loops separately.

1. Individual Challenge Control

At this level of control, the emphasis is on the design and implementation of appropriate mechanisms to ensure that individual performance matches those quality and quantity work standards that have been prescribed (key action area: performance appraisal). Firstly, to form an impression of how actively corporate officers are expected to be involved in this type of control as compared to control over sectional-task challenges and organisation-wide challenges, we analyse divisional managers actual expectations pertaining to these three control types. Hence, from Table 10-3 and 10-8, we can see that the lowest proportion of actual expectations that are held of corporate officers is connected with individual challenge control, moderate proportion is connected with sectional-task challenge control, and highest proportion is connected with organisation-wide challenge control. More specifically, the actual expectations that are held of these three respective control types in firm ALPHA are at levels 3.33, 3.60 and 4.04; in firm BETA are at levels 2.50, 3.24 and 3.58, and in firm SIGMA are at levels 1.67, 1.90 and 3.00. At first sight, this lower expectation for corporate involvement in individual challenge control does not pose any cause for alarm. Indeed, if a division is autonomous and enjoys decentralised decision-making authority, corporate officers would be expected to restrict their control involvement to, say, only the financial aspects of organisation-wide challenges.

However, from our previous investigation into corporate choice of management approach (chapter six), and involvement in divisional decision-making and functions (chapter eight, especially Tables 8-8 and 8-12), we have established that division Sigma is least autonomous and yet it least expects its corporate officers to be involved in the control of individual challenges (at level 1.67). Division Alpha, on the other hand, is relatively most autonomous and yet it most expects its corporate officers to be involved in such control (at level 3.33). Clearly, some intervening considerations other than autonomy and decision-making authority must have influenced divisional expectation of corporate involvement in individual challenge control.

Further analysis of the manner with which corporate officers handle this type of control was helpful to provide us with the answers. For instance, when we examined Tables 10-5 and 10-10, we found that corporate handling of individual challenge control, as compared to sectional-task challenge control and organisation-wide challenge control is least satisfactory. That is, the satisfaction of the respective divisional actual expectations in firm ALPHA is rated at level 2.83 as compared to levels 4.07 and 4.36; in firm BETA is rated at level 2.00 as compared to levels 3.07 and 3.25, and in firm SIGMA is rated at level 3.70 as compared to levels 3.77 and 3.80. This low satisfaction in corporate handling of individual challenge control is also reflected in the level of satisfaction with the systems that have been employed to enforce such control (information obtained through Q.18 of the NOCAM questionaire). Hence, from Table 10-6, we can observe that the systems for enforcing individual challenge control, as compared to enforcing sectional-task challenge control and organisation-wide control, is held to be least satisfactory. That is, in firm ALPHA it is held at level 3.70 as compared to levels 4.23 and 3.98, in firm BETA it is held at level 3.25 as compared to levels 4.04

and 3.96; and in firm SIGMA it is held at level 3.39 as compared to levels 4.18 and 3.46.

From these analyses, the writer is of the opinion that corporate control of individual challenges which are prescribed for divisional managers is not inherently rejected but contingent on the manner which the control systems and processes are being employed. More specifically, the control systems and processes must be employed in a manner that will remove two deep-seated divisional beliefs before more corporate involvement in individual challenge control is accepted. Firstly, the belief that the control of their individual performance should be managed under the aegis of their general manager on the grounds that he is more familiar with their situational problems and so able to evaluate their performance more equitably. Secondly, the belief that their evaluation is being carried out against standards which are coloured by the achievements of managers from other divisions. This belief is conceivably true, especially when held in connection with non-quantifiable performance; such as in planning, organising, developing subordinates and handling of external relations, where benchmarks for its evaluation are often no more than mental impressions evolved from corporate experiences of their own work, or work of other divisional managers. The point is that so long as an assessee believes that his performance is evaluated against standards that he is unable to influence, or which are incompatible with the realities of the local situation, then they are unlikely to be accepted by him. The following statement made by the commercial-cum-administrative director of division Beta underscores these beliefs

"I am pretty weary of anyone, other than my immediate boss, assessing my work. Recently, in one of the performance review

sessions, a participating group director was rather cutting in his comments on the timing and contents of my financial reports. He claimed that normally other divisions in the group had submitted to H.Q. their operating statements by the 23rd of each month and the clarity with which they are presented permitted a follow-up meeting to take place three days later. I admit that is quick but they fail to appreciate that my work is hamstrung by the peculiar nature of our business. Other divisions manufacture and sell distinct products in standardised units with predictable cost structures. Any fool will know that their accounting procedure will be fairly conventional and information can be repetitively generated in a fix pattern and without much delay. We sell ideas and designs which incur costs even before projects are commissioned. When finally projects are contracted, they are still not amenable to being neatly accounted as our projects stretch over a long period, and fluctuating costs and revenues have to be absorbed evenly over the whole period. Otherwise, we appear to make a thumping great loss in one year and a huge profit in another. Not unnaturally, our bottom figures on profits are not exact but merely a conservative approximation. Moreover, if I don't adopt this procedure, my fellow project directors would be furious. Imagine how silly they look if for a whole year they incur substantial costs and not a penny in revenue. For someone not viewing the operation of our business in totality, my reporting procedure looks pretty disorganised and the information seemingly disjointed. But that is the way it has to be until the project is completed or nearing completion. Only then will they fall into place to make sense."

Finally, another consideration which corporate officers must bear in mind when controlling individual challenge fulfilment is the need to convince divisional managers that such control is intended as a means to isolate the areas where training and development is necessary to improve performance. This consideration was brought to light in interviews with divisional managers as to why they believe individual challenge control is of lesser importance to their work performance than sectional-task challenge control or organisation-wide challenge control. For instance, if we refer to Tables 10-4 and 10-9, we can see that in firm ALPHA the importance of divisional actual expectations which are connected with these three respective controls are held at levels 3.17, 4.04 and 4.34; in firm BETA they are held at levels 3.50, 3.80 and 3.92; and in firm SIGMA they are held at levels 3.33, 3.44 and 4.00. When interviewed, almost all divisional managers strongly related the control of individual challenges to deciding their salary changes or bonus payments but none related it to their training or development. In fact, as far as could be ascertained, managerial development and training in the focal divisions is held irregularly, and is certainly not deliberately tailored to supplement any specific areas of deficiency in the performance of the managers.

To highlight the main points of our discussion, we propose that

Proposition 88

Effective organisational control requires the efficient maintenance of three concentric control loops. This involves the satisfactory control of individual challenge fulfilment (inner loop) to facilitate the fulfilment of sectional-task challenges, the satisfactory control of sectional-task challenge fulfilment (middle loop) to facilitate the fulfilment of organisation-wide challenges, and finally, the satisfactory

control of organisation-wide challenge fulfilment (outer loop) to facilitate overall organisational effectiveness.

Proposition 89

The extent which corporate officers are expected by divisional managers to be involved in the control of their individual challenge fulfilment is contingent on the ability of corporate officers to assure them that their performance will be equitably evaluated by the due consideration of local situation and difficulties and by the use of standards which are consistent with local capabilities and constraints. Thus, the more the corporate officers are able to provide such assurance, the more will the divisional managers expect them to be involved in the control of their individual challenge fulfilment.

Proposition 90

The importance which divisional managers attach to corporate control of their individual challenge fulfilment is dependent on the extent they can relate this control to their training and development. Thus, the greater the divisional managers can relate corporate control of their individual challenge fulfilment as a genuine attempt to isolate the areas of their performance which is deficient and requiring supplementary training and development, the greater will corporate control of their individual challenge fulfilment be regarded as important.

2. Sectional-Task Challenge Control

This type of organisational control is concerned with the efficient management of sectional-task challenges and focuses on the proper utilisation of authority that has been accorded to a group of individuals to undertake a particular task challenge, on the timely conduct and

progress of their task performance, and the attainment of appropriate

qualitative and quantitative standard in their task performance (key

action areas· (1) accountability, (2) monitoring of technical /

administrative task progress, (3) inspection of technical / administrative

task standard).

In the last section, we had compared divisional expectation of corporate

involvement in the three control loops and found that without exception,

corporate officers are expected to be more involved in the sectional-task

challenge control than in individual challenge control. That is, the

higher proportion of actual expectations connected with sectional-task

challenge control as held in firm ALPHA is at level 3.60, in firm BETA

is at level 3.24, and in firm SIGMA is at level 1.90 (see Table 10-3).

The key factor which influences the expected level of corporate involvement

in this control has been traced through interview conversations to the

environmental state which confronts the division. For instance, when a

division is facing high competition in its external environment, the

intervention of corporate officers in the control of their task performance

is not viewed favourably by the divisional managers because the additional

layer of corporate control will inevitably mean more opinions about how

tasks should be conducted or improved, slower decision making, and longer

reaction time to cope with competitive challenges. As the plant director

of division Sigma had explained:

> "I believe task management should be left to divisional people.
> Although more heads are supposed to produce more creative ideas
> and result in better considered task options, I maintain that when
> circumstances necessitate rapid overhaul of task tactics, only a
> few key people who have to actually carry out the operation should
> be involved. Corporate control is fine but too often they indulge

in picking on the nitty gritties of our task performance and then
try to define what must be done instead. This, obviously, causes
us to lose flexibility and speed of action which is particularly
disturbing when flexibility and speed is precisely what we need to
carry us through a difficult period."

This environmental consideration can be seen to have been upheld by the
focal divisions if we first recall from chapter five, in particular
Table 5-1, that the level of competition that is experienced and expected
is highest in division Sigma (at levels 3.29 and 3.48, respectively), next
highest in division Beta (at levels 3.01 and 3.21, respectively), and
lowest in division Alpha (at levels 2.73 and 3.11, respectively). Next,
if we juxtapose this analysis against the earlier ranking of the extent to
which managers of the focal divisions actually expect their corporate
officers to be involved in the control of their sectional task challenges,
we can immediately notice the association between a high level of
external competition and a lower expectation for corporate control, as
in the case of division Sigma, and between a lower level of external
competition and a higher expectation for corporate control, as in the case
of division Alpha. Therefore, from this comparative analysis, one can
suggest that:

Proposition 91

The optimum level of corporate involvement in the control of sectional-
task challenge fulfilment is determined by the state of the external
environment and the flexibility that is needed to make appropriate task
decisions and changes for coping with its demands. Thus, the more
competitive the external environment and the greater the need for
flexibility in making task decisions and changes to cope with its demands,
the less would corporate officers be expected to be involved in the control
of the sectional-task challenges of their division.

3. Organisation-Wide Challenge Control

The purpose of this third control loop is to ensure that a division has effectively utilized its resources to fulfil those challenges which were inspired by its external demands and opportunities. More specifically, this control involves the design, implementation and enforcement of appropriate financial and budgetary plans to set the framework within which all divisional activities and efforts must proceed in a co-ordinated manner toward the achievement of some major organisational objectives (key action area   financial and budgetary control).

By examining the emphasis which the corporate officers place on some of the more important management systems designed to enforce this control, one can see that corporate emphasis on the control of organisation-wide challenge fulfilment is greater than the emphasis on sectional-task challenge fulfilment or individual challenge fulfilment. That is, from Table 10-11, one can see that the level of corporate influence in the origin of those systems which are connected with the control of organisation-wide challenges is greater than with systems connected with the control of sectional-task or individual challenges. More specifically, corporate influence on these three respective controls is scored at levels 2.54, 2.30 and 2.38 in firm ALPHA, at levels 2.70, 2.30 and 1.57 in firm BETA, and at levels 2.81, 2.18 and 2.39 in firm SIGMA. This greater emphasis in organisation-wide challenge fulfilment control is understandable considering that it is probably the minimal control which the parent firm must maintain to protect the resources that it has invested in the divisions but without having to diminish the autonomy of managerial and operational decision-making that can be devolved to them.

Although this control protects the invested resources of the firm,

satisfactory corporate management of two key activities is crucial to contribute to the effectiveness of the division. Firstly, as organisation-wide challenges derive their origins from the demands and opportunities that external elements present to the division, corporate officers must be watchful for any changes in the external environment not only to gauge how internal efforts are matching up to it, but also to review the premises upon which existing challenges are based and to decide whether some fundamental modifications to them are necessary. Ordinarily, corporate attention is focused on the end of year review of organisational performance and the tracing of deviations from some quantitative targets or standards set a year earlier. Clearly, this approach to organisation-wide challenge control is inadequate as reactive review may be too late to arrest any damage that is caused by the adoption of inappropriate challenges or efforts toward their fulfilment. Secondly, corporate officers must be conscious that the time horizon of people in an organisation gets progressively shorter as one goes down a hierarchy. Lower level managers work in a relatively closed time horizon, that is, they deal with immediate problems, today's difficulties or next week's or at most, next month's work schedule. However, this develops in them a keener perception of grass roots difficulties and capabilities to accomplish the broader organisation-wide challenges. Their feedback provides corporate officers with a ready means to control for more realistic and achievable challenges. It is better to recognise early a division's limitations, reduce its scope of operation or rapidly change its directions than to wait for the year-end shock of massive misapplication of resources and financial set-back. In other words, corporate officers should employ a closed-loop, open system, control for its organisation-wide challenges by being sensitive to the changes in the external environmental challenges of the focal division and

receptive to feedback from different management levels of the
division's ability to maintain performance at the level needed to fulfil
such challenges. These essential qualities of this control have been
plainly pointed out by the managing director of division Sigma.

> "What our division must achieve as a whole matters a great deal
> to all of us lest they are set at heights beyond our capabilities.
> Goals are set at the start of a financial year and are built on
> certain assumptions. However, in this recessive trading condition,
> these assumptions have more often than not been proven to be
> unsound as we progress through the year. Don't get me wrong, I
> am not blaming my colleagues at group office or anywhere else for
> making them. All I want to point out is that we need to take stock
> more frequently and even more necessary, take account of what the
> "operators" have to say. We must adjust our targets and not merely
> check if our performance has reached them. To us, skilful control
> means the strength to cut out unworkable strategies as events
> unfold rather than pushing everyone doggedly toward some ends
> which we are not going to make."

Therefore, it is pertinent to state that:

Proposition 92

The control of organisation-wide challenge fulfilment which though it
provides the corporate office with a means of protecting resources that are
invested in the divisions while still preserving their autonomy should
also place emphasis on two other factors if control is also to contribute
to divisional effectiveness. Firstly, it should constantly monitor
changes in environmental conditions to ensure that the premises upon which
existing organisation-wide challenges are built on are still valid.

Secondly, it should constantly review feedback from all management levels to assess whether the assumptions made about the capabilities and resources that are required to fulfil the organisation-wide challenges will still hold as the challenges are being worked out. The combined effect of this closed-loop, open system, control is necessary to ensure the protection of organisational resources as well as the effectiveness of the division.

B.   INTEGRATION OF CHALLENGES

This last facet of the Expectations Framework draws attention to the importance of information as a key element for integrating the various challenges into a logical whole that is consistent with the purpose of the organisation. As we have conceptualized and explained in chapter seven, the close interconnection between organisation-wide challenges, sectional-task challenges and individual challenges has meant that any modifications in one challenge level will have immediate repercussions on the others. Therefore, unless there is an efficient information system to rapidly transmit signals of the consequences, both favourable and adverse, of changes in one level of challenge upon others, much uncertainty and dislocation can result. In this respect, we have argued that information within an organisation must flow unimpeded in two directions. Firstly, between members responsible for the three major levels of challenges to promote inter-challenge level nexus and secondly, between members responsible for challenges within each major level to promote intra-challenge level nexus. In sum, it is conceivable that all organisational information exchanges will flow through these two nexus. The sub-links contained within these nexus and the means by which they are maintained have been detailed in chapter seven and so

need not be repeated here. Instead, our task will be to establish the extent in which corporate provision of information directly connected with these nexus are held by divisional managers as approaching or resembling the ideal type of information that they desire.

To ascertain corporate contribution of information to the two challenge nexus, we must first gain an insight into how satisfactorily corporate officers have fulfilled their divisional actual expectations connected with the "integration of challenges" issue. That is:

(a) how satisfactorily have corporate officers determined the areas and types of information that their division requires? and

(b) have they ensured that such information is being promptly provided? (key action area information requirements).

Hence, from Table 10-10 we have established that corporate officers have satisfactorily fulfilled this divisional "integration of challenges" expectation at level 3.67 in firm ALPHA, at level 3.50 in firm SIGMA, and at level 3.20 in firm BETA. Next, to measure corporate efficiency in providing information in direct support of the two challenge nexus, we compute the product of the two divisional ratings of how satisfactorily their corporate officers have managed the "integration of challenges" issue and the key issue which forges a particular sub-link. For example, we reasoned that satisfactory corporate provision of information about the permeation issue is crucial to strengthen the link between knowledge of the external environmental conditions and the initiation of appropriate organization-wide challenges. Hence, the product of the satisfactory levels of corporate management of the permeation issue and the integration of challenges issue will provide us with an indication of how this particular interchallenge level nexus has been supported by corporate informational contributions. Other key issues which play a role in strengthening the various challenge nexus have been described in chapter seven. A summary of these issues and the appropriate statistics have been computed and

and compiled in Tables 10-12 and 10-13.

Firstly, in examining Table 10-12, we can see that corporate informational contribution to strengthen the inter-challenge level nexus is most satisfactory for firm ALPHA (at level 2.33), next most satisfactory for firm SIGMA (at level 2.13) and least satisfactory for firm BETA (at level 2.09). When Table 10-13 is examined, we found that the ranking for corporate informational contribution to strengthen the intra- challenge level nexus is similar, that is, it is most satisfactory for firm ALPHA (at level 2.32), next most satisfactory for firm SIGMA (at level 2.23), and least satisfactory for firm BETA (at level 1.91). Next to ascertain the extent which corporate informational contribution matches up to the quality and quantity standard that is expected by divisional managers, Q.11 of the NOCAM questionnaire was administered to the divisional managers. From their responses, as compiled in Table 10-14, we can see that the information provided by corporate officers of firm ALPHA has most closely matched the expectation of their divisional managers (at level 3.60), followed by the corporate officers of firm SIGMA with the next closest matching (at level 3.15), and then by the corporate officers of firm BETA with the least closest matching (at level 3.13).

These analyses, therefore, suggest that the more satisfactory corporate management are able to contribute information relating to the inter- and intra- challenge level nexus, the more will such information match up to the needs of their division. Thus, rather than providing a profusion of inappropriate data or useless noise, corporate officers should concentrate on specific areas of the challenge nexus where information are more needed. In other words,

Proposition 93

The purpose of information flows within an organisation is to prevent

uncertainties and dislocations by efficiently sensing and transmitting

signals to appropriate members of changes, and effects of such changes,

in the external environment upon organisation-wide challenges, in the

organisation-wide challenges upon sectional-task challenges, and in the

sectional-task challenges upon individual challenges (inter-challenge

level nexus); and to appropriate members of changes, and effects of

such changes, in some challenges upon others within the same level

(intra-challenge level nexus).

Proposition 94

Corporate information contribution in direct response to the strengthening

of the inter- and intra- challenge level nexus is desirable as it most

matches division managers' information needs. Thus, the more satisfactory

is corporate information contribution to the strengthening of the inter-

and intra- challenge level nexus, the more will such information match

with what divisional managers ideally require.

C.   SUMMARY AND CONCLUSION

Although corporate control pervades across all three divisional challenge

levels, their effectiveness in each is contingent on the underlying

assumptions that are made about the purpose of control and on corporate

awareness of the critical factors that lead to their fulfilment. For

instance, the purpose of organisation-wide challenge control should not

be viewed as only to protect the resources which the parent firm has

invested but also in a wider context of seeking to improve overall

divisional effectiveness. Thus, besides using financially indexed

systems to check on divisional performance, effort should also be devoted to constantly review those premises which existing organisation-wide challenges are constructed on in order to ensure that they are still valid and consistent with current organisational capabilities and limitations. In the case of sectional-task challenge control, the purpose should surpass that of enforcing close supervision for the sake of trying to secure some specific task fulfilment. Instead, it should aim for greater overall task efficiency by employing a more flexible corporate control approach which operates in direct response to the changing demands and opportunities of the environment. As for individual challenge control, the purpose should exceed that of finding a suitable basis for deciding managerial remuneration and incentive bonus. Instead, it should shift to that of obtaining a greater understanding of individual difficulties and constraints and seeking their immediate relief by providing appropriate training and development.

Intertwined with the need for more effective corporate control is also the need for more effective corporate contribution to the integration of disparate but interconnected challenges into a dynamic whole that is capable of realizing the goals of the division and its members. In this respect, prompt corporate informational contribution to strengthen the inter-challenge level nexus and intra-challenge level nexus is of crucial importance. These nexus are the life-line of a division, or for that matter of any organisation, and corporate information flows through them are necessary to sustain the equilibrium and effectiveness of the division.

P A R T   F O U R

ORGANISATIONAL STATES AND OVERALL EFFECTIVENESS

CHAPTER 11:   CONCLUSION

CONCLUSION

A.   External States and Organisational Choices of Management

B.   Organisational Choices of Management and Corporate-Divisional

      Interactive Adjustments

C.   Corporate-Divisional Interactive Adjustments and Organisational

      States and Overall Effectiveness

D.   A Post-Study Review of the Conceptual Scheme,

      TOTEC Approach and Expectations Framework

Throughout this research study, the major concern of the writer has been to produce insights into how corporate and divisional managers interact to achieve a satisfactory organisational state and effectiveness. This has led to the a priori reasoning of a number of key environmental and organisational factors as being crucial for organisational effectiveness. These factors were then built into a conceptual scheme which was thoroughly investigated. The richness of insights which produced the nine-four propositions clearly attests to the relevance of this conceptual scheme for studying the manner in which divisionalised organisations can be effectively managed.

In addition, the research instruments which were specially developed to study the various facets of the conceptual scheme connected with corporate-divisional interactions have proven to be a useful and versatile research methodology. Their ability to capture information about the actual and perceived expectations of senior managers connected with a range of key action areas has produced insights which are directly relevant to improving organisational state and effectiveness.

Although it is difficult to summarize the ninety-four propositions without oversimplifying the complex contingencies which underpin them, conclusions can be drawn about how best to organise divisionalised organisations. The writer will present these conclusions in terms of the nature of "fit" between external states, organisational choices of management, and corporate-divisional interactive adjustments which is appropriate to achieve a satisfactory divisional state and level of effectiveness.

A.   EXTERNAL STATES AND

                        ORGANISATIONAL CHOICES OF MANAGEMENT

The external environment, investigated by means of the TOTEC Approach,

was seen to possess three distinguishable sectors or task environments.

These are the input sector or first order task environment (FOTE),

the output sector or second order task environment (SOTE), and the

regulatory sector or third order task environment (TOTE). The states

of these environmental sectors relate to four key aspects which provide

different bases for senior executives to decide the appropriate

organisational choices of management. The key aspects in question are:

(i)   environmental stability (reflecting the change in the level of

        competition between what has been experienced in the past and is

        expected in the future),

(ii)   environmental manageability (reflecting the absolute level of

        competition that was experienced and is expected),

(iii)   importance of the environmental state (reflecting the perceived

        erosive effects of competition upon organisational profitability),

(iv)   environmental pressure on organisational survival (reflecting the

        experienced and expected sum erosion of organisational

        profitability as a result of competitors' actions).

Data obtained by investigating each of the four key aspects of each

environmental sector collectively furnish for senior management two

types of information which are important indicators of how effectively

internal efforts are currently coping with external challenges, and

how best to organise future efforts.

1.   The Competitive Nature of the Environment

        The first pertaining to the level of environmental stability

and manageability indicates the ability of competitive forces to
disrupt organisational relationships with the elements of the
various external sectors; and the amount of, and direction
which, organisational energy must be focused on to counter
such competitive actions.

2.   The Impact of Competition on Organisational Profitability and
      Survival

      The second pertaining to the importance of the environmental
      state for organisational profitability and the pressure it
      brings to bear on organisational survival indicates how
      effective organisational efforts have been in containing and
      neutralizing the potency of competitive actions in curtailing
      the profitability and survival prospects of the organisation.

The significance of these environmental states are not linearly
associated with each other. As shown in Chapter 5, an environment
which is relatively unstable or unmanageable does not imply that it has
a correspondingly adverse impact on organisational profitability or
survival. Similarly, it has also been shown that when an environment
is relatively stable or manageable, the impact of even a limited
amount of competition may have disastrous effects on organisational
profitability and survival. This distinction is important to note,
as it has been found to be influential in corporate thinking about how
divisions ought to be controlled and integrated within the total
organisation.

Empirical data has also shown a preference for choosing particular
management approaches for particular environmental states:

An administrative approach, whereby the corporate officers restrict
their involvement to setting the broad objectives and policy decisions

for the division, tends to be employed in a situation where the external
environment is highly competitive but not considered to be of risk to
the profitability or survival of the division. The rational underlying
this fit is that in a relatively dynamic environment, corporate
involvement in divisional affairs should be minimised lest it interferes
with achieving the degree of flexibility and innovativeness that is
needed to cope with competition and environmental challenges.

An operational approach, which extends corporate involvement into
deciding the functional and operational matters of their division,
tends to be employed in a situation where the environment is considered
to be of risk to the profitability and survival of the division. The
justification for such wider corporate control is the necessity to
infuse new efforts and directions to haul the division out of the crisis
situation it is in.

A selective involvement and control approach tends to be employed when
a division is considered as facing neither a competitive nor riskful
environment. This management approach is regarded as appropriate in
a situation which is held to be calm and free from unacceptable risks
because it permits the satisfaction of corporate and divisional
intrinsic aspirations associated with the controllership of their own
work scope and destiny.

In short, the managerial thinking underpinning the fit between the
environmental state and the scale of corporate intervention in
divisional affairs hinges on three considerations:

1.   Striking a balance between corporate and divisional management
     over the amount of control they should possess over divisional
     affairs, such that it allows both to achieve a satisfying and
     meaningful work context and relationship.

2.   Permitting an optimum level of divisional autonomy to promote
      flexibility and innovativeness when coping with a dynamic and
      competitive environment.

3.   Exerting corporate control and direction when divisional
      competence to prevent persistent competitive erosion of
      divisional profitability and survival is in doubt.

These considerations are equally important when adjusting the fit
between the state of a particular environmental sector and the source
of control over its management. As demonstrated in Chapter 6, the
appropriate adjustments of The Natural Order of Task Environment
Control must be made in accordance with the nature of the sectoral states
so that their effective management can be assured. Hence, when the
sectoral environments are calm and risk free, the responsibility for
managing the FOTE tends to follow the natural order and remain largely
with divisional management, the responsibility for managing the SOTE tends
to follow the natural order and be shared between corporate and
divisional management, and the responsibility for managing the TOTE
tends to follow the natural order and remain largely with corporate
management. However, when the sectoral states shift to one of
intensely competitive, where maximum flexibility and innovativeness is
crucial to counter competitive actions, stronger emphasis on the
natural order is evident, i.e., divisional management exercising
greater autonomy in dealing with the FOTE, corporate management
exercising greater autonomy in dealing with the TOTE, and responsibility
for the SOTE remains shared.

In contrast, when the sectoral states are perceived to be causing the
curtailment of divisional profitability and survival prospects, the
natural order of control tends to be adjusted in a reverse fashion.
For instance, divisional management will relinquish partially or

completely (depending on the seriousness of the curtailment), their
natural responsibility for the FOTE to corporate management.
Similarly, when corporate handling of the TOTE is gravely ineffective
and the effect on divisional profitability and survival prospects is
causing concern, their responsibility will be partially or completely
surrendered to the divisional management.

In addition to the necessity to match the state of the external
environment with the direction and degree of corporate control over
the division, the precise functions where corporate involvement is
desirable are contingent on their strategic significance to the
division. This consideration of the strategic significance of the
functions, which is based on immediate past experience rather than
future projections, highlights another criterion which corporate
management uses to balance the need to fulfill perceived divisional
aspiration for liberality and autonomy with the need to control and
steer the division towards ultimate effectiveness. Corporate
bureaucracy and divisional entrepreneurship were not seen by managers
within the organisations studied to be desirable in themselves but
when mixed in an appropriate proportion were seen to strengthen the
dynamism and effectiveness of the organisational-whole and divisional-
parts.

B.   ORGANISATIONAL CHOICES OF MANAGEMENT
            AND CORPORATE-DIVISIONAL INTERACTIVE ADJUSTMENTS

Whilst it is crucial for a multidivisional firm to be watchful of
the environmental conditions of its divisions and to be decisive in
adjusting its organisational choice of management philosophy to cope
with the external challenges, it is equally important to fit
appropriate corporate-divisional interactive relationships within the

framework that is set by such an organisational choice. When selecting

an appropriate combination of key action areas and issues in whose

management and resolution corporate officers should participate, it

is essential to see that the selection enforces in pragmatic terms

the management philosophy and strategic orientations which the firm has

evolved to cope with the demands and opportunities that are posed by

the environment. This selection process is also critical because it

is a process whereby a blend is achieved between contingent factors of

personality, situational needs and aspirations of the corporate and

divisional staff concerned, and the overall organisational choice of

management philosophy.

In researching this critical selection process, attention was focused

on twenty-nine key actions where corporate and divisional managements

may interact with varying degree of intensiveness and expediency to

deal with twenty-two central issues which are crucial to divisional

effectiveness. The contingencies which underscore these issues must

be clearly understood if appropriate corporate-divisional interactions

are to be conducted. For instance, in connection with the resolution

of the "permeation" issue, involving the scanning of the external

environment for suitable opportunities and impending dangers, and

preparing the division to absorb a new set of organisation-wide

challenges, some of the contingencies that need to be considered are:

1. That active top-down contribution by corporate officers in

     managing the permeation issue is contingent on whether the

     focal division forms part of an integral network of divisions,

     with complementary operations, which are coordinated by

     corporate officers. Hence, under this form of organisational

     set-up, a management approach which permits greater corporate

     involvement in the underlying key action areas of (i) external

     relations, (ii) forecasting and adaptation, and

(iii) identifying and capitalising of new ventures is
appropriate as the corporate office is capable of economically
pooling and supplying a variety of crucial information about
a common environment. (Detailed elaboration of this
contingency factor is provided under Proposition 18)

2. That the accuracy with which corporate and divisional managements
perceive their respective permeation responsibilities is
contingent on the stability of the external environment.
Hence, during periods of environmental instability special care
must be taken to ensure that information concerning adaptation
programmes which were modified or completely replaced, is
rapidly and accurately transmitted to appropriate organisational
members. (Detailed elaboration of this contingency factor is
provided under Propositions 19, 20 and 21)

3. That environmental manageability is contingent on the extensity
and intensity of interaction between corporate and divisional
managements over the permeation issue. In turn, the extensity
and intensity of interaction is contingent on whether the
two management groups perceive that competition has an erosive
impact on divisional profitability and survival prospects.
Hence, to achieve appropriately extensive and intensive corporate-
divisional interaction connected with the permeation issue, it
is necessary to ensure that both management groups have a clear
and common understanding of the damage which competition is
inflicting, or is likely to inflict, on divisional profitability.
Detailed elaboration of this contingency factor is provided
under Propositions 22, 23 and 24)

4. That environmental manageability is contingent on a supportive
work attitude toward the permeation issue, i.e., both management

groups must recognise that efforts devoted to cope with
environmental challenges are a necessary part of, and important
for, their individual work performance. Hence, to satisfactorily
manage the externalities, it is imperative that a supportive
work attitude is cultivated, and the adaptation and maintenance
functions should not be separated, but shared equally amongst
senior managers. (Detailed elaboration of this contingency
factor is provided under Propositions 25 and 26)

This brief synopsis of the contingencies which underscore the handling
of the permeation issues goes to show the complexity involved in
developing a satisfactory interactional relationship between corporate
and divisional management staff. Other specific contingencies which
underscore the remaining twenty-one central issues investigated have
been recorded under Propositions 27 to 94. Without adequate
understanding of these contingencies, any interactive arrangements made
in response to particular organisational choices of management philosophy
may be counter-productive and even detrimental to the eventual well-
being of the division. It has been shown in chapters eight, nine, and
ten, that organisational decision-making processes, leadership
patterns, and systems configurations are also affected by the nature and
outcomes of corporate-divisional interaction. Thus, any interactions
between these two management groups which are less than satisfactory
will have immediate repercussions on these three principal facets
of management. Therefore, the rationale underlying the need for
appropriate corporate-divisional interactions extends beyond achieving
effective interpersonal integration, but also to ensure that inert
systems and processes will also fit in with the organisational choice
of management philosophy to achieve ultimate divisional effectiveness.

C.   CORPORATE-DIVISIONAL INTERACTIVE ADJUSTMENTS

AND ORGANISATIONAL STATES AND OVERALL EFFECTIVENESS

Throughout the work so far, the writer has systematically traced all those key aspects of organisation and management which a priori reasoning had suggested as crucial to maintain a division in an equilibrium and efficient state. These key aspects have been empirically found to feature prominently in the functioning of the three focal divisions, and it remains now to examine and testify whether their satisfactory management will contribute to the well-being of the divisions.

Judging from the qualitative rankings of Table 11-1, one can see that amongst the three divisions, division Sigma appears to have least satisfactorily managed the seven aspects of divisional life. When compared to divisions Alpha and Beta, it has emerged as consistently having a lower ranking for the manner in which it has managed a majority of the key aspects of its organisational life. As for divisions Alpha and Beta, the former division appears to have performed better as it has managed more of its translation, facilitation, control and integration functions at a higher satisfactory level.

Next, when one assesses the state of the relationship between corporate and divisional managements and the overall effectiveness of the focal divisions by administering Q.9 and Q.10 of the NOCAM questionaire, one will immediately notice two interesting results, as compiled in Table 11-2:

-    Firstly, when multiple indices, focusing separately on financial, product-market, social-behavioural, and comparative performance, were employed to measure overall effectiveness, the poor performance of division Sigma is clearly apparent. In terms of the answer scale used, it has only attained approximately 50% of what its managements regard as ideal performance (at level 2.90).

Division Beta, on the other hand, appears to be more effective

as it has attained slightly more than 60% of its desired performance (at level 3.18). In contrast, division Alpha emerged as the most effective with performance reaching nearly 80% of its desired level (at level 3.59).

- Secondly, as for the state of relationship between corporate and divisional managements, the trend seems to follow that for divisional effectiveness. Hence, one can observe that division Alpha has the best inter-management relationship (at level 5.55), followed by division Beta (at level 5.44), and then by division Sigma (at level 5.15).

These analyses suggest that the more satisfactorily corporate and divisional managements have managed the seven aspects of organisational life, the more effective and satisfactory appears to be the organisational state of the division.

Of course, in a comparative contingency analysis of this nature, the writer does not impute a direct cause and effect relationship between the two sets of variables. Instead, he is only claiming that the association between them is sufficiently supportive of previously conceived a priori reasonings as to warrant greater emphasis on corporate-divisional interactive adjustments as a necessary and justifiable prelude to achieving greater divisional effectiveness and more satisfactory organisational states.

To futher refine and define the relative strengths of the various linkages, a Spearman Correlation Coefficient Test was administered to data connected with these variables. Although the sample of three divisions does not permit us to compute the precise significance levels of the correlations, one can, nevertheless, draw important insights from the direction which the correlations follow. Hence, from Table 11-3, one can observe that without exception there is a positive association

between a satisfactory corporate-divisional interactive adjustments

concerning the various translation, facilitation, control and integration

functions, and a satisfactory state of corporate-divisional relationship

and overall effectiveness. Considering that the highest possible

positive correlation coefficient is 1.00, the high correlation coefficient

that has been found between these functions, and organisational states

and effectiveness must surely lend further creditability to the final

part and overall whole of the conceptual scheme, as proposed in

chapter one, that achieving as perfect as possible a fit between

appropriate aspects of the environment, organisational choices of

management philosophy, and corporate-divisional interactional relationships

is crucial to the ultimate well-being of a division and its parent

organisation.

D.   A POST-STUDY REVIEW OF THE CONCEPTUAL SCHEME,
             TOTEC APPROACH AND EXPECTATIONS FRAMEWORK

The Conceptual Scheme that is used in this research has permitted a

systematic revelation and unravelling of the complex interrelationships

amongst environmental requirements and internal organisational

characteristics. Instead of making a generalised leap from a

particular environmental setting to certain internal control orientations

and integration choices, this conceptual scheme probes for those

intervening factors and considerations which caused the evolvement of

the nature of the latter as a response to the state of the former.

In support of this conceptual scheme, the TOTEC Approach proves

indispensable as it has the capability of producing an array of

environmental states which forms the premise for a contingency

investigation into the internal functioning of an organisation. Its

segregation of the different sectors of the environment and

and clarification of their respective significance is vital to ensure that the abstract nature of the environment is reduced into concrete constructs and concepts which management staff can relate to, and speak of, in terms which are amenable to empirical analysis.

As for the Expectations Approach, its usefulness lies in its ability to highlight specific key managerial activities, ranging from those connected with boundary spanning matters right through to making operational decisions, where contingency adjustments must be made in order to achieve a satisfactory organisational state. The vast range of issues and key action areas which it is capable of investigating, an overview of which is provided in Figure 11-1, and the contingencies that have been discovered to underscore them bears testimony to the analytical power and versatility of the Expectations Framework.

Perhaps, the singularly most important contribution that the Conceptual Scheme, the TOTEC Approach and the Expectations Framework have been able to offer is their ability to unveil less obvious insights of organisational and interpersonal behaviour. Frequently, they have pointed the way for the writer to probe and discover with senior directors and managers of the focal firms issues which hitherto were held to be insignificant or non-existent. Their value lies in opening up new perspectives on what seems to be commonplace activities, tasks and responsibilities of any organisation. They offer a research methodology whereby both "investigator" and "investigated" can gain additional insight and understanding. This wisdom of probing beyond the obvious for the utility of what lies beyond is best pointed out by the saying of an ancient Chinese sage:

> We put thirty spokes together and call it a wheel;
> But it is on the space where there is nothing that the
> utility of the wheel depends.
> We turn clay to make a vessel;

But it is on the space where there is nothing

    that the utility of the vessel depends.

We pierce doors and windows to make a house;

And it is on these spaces where there is nothing

    that the utility of the house depends.

Therefore just as we take advantage of what is,

    we should recognise the utility of what is not.

                    Lao Tzu (circa 300 B.C.)