Chapter 3

Organization Theory

MPA Comprehensive Exam
Study Guide

3.1 Perspectives of Organizational Theory

Four Major Perspectives

1. **Classical (1900s-)**

Industrialism - Adam Smith - father of capitalism – 1776 - Wealth of Nations - invisible hand - div of labor (e.g., pin factory)

Post industrialism - society and organization - Wal Mart/Saturn (no Boundaries)

Sociological stream

Emile Durkheim – sociologist - explained structural shifts from age to industrial organizations - informal orgs focus on workers social needs

Max Weber - he liked law/structure father of bureaucracy - it is a way to rationalize the social environment - formal rationality (means or techniques) and substantive rationality (ends or goal)-formal rationality w/o substantive rationality leads to an iron cage-making man a cog in a machine

Karl Marx - theory of capital-inherent antagonism between capitalists and workers over how to divide surplus value-workers are alienated so they must organize

Classical Management stream

Frederick Taylor - father of scientific management - he attacked soldiering (workers limiting their output on purpose - time/motion studies - one best way promoted rationalization in orgs

Henri Fayol - span of control - “departmentation”-unit of control – hierarchy - espirit de corps

Chester Barnard-expanded Durkheim’s informal org-integrated goals and motivation-contributed more to org behavior than org theory

2. **Modern (1950s-)**

Kenneth Boulding - hierarchy of systems - anything w/ interrelated parts

- A control or cybernetic system uses feedback (e.g., a thermostat)
- A closed system does not require additional input to operate
- An open system depends on the environment for inputs to operate

Network analysis—looks at the complex web of relationships of how the org interacts with other orgs and with its environment

The org and its environment are totally separate - there are boundaries

The general environment - social, cultural, legal, political, economic, technological and physical components

The international and global environments also impact the org

"Buffering"-protecting the internal operations of an org from interruption by environmental shocks such as material, labor and capital shortages

Environmental scanning is done to protect against these threats Jeffrey Pfeffer and Gerald Salancik-Resource Dependent Theory

An org is vulnerable because of its need for resources (raw material, labor, capital, equipment) from its environment --so the org is controlled by its environment

So we analyze the org by starting with the resources it needs and tracing them to their source-also look at the org's competitors for the same resources

Michael Hannan, John Freeman, Howard Aldrich - Population Ecology Theory

Orgs are dependent on the environment for resources but this theory focuses on patterns of success and failure among all orgs - not just one- it is survival of the fittest

- variation-changes in orgs
- selection-orgs choose certain characteristics
- retention-some survival

Philip Selznick-Institutional Theory

Orgs adapt to the values of external society-i.e, when actions are repeated and given similar meanings by self and others (Richard Scott) this is institutionalization-can lead to “rationalized myths”.

- Rational decision making
- Define the problem
- Generate and evaluate alternatives
- Select an alternative
- Implement
- Monitor
- Evaluate

Herbert Simon-bounded rationality

When making a decision, decision makers often have

- incomplete and imperfect information
- complex problem
- limited human ability
- time pressure
- conflicting preferences

The Garbage Can Model

- The decision making process is very random
- Actors move in an out
- Problems, participants, solutions are all independent
- Thrown into the garbage can at random

Power and Politics—Jeffrey Pfeffer

- Strategy process
- Rational model-SWOT analysis-look at the org's core competencies
- Strategy formulation precedes implementation—it is top down
- Emergent strategies can be bottom up
- Goals-interrelated with strategies
- Official-may be vague
- Operative-more specific

3. Symbolic Interpretive (1980s-)

Karl Weick-enactment theory-when you use concepts (i.e., organizations) you create the thing you're seeking to study-he is not pragmatic- he is an interpretivist

Conditions in the environment can't be separated from the perception of those conditions

4. Postmodern (1990s-)

- be careful, many of them wouldn't like being put in a category
- this term includes a large variety of ideas-the key here is diversity
- it is relativistic-it abandons notions of universal truth-but it has some standards
- fragmentation is a key theme-breakdowns in family, community & society
    - and threats to self identity are caused by tying to play so many roles with little separation between them
- the future will see smaller, more decentralized and informal orgs causing us to

- face more ambiguity than ever-helping (and forcing) us to adapt to more and more change-the paradox is that science has created the means of sharing information so quickly, making orgs all the more unpredictable to prepare for the post modern world we must take nothing for granted - deconstruct everything!

Philosophy includes (see Burrell and Morgan, Sociological Paradigms and Org Analysis 1979) epistemology (p.47)-how we know the world-the process by which we obtain knowledge

- objectivists-positivists and empiricists-independent observation is required
- subjectivists-anti-positivists and idealists-all knowledge is filtered through the observer
- a third position-the process is greatly influenced by cognitive, social and cultural forces-language is very important-postmodern
- ontology-what can be known (the kinds of things that exist)

3.2 Organizational Theory Chart

Theory	Classical Org.	Neoclassical	"Modern"	Systems	Power & Politics	Org. Culture	Postmodernism	Human Relations
Time frame	Thru 1930s	1930s-1950s	1950s on	Late 1960s	1960-80s	60s thru 80s	1980s on	**1920s-?**
Paradigm	Positivist	Pos/post-pos	Positivist	Positivist	Post-Modern & Conflict	Interpretavist	Post-Modern	**Interpretavist**
Ontology	Rational Structural	Rational Structural	Rational Structural	Rational	Critical Realist	Relativist	Critical Realist	**Relativist**
Epistemology	Objective	Objective	Objective	Modified Objectivist	Objective	Subjective	Subjective	**Subjective**
Methodology	Experimental / Manipulative	Modified/ Experimental	Experimental/ Manipulative	Experimental	Dialogic / Elitist Defined	Dialogic / Elitist Defined	Dialogic / Transformative	**Hermeneutic / dialectic**
System Type	Closed	Semi-open	Closed	Open	Open	Open	Open	**Open**
Authors	Smith, Fayol, Taylor, Weber, G&U	March, Selznick, Barnard, Simon	Blau, Scott, Jaques	Katz, Kahn, Burtalanffy	Kotter, Pfeffer	Peters, Corbelly, Waterman, Sathe, Morgan	Weick, Berquist, McWhinney, Prigogine, Stengers	**Boleman, Deal, Ott, Follett**
Notes	**simplistic**	**Transition, reactionary**	**Return to Classical**	**Drew from Neoclass.**	**power**	**TQM**	**Technical revolution**	**Janis, Follett, Hawthorne, Theory X/Y**

Classical Organization Theory

- Dominated thought into the 1930s
- Structuralists--focused attention on structure or design of orgs
- Rational and closed systems pursuing the goal of efficiency
- Adam Smith, Henri Fayol, Daniel McCallum, FW Taylor, Max Weber, G&U
- Organizations should work like machines, using people and capital as their parts
- McCallum, 1856, first modern organization chart

- Fayol's organizational principles: technical, commercial, financial, security, accounting, managerial (greatest emphasis on managerial)
- Taylor's "one best way"
- Gulick & Urwick's POSDCORB
- Often viewed as narrow and simplistic; however, laid a foundation for all future scholars

Neoclassical Organization Theory

- Transitional theory that revised Classical Theory by adding human element, 1950
- An organization cannot exist outside of its environment
- James March, Philip Selznick, Chester Barnard and Herbert Simon
- Barnard: individuals are what hold the organization together; thus, they must be educed to cooperate for success to be achieved (persuasion principle)
- Simon: openly and vehemently attacked Classical Theory, said G&U's principles were merely proverbs, offered idea of satisfice
- Selznick: idea of cooptation
- Cyert and March: alliance-forming and coalitions

"Modern" Structural Organization Theory

- Second half of 20th Century
- Hierarchy, formal rules in place to attain goals
- Sought a return to the Structural Element, retaining the human aspects of Neoclassicism
- "Modern" in quotations b/c it is used simply to refer to the time period--there is little substantive difference between the Structuralists in Classical Theory and this one, other than time frame

- Organization efficiency is the essence of organizational rationality, and the goal of rationality is to increase the production of wealth in terms of real goods and services
- Peter Blau and Richard Scott: all orgs consist of a formal and an informal element and it is impossible to understand an org. without knowing each element
- Buzz words: differentiation, specialization and integration
- Elliott Jaques: remains a lonely defender of the bureaucratic-hierarchy models

Systems Theory

- Rose to dominance in the late 1960s
- Daniel Katz and Robert Kahn: organizations are open systems
- Apply Ludwig Burtalanffy's general systems theory to organizations and use quantitative tools and techniques to understand complex relationships among organizational and environmental variables
- (remember input→output / blackbox diagram)
- search for order in complex systems, cause-and-effect oriented
- seeks optimal solutions (not "one best way")
- computers, experts, etc. are the tools necessary
- draw heavily from Neoclassicals-bounded rationality and satisficing (Simon) and cognitive limits (Cyert and March)

Power and Politics Organization Theory

- organizations are viewed as complex systems of individuals and coalitions
- conflict in inevitable and influence is the primary weapon
- organizational goals change with shifts in the balance of power
- John Kotter: differentiate between power resulting from authority and power resulting from being able to get job done
- Power is aimed in all directions, not just down the hierarchy

- Jeffrey Pfeffer: power and politics are fundamental concepts in defining an org

Organizational Culture

- Late 1960s--thru 70s and 80s
- Organizational culture assumes many organizational behaviors and decisions are in effect predetermined by the patterns of basic assumptions that are held by the members of the org.
- An org's behavior, cannot be understood and predicted by studying structural or systemic elements but by studying its organizational culture
    - Meaning (reality) is established by and among the people in organizations (the org, culture)
    - Things are not real, perceptions of them are
    - People will distort the perceptions of symbols according to the need for what is symbolized
- In the 80s, organizational culture began appearing in notable works (incl. Thomas Peters and Robert Waterman, John Corbelly, Vijay Sathe, and Gareth Morgan)
- TQM and "Reinventing Government" further thrust this movement onto front pages in the 1980s and 90s

Postmodernism

- Technology and information networks have led to uncertainty and chaos is this postmodern era
- Just as information is readily available, so is misinformation
- We are frequently seeing that we do not understand cause-effect relationships despite abundance of information; thus, managers are abandoning their "modern era" reliance on technical systems, turning instead to information technology to help them into the postmodern era
- Karl Weick

- Technical system: specific set of hardware and software systems that produce a desired outcome, products of the "modern era," designed to accomplish desired purposes using known information and existing technologies
- Technology: refers to the knowledge of cause-and-effect relationships embedded in machines and methods

- Old, familiar machine analogies no longer apply. Berquist (1993), McWhinney (1997) and Prigogine and Stengers (1984) suggest fire is most appropriate analogy for postmodern organizations
    1. fire is a second-order change process that is irreversible
    2. fire is ephemeral
- Organizations must wrestle with dilemmas about how much to participate in the information age
    - Centralize or decentralize
    - Outsource or produce internally
    - "Regular" employees or "stringers"
    - Sell products or deliver services through established networks or through the web
    - How to maintain what boundaries

Human Relations School (also, Organizational Behavior)

- People are considered to be as important, or more so, than the org itself
- Bolman & Deal (1997): organizations exist to serve humans (not the other way around)
- Ott: themes are motivation, group behavior, leadership, empowerment
- Hawthorne Effect, Maslow's Hierarchy of Needs, McGregor's Theory X & Y, Janis' Grouthink
- Most optimistic of all schools - under right circumstances, people and organizations will grow and prosper together

3.3 Organizational Theory Matrix

Key Name	Dates	Writings	Theories	Approach
Barnard, Chester	1938		Cooperative systems -- individuals consent to authority. Structural/functional - orgs are cooperative systems. Workers require inducements, orgs compete with environment for workers. Expanded Durkheim's informal org - integrated goals and motivation - contributed more to org behavior than org theory.	Classical/Classical Management stream
Boulding, Kenneth	1950s		Hierarchy of systems - anything w/ interrelated parts. A control or cybernetic system uses feedback (e.g., a thermostat). A closed system does not require additional input to operate. An open system depends on the environment for inputs to operate.	Modern
Burrell & Morgan, Gareth	1979	Sociological Paradigms and Org Analysis	How we know the world-the process by which we obtain knowledge. Objectivists-positivists and empiricists-independent	Postmodern

			observation is required. Subjectivists-anti-positivists and idealists-all knowledge is filtered through the observer. A third position-the process is greatly influenced by cognitive, social and cultural forces-language is very important. Ontology-what can be known (the kinds of things that exist).	
Cohen, March, & Olsen			Garbage-can model and organized anarchies: decision making process is random with problems, participants, and solutions independent.	Modern
Dahl			Power in orgs - a social relationship in which one actor, A, can get another actor, B, to do something B would otherwise not do.	
Daneke		On Paradigmatic Process	Dialectical process causes paradigm formation; based on experience and observation.	

Darwin, Charles de Tocqueville, Alexis			Natural selection, survival of the fittest, evolution	
Denhardt, Robert B.	1981	In the Shadow of Organization	New PA - how government and orgs have failed us. Says ethics and moral behavior get lost in technical efficiency. To improve hierarchy, leaders must focus on development of individual and less on power of the organization. Praxis - critical choices leading to enlightened action. A successful org is a learning org (self-actualization). Problem with bureaucracy is that preoccupation with rationality and efficiency eliminates moral concerns; org control inhibits choice.	
Durkheim, Emile	1858-1917		Sociologist - explained structural shifts from agricultural to industrial orgs. Informal orgs focus on workers' social needs. Economic dev through div of labor threatens social solidarity-diff v.	Classical/Sociological stream

			integ (paradox).	
Etzioni			Structuralist model - rational and natural systems complement eachother; control important in both (rational-hieracrchy and distribution of power and natural - subordinates allow superiors to have control); formal and informal structures are equally important; org dilemma - tension between org needs and personal needs.	
Fayol, Henri	1919		Administrative theory. Classical viewpoint puts control as function of manager. Top-down rationalization. Span of control - "departmentation" - unit of control - hierarchy - espirit de corps.	Classical/Classical Management stream
Fredericksón, George		The PA Theory Primer		

Gagliardi			Secondary strategies - model of cultural change -- instrumental (management of external problems of adaptation and internal problems of integration) and expressive strategies (symbolic to protect stability). Cultural incrementalism - expands culture to include new values.	
Galbraith, Jay	1977		Increased complexity in communication leads to structural complexity (increased coordination).	
Giddens, Anthony		"Constitution of Society"	Objectivist-institutional perspective. Structuration theory -- interactions create structure. Duality-structure influences actions and is made up of actions. "Dialectic of control"- subordinates' willingness to be managed allows superordinates to be in control (remember structuration).	
Gouldner	1954		Conflict models - managers and employees see rules	

			differently.	
Habermas, Jurgen	1920s		Pre-postmodernist. Sees 2 modes of social action: symbolic/communicative (focus on interaction between individual norms and values) and purposive/rational (focus on instrumental action, technical rules and efficiency). Idealistic - clear communication allows possibility of escaping bonds of domination.	
Hannan, Micheal; Freeman, John; & Aldrich, Howard	1950s ?		Population Ecology: Orgs are dependent on the environment for resources but this theory focuses on patterns of success and failure among all orgs-not just one-it is survival of the fittest. Variation-changes in orgs; selection-orgs choose certain characteristics; retention-some survival.	Modern
Hatch, Mary Jo	1997	Organization Theory: Modern, Symbolic, and	Symbolic-interprevist/post-positivist. Believes in multiple frames of reference - views	

		Postmodern Perspectives	environment as social construction.	
Heffron, Florence	1989	Organization Theory and Public Organizations: The Political Connection		
Jaffee, David	2001	Organization Theory: Tension and Change	Jaffee likes Scott (rational, natural, open-soc. Structure, participants, goals, technology, the environment). Jaffee says orgs don't have goals, only humans have goals. Jaffee likes Hall's focus on: collectivity, boundary, order, authority, communication, membership, goals and outcomes of orgs.	
Katz & Kahn			Open systems model of development of social structures	
Kuhn	1967	The Structure of Scientific Revolutions	Normal science, scientific revolutions. He put the term "paradigm" into academia. Scientists make observations and collect data from everyday life. But at some point anomalies	

			arise that current theories can’t address. So the scientific community gets into a crisis and a new paradigm is introduced that is better - it addresses the problems. So a wholesale conversion to the new paradigm takes place by the scientists. They abandon the prior paradigm based on belief, non scientific reasons-it’s a quasi religious experience. Kuhn’s book led to big controversy in the social sciences.	
Lawrence & Lorsch	1967		Contingency theory: Rational and natural systems refer to different org types. Rational orgs respond to homogenous, stable environments. Natural orgs respond to diverse, changing environments. There is no one best org form. The environment determines which orgs survive and thrive. The environment was more stable in the past so rational systems arose first. The open system is the most	

			comprehensive model. Orgs will adapt their structures to adapt to environmental challenges.	
Lewin, Kurt	1947		Model of planned organizational change (modernist). Individuals change by unfreezing (disturbing equilibrium), moving (introduction of change), refreezing (integrate change into culture and behavior).	
Lincoln & Guba			Natural paradigm - qualitative research	
Marx, Karl	1818		Theory of capital - considered work central to human life. Inherent antagonism between capitalists and workers over how to divide surplus value. Workers are alienated so they must organize. Exploitation of labor helps accumulate wealth but fuels resistance by workers (paradox).	Classical/Sociological stream
Mayo	1945		Human relations -- change is interesting; attention gratifying.	

Meron, Robert			Manifest functions (official purposes of the org); latent functions (unintended); EX-ed insts are to ed (manifest function) but they prepare people to live in hierarchies (latent function). Structural fundamentalism.	
Meyer & Rowan	1977		Institutional theory/rationalized myths.	
Morgan, Gareth			Metaphors of orgs: machine, organism, brain, cultural systems (view of reality-shared values and beliefs), political systems, psychic prisons (Denhardt), instruments of domination (machine/polit), orgs as flux and transformation due to fundamental tensions and contradictions.	
Ouchi			Breaks control methods into 3 categories: markets, bureaucracy, and clans.	

Parsons, Talcott	1902-79		All societies carry out certain functions to survive: A-adaptation-gaining resources; G-goal attainment; I-integration-cohesiveness of members; L-latency-how the org sustains itself -transmission of culture. Structural fundamentalism.	
Perrow, Charles			Typology helps define input or raw materials and to explain why differences between public and private orgs. "Moral imperialism" - willing cooperation managed from above.	
Pfeffer, Jeffrey	1978	Resource Dependence by Pfeffer and Gerald Salancik 1978 "Power in Organizations"	Resource Dependence Theory: An org is vulnerable because of its need for resources (raw material, labor, capital, equipment) from its environment -- so the org is controlled by its environment. So we analyze the org by starting with the resources it needs and tracing them to their source-also look at the org's competitors for the same resources. Org politics is using power to obtain	Modern

			preferred outcomes when there is uncertainty or dissensus. Postmodern view.	
Schein			Beliefs and assumptions form core of org culture. Theory of culture as assumptions, values, artifacts. Primary strategy is to protect org identity.	
Scott, Richard W.	2003 1995	Organizations: Rational, Natural, and Open Systems Institutions and Organizations	Discusses values of organization from a sociological viewpoint. Grandfather of institutional theory. Sees orga as collectivities, social systems with needs, formal and informal structures. Identifies org pathologies from power and misuse. Layered model - closed rational systems, closed natural models, open natural systems, open natural models. Institutionalization - process by which social reality constructed. Cultural/Cognitive structure -- beliefs and understandings shared by participants about	Postmodern

			the nature of their work and interests. Scott proposes a fourth perspective to combine rational, natural and open models by adding the concept of closed systems. He also says all four can apply to social psychological, structural, and ecological levels of analysis.	
Selznik, Philip	1949	Institutional Theory	Focuses on distinctiveness of orgs. Environment is hostile threat to stability of orgs. Institutional School - precursor to org theory. Focuses on control of an org by creating a "committed polity" - orgs have life of own with rational and non-rational dimensions. Org activities become infused with value beyond technical requirements at hand (institutionalization). Orgs adapt to the values of external society-i.e, when actions are repeated and given similar meanings by self and others (Richard Scott). This is institutionalization-	Modern

			can lead to “rationalized myths.	
Senge, Peter			Learning org - linked to open systems movement.	
Shaffritz & Hyde		Classics of PA		
Simon, Herbert	1945	Decision Making	Theory of administrative behavior (descriptive/social-psychological level). Modernist. Cynical of Classical. He calls for empiricism and facts. Individuals need orgs to be rational -- specific goals support rational behavior. Bounded rationality (March and Simon 1958). Positivist. Shifted focus from action to analysis - believes choice determines subsequent action. Choice limited based on management (differs from natural systems theorists). Looks at formalization	Modern

			- more objective and static than institutionalists. Administrative Man will satisfice - operates within bounded rationality (cognitive limits and org affect thru interaction). Decision makers want to be rational but can't because attemtps at rationality are limited. Causes ambiguity and uncertainty.	
Smith, Adam	1776	Wealth of Nations	Division of labor, invisible hand. Father of capitalism. Industrialism.	Classical/ Industrialism
Taylor, Frederick	1911		Father of scientific management - pragmatic/sociological -psychological level. Time and motion studies/get more work out of workers/efficiency. Bottom-up rationalization. He attacked soldiering (workers limiting their output on purpose). One best way promoted rationalization in orgs.	Classical/Classical Management stream

Thompson			Levels model -- Rational, natural and open perspectives can all apply to the same org at diff levels. Technical level-inputs transformed into outputs (rational); managerial level-design , control and production (natural); institutional level-Bd, CEO relate to wider environment (open). An org functions as a rational sys open to the environment by creating some closed system compartments.	
von Bertlanfy, Ludwig	1956		Founded General Systems Theory movement.	
Weber, Max	1900s (1864-1920)		Behaviorist. Theory of bureaucracy (structural and descriptive level). Rationalization - impartial and efficient decision-makers. Believes bureaucracy most efficient organization (hierarchy of authority) as it is a way to rationalize the social environment. Iron cage of social domination - humans dominated by rational bureaucracy. Formal	Classical/Sociological stream

			rationality (means or techniques) and substantive rationality (ends or goals). Formal rationality without substantive rationality leads to an iron cage, making man a cog in a machine.	
Weick, Karl	1969		Enactment theory (when you use concepts {i.e., organizations} you create the thing you're seeking to study)/systems theory/social construction. Humans organize to help reduce information uncertainty faced in lives. Conditions in the environment can't be separated from the perception of those conditions. Cognitive processes help orgs evolve but organized patterns of action may occur w/o increasing productivity.	Symbolic/interpretive

3.4 The History of Org Theory

MILESTONES

500 BC **Sun Tsu's The Art of War** – recognizes the need for hierarchical organization, inter org communications, and staff planning.

400 BC **Socrates** argues for the universality of management as an art unto itself.

360 BC **Aristotle**, in The Politics, states that executive power in orgs must reflect their cultural environment.

770 AD - 1400 AD Several Muslim authors outline administrative and bureaucratic orgs.

1513 Machiavelli urges for "unity of command", advocates adherence to practical rather than moral actions.

1776 Adam Smith – **The Wealth of Nations** – discusses the optimal organization of a pin factory. Factory system and division of labor.

1832 Charles Babbage – anticipates the notions of scientific management movement, division of labor.

1885 Captain Henry Metcalfe – Administration of workshops, public and private – "science of administration".

1902 Vilfredo Pareto – "father" of social systems concept. Precursor to Mayo human relations movement.

1903 Frederick Taylor publishes "Shop Management".

1910 Louis Brandeis (assoc. of Fred Taylor) coins the term Scientific Management in testimony to ICC (apply SM to railroads).

1911 Frederick Taylor publishes The Principles of Scientific Management.

1916 In France, **Henri Fayol** publishes General and Industrial Management, the <u>First complete theory of management</u>. Fayol believed that his concept of management was universally applicable to every type of org.

1922 Max Weber – structural definition of bureaucracy is published. It uses an ideal type approach to extrapolate from the real world the central core features that characterize the most fully developed form of bureaucratic organization.

1924 The Hawthorne Studies begin – lead to new thinking about the relationships among the work environment, human motivation, and productivity.

1926 Mary Parker Follett anticipates movement toward more participatory management styles. She calls for "power with" as opposed to "power over".

1933 Elton Mayo's The Human Problems of an Industrial Civilization is the first major report on the Hawthorne Studies and the first significant call for a human relations movement.

1937 Luther Gulick's "Notes on the Theory of Organization" draws attention to the functional elements of the work of an executive with his mnemonic device POSDCORB.

1938 Chester Barnard's "The Functions of the Executive", a sociological analysis, encourages the postwar revolution in thinking about org behavior.

1940 Robert K. Merton's article "Bureaucratic Structure and Personality" proclaims that Max Weber's "ideal-type" bureaucracy has inhibiting dysfunctions that lead to inefficiency and worse.

1943 Abraham Maslow's "needs hierarchy" appears in a Psychological Review article "A Theory of Human Motivation".

1946 Herbert Simon's PAR article "The Proverbs of Administration" attacks the principles approach to management for being Inconsistent and often inapplicable.

1947 Herbert Simon's "Administrative Behavior" urges the use of a truly scientific method in the study of administrative phenomena. Decision making is the true heart of administration.

1948 Dwight Waldo publishes "The Administrative State", which attacks the "gospel of efficiency" that dominated administrative thinking before WWII.

Norbert Weiner coins the term "cybernetics" which becomes a foundation for the systems theories of organization.

1949 Philip Selznick in TVA and the Grass Roots, discovers "cooptation" in which outside elements (community orgs) are subsumed into the policy- Making process in order to prevent those elements from becoming threats.

Rufus E. Miles Jr. of the U.S. Bureau of the Budget states Miles' Law: "Where you stand depends on where you sit."

Air Force captain Edsel Murphy states **Murphy's Law: "If anything can go Wrong, it will."**

1950 George C. Homans publishes The Human Group – the first major application of "systems" to organizational analysis.

1954 Peter Drucker's book "The Practice of Management" popularizes the concept of management by objectives.

1956 William H. Whyte Jr. publishes "The Organization Man" – details a man in an organization who accepts its values and finds harmony in conforming to its policies.

Talcott Parsons, in Admin Science Quarterly – article "Suggestions for a sociological Approach to the Theory of Organizations" defines an org as a social system that focuses on attainment of specific subgoals and in turn contributes to the accomplishment of goals of the larger org & society.

1957 Northcote Parkinson discovers his law that "work expands so as to fill the time available for its completion".

Douglas McGregor's article "The Human Side of Enterprise". Theory X and Theory Y, and applies the concept of "self-fulfilling prophecies" to organizational behavior.

The History of Organization Theory – Schools and how the field has developed.

Classical Org Theory:

Classical Theme: Theorists of the classical period thought that organizations should be based on universally applicable scientific principles.

500 BC **Sun Tsu's The Art of War** – recognizes the need for hierarchical organization, inter org communications, and staff planning.

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Neo-Classical Org Theory: (the GIANTS include James March, Philip Selznick and Herbert Simon.

Major Neoclassicist theme: Organizations do not and cannot exist as self-contained islands isolated from their environments. Neoclassical Org Theory is important because it initiated the theoretical movement away from the overly simplistic mechanistic views of the classical school. Also it is important because neoclassicalists initiated theories that became the foundations of most of the schools that followed.

1938 Chester Barnard's "*The Functions of the Executive*", a sociological analysis, encourages the postwar revolution in thinking about org behavior "Individuals must be induced to cooperate". Persuasion.

1940 Robert K. Merton's article "*Bureaucratic Structure and Personality*" proclaims that Max Weber's "ideal-type" bureaucracy has inhibiting cysfunctions that lead to inefficiency and worse.

1943 Abraham Maslow's "needs hierarchy" appears in a Psychological review article "*A Theory of Human Motivation*".

1946 Herbert Simon's PAR article "*The Proverbs of Administration*" attacks the classical approach to the "general principles of management" of Fayol and Gulick for being inconsistent and often inapplicable to many admin situations mgrs face.

1947 Herbert Simon's "*Administrative Behavior*" urges the use of a truly scientific method in the study of administrative phenomena. Decision making should be the focus of a new administrative science. Org theory is in fact a theory of **"Bounded Rationality"** of humans who **"Satisfice"** because they don't have the intellectual capacity to maximize.

1948 Dwight Waldo publishes "*The Administrative State*", which attacks the "gospel of efficiency" that dominated administrative thinking before WWII.

Norbert Weiner coins the term "cybernetics" which becomes a foundation for the systems theories of organization.

1949 Philip Selznick in *TVA and the Grass Roots*, discovers **"cooptation"** in which outside elements (community orgs) are subsumed into the policy- Making process in order to prevent those elements from becoming threats. In contrast to classical theorists, Selznick argues that orgs consist not only of a number of positions for management to control, but of individuals, whose goals may not coincide with those of the organization.

Rufus E. Miles Jr. of the U.S. Bureau of the Budget states Miles' Law: "Where you stand depends on where you sit."

Air Force captain Edsel Murphy states Murphy's Law: "If anything can go wrong, it will."

1950 George C. Homans publishes *The Human Group* – the first major application of "systems" to organizational analysis.

1954 Peter Drucker's book "*The Practice of Management*" popularizes the concept of management by objectives.

1956 William H. Whyte Jr. publishes "*The Organization Man*" – details a man in an organization who accepts its values and finds harmony in conforming to its policies.

Talcott Parsons, in Admin Science Quarterly – article "*Suggestions for a sociological Approach to the Theory of Organizations"* defines an org as a social system that focuses on attainment of specific subgoals and in turn contributes to the accomplishment of goals of the larger org & society.

1957 Northcote Parkinson discovers his law that "work expands so as to fill the time available for its completion".

Douglas McGregor's article "*The Human Side of Enterprise".* Theory X and Theory Y, and applies the concept of "self-fulfilling prophecies" to organizational behavior.

Philip Selznick, in *Leadership in Administration*, argues that the function of an institutional leader is to help shape the environment in which the institution operates and to define new institutional directions through recruitment, training and bargaining.

1958 March and Simon, in *Organizations*, classify the behavioral revolution in organization theory.

1959 Charles Lindblom's *"The Science of Muddling Through"*, rejects the rational model of decision making in favor of incrementalism.

Cyert and March, in *"A Behavioral Theory of Organizational objectives",* argue that power and politics influence the formation of organizational goals. Article is a precursor of the power and politics school of org theory.

1960 Herbert Kaufman's *The Forest Ranger* examines how org and professional socialization can develop the will and capacity of employees to conform.

1961 Amitai Etzioni, in *A Comparative Analysis of Complex Organizations*, argues that org effectiveness is affected by the match between an org's goal structure and its compliance structure.

1962 Peter Blau and W. Richard Scott, in *Formal Organizations*, assert that all orgs include both a formal and informal element, and that it is impossible to understand the true structure of a formal org without understanding its parallel informal organization.

1963 Cyert and James March – analyzed the impact of power and politics on the establishment of organizational goals, and discusses the formation of coalitions and negotiations to impose coalitions' demands on the org. In "A Behavioral Theory of the Firm", they argue that corporations tend to "Satisfice" rather than engage in economically rational profit-maximizing behavior.

1965 Robert L. Kahn's *Organizational Stress* is the first major study of the mental health consequences of organizational role conflict and ambiguity.

1966 Katz and Kahn seek to unify the findings of behavioral science on organizational behavior through **open Systems Theory** in *The Social Psychology of Organizations*.

James G. March, in *The Power of Power*, explores definitions, concepts and **approaches for empirically studying social power** in orgs and communities.

3.5 Nine Major "Schools" of Organization Theory

1) **CLASSICAL ORGANIZATION SCHOOL (up to ~ 1940)**

   SMITH, FAYOL, TAYLOR, WEBER, GULICK

2) **NEOCLASSICAL ORGANIZATION SCHOOL (~ 1940 to 1960)**

   BARNARD, MERTON, SIMON, SELZNICK, CYERT & MARCH

3) **HUMAN RESOURCE ("ORG. BEHAVIOR") SCHOOL (~ 1955 – present)**

   FOLLETT, ROETHLISBERGER, MASLOW, MCGREGOR, JANIS

4) **"MODERN" STRUCTURAL ORGANIZATION SCHOOL (~ 1960 to 1980)**

   BURNS & STALKER, BLAU & SCOTT, WALKER & LORSCH, MINTZBERG, JAQUES

5) **ORGANIZATIONAL ECONOMICS SCHOOL (~ 1975 to 1990)**

   WILLIAMSON, JENSEN & MECKLING, RUBIN

6) **POWER & POLITICS ORGANIZATION SCHOOL (~1960 – 1985)**

   PFEFFER, MICHELS, FRENCH & RAVEN, MARCH, KANTER, MINTZBERG

7) **ORGANIZATIONAL CULTURE SCHOOL (~ 1990 to present)**

   SCHEIN, COOK & YANOW, TRICE & BEYER

8) **ORGANIZATIONAL CULTURE REFORM MOVEMENTS (~ 1980 to present)**

   OUCHI, PETERS & WATERMAN, SENGE

9) **SYSTEMS & ENVIRONMENTS THEORIES (~ 1965 to 1980)**

   KATZ & KAHN, THOMPSON, MEYER & ROWAN, PFEFFER & SALANCIK

CLASSICAL ORGANIZATION SCHOOL (up to ~ 1940)

- Rooted in the industrial revolution of 1700s and mechanical engineering, industrial engineering, and economics

- What is best way to design and manage organizations so they achieve their declared goals effectively and efficiently?
- Personal preferences of members are restrained by formal rules, authority and norms of rational behavior

Tenets

- Organizations exist to accomplish production-related and economic goals
- There is one best way to organize for production, and that way can be found through systematic, scientific inquiry
- Production is maximized through specialization and division of labor; and
- People & organizations act according to rational economic principles

ADAM SMITH (1776) "Division of Labour" – Scottish economist pin-factory, breaking down work and specializing (ten men increase from 200 to over 48000 pins in a day)

HENRI FAYOL (1916) ***"General Principles of Management"***

- French engineer looked from "Top-down"
- First comprehensive theory of management.
- 14 general prescriptive principles include division of work, discipline, unity of command, scalar chain (line of authority), equity, initiative...

FREDERICK TAYLOR (1916) "Scientific Management"

- Known as the "Father of Scientific Management" looked from "Bottom-up"
- Profound, revolutionary effect on business and public administration
- "One best way" to perform any task
- Increase output w/fastest, most efficient & least fatiguing production methods
- One best way to structure the organization around those methods.

MAX WEBER (pron. 'Va-ber,' 1922 published posthumously) "Bureaucracy"

- German sociologist, remains single most influential authority on bureaucracy
- Not prescriptive, but descriptive of “ideal-type” bureaucracy
- Identified major variables or features that characterize bureaucracy
- Hierarchy, specialization, rules/policies/procedures, “red tape”

LUTHER GULICK (1937) “Theory of Organization”

- Focused on management
- Mnemonic, POSDCoRB: seven major functions of executive management: plan, organize, staff, direct, coordinate, report, and budget
- Analysis of management functions still continues within OT

NEOCLASSICAL ORGANIZATION SCHOOL (~ 1940 to 1960)

- “New-classical” perspective is more an “anti-school” – Anti-classical
- Not a separate body of work, could not permanently stand on its own
- Transitional, reactionary school
- Initiated movement away from overly simplistic mechanistic views of classical school
- Issues and theories became central to foundations of most of schools that followed
- Known for:
    - humanness of organization members
    - coordination among administrative units
    - internal-external relations, and
    - decision-making processes.

CHESTER BARNARD (1938) “The Economy of Incentives”

- Treat people as members, not machines
- Sought to create a comprehensive *Theory of Organizational Behavior*

- Centered on need to cooperate –cooperation holds an organization together (thus, members must be induced to cooperate)
- Tried to reconcile top-down goals with bottom-up compliance
- Primary responsibilities of the Executive:
  - Create & maintain a sense of purpose and a *moral code*
  - Establish system of communication
  - Ensure willingness of people to cooperate to achieve org. purpose

ROBERT MERTON (1940) *"Bureaucratic Structure and Personality"*

- One of the most influential mid-century sociologists
- "Ideal-type" bureaucracy had inhibiting dysfunctions – characteristics that prevented it from being optimally efficient, and negative effects on the people

HERBERT SIMON (1946) "Proverbs of Administration"

- Attacked classical theory in his criticism
- Classical ideas are conflicting, inconsistent, and inapplicable to many administrative situations facing managers
- For each "principle" of management, one can find an equally plausible, acceptable, and [proverbial] contradictory principle
- Won Nobel Prize in Economics

PHILIP **SELZNICK** (1948) *"Foundations of the Theory of Organization" –*

- Organizations consist not simply of positions for management to control, but of individuals w/goals & aspirations might not coincide w/formal goals
- Best known for "cooptation:" process bringing in & subsuming external elements into its policy-making process to prevent from becoming a threat
- As in his case study: *TVA and the Grass Roots*

RICHARD CYERT & JAMES MARCH (1959) "Behavioral Theory of Org. Objectives"

- Colleagues of Simon at Carnegie Tech

- Focus on power and politics of establishing organizational goals
- Corporations tend to "satisfice" rather than engage in economically rational profit-maximizing behavior

HUMAN RESOURCE ("ORG. BEHAVIOR") SCHOOL (~ 1955 – present)

- Allow people to grow and develop and they will be satisfied
- Creativity, flexibility, prosperity will flow naturally from satisfied employees
- Then Org/Employee relationship changed from dependence to codependence
- People are as important as, or more important than, the organization itself
- Major themes: leadership, motivation, teams and groups, effects of work environment, power and influence, and organizational change
- Criticism of HRT school:
- Called "Cow sociology:" just as satisfied cows are to give more milk, satisfied workers are to be more productive
- Years of research has shown no clear relationship between:
  - Worker satisfaction and productivity, or
  - Leadership style, Job enlargement, or Decision-making involvement and Worker satisfaction or productivity

Tenets

- Organizations exist to serve human needs (rather than the reverse)
- Organizations and people need each other - organizations need ideas, energy, and talent; People need careers, salaries, and work opportunities
- When fit between individual and organization is poor, one or both will suffer: individuals will be exploited, or will seek to exploit the organization, or both
- A good fit between individual and organization benefits both: humans find meaningful/satisfying work; and orgs get human talent & energy they need

MARY PARKER FOLLETT (1926) "Giving of Orders"

- True pioneer (both as a researcher and a female)
- Orders should be depersonalized in participatory leadership
- Obey the 'Law of the Situation'
- "Whatever heightens self-respect increases efficiency."

FRITZ ROETHLISBERGER (1941) *"Hawthorne Experiments"*

- Experiments led by Elton Mayo and documented here by Roethlisberger
- Direct precursor of field of organizational behavior & human resource theory
- This work laid foundation for assumptions that displaced classical theory

ABRAHAM MASLOW (1943) *"Theory of Human Motivation"*

- All talk of motivation must start with Maslow
- <u>Hierarchy of Needs</u>:
    - All humans have needs that underlie their motivations
    - As lower-level needs are satisfied, they no longer 'drive' behavior
    - Satisfied needs are not motivators
    - As lower needs become satisfied, higher needs take over motivating forces

DOUGLAS MCGREGOR (1957) "The Human Side of Enterprise"

- Managerial assumptions about employees become self-fulfilling prophecies
- Those assumptions *cause* employee behavior
- *Theory X* from scientific management: humans dislike work, will avoid it if possible; they must be coerced/controlled/directed/ threatened
- *Theory Y* is the opposite: people do not inherently dislike work, it can be a source of satisfaction; they will seek and accept responsibility

IRVING JANIS (1971) "Groupthink – Consensus at Any Cost"

- Groupthink is "mode of thinking that persons engage in when *concurrence seeking* becomes so dominant in a cohesive in-group that it tends to override realistic appraisal of alternative courses of action
- The desperate drive for consensus at any cost that suppresses any dissent
- The reason that social conformity is encountered so frequently in groups
- He examines high-level decision-makers/decision-making in national fiascoes

"MODERN" STRUCTURAL ORGANIZATION SCHOOL (~ 1960 to 1980)

- Structure refers to relationships among org. positions/groups-units/work-processes
- Concerned w/ vertical differentiations (hierarchical levels of authority & coordination) and horizontal differentiations (between org. units: ie, product/service, areas, skills)
- Organizational chart is the best representation of the organization
- Highly important is "legitimate authority" (that flows down through the org. hierarchy)
- Formal rules by those in authority ensures behavior is directed toward formal goals
- Tend to define power as synonymous with authority
- Classical founders were structuralists (Fayol, Taylor, Weber) 1st half of 20th century and gave this school its roots. But the "modern" theories influenced by and greatly benefited from advancements in organization theory in 2nd half of 20th century.

TOM BURNS & G.M. STALKER (1961) "Mechanistic [vs] Organic Systems"

- *Socio-technical Theory*
- Stable conditions: may use mechanistic form of organization (w/ hierarchy, formal rules/regulations, vertical communications, structured decision making

- Dynamic conditions – situations in which the environment changes rapidly– may require organic form w/ less rigidity, more participation, and more reliance on workers to define and redefine their positions and relationships
- Either form may be appropriate in particular situations

PETER BLAU & RICHARD SCOTT (1962) "Formal [vs Informal] Organization"

- All organizations include both formal and informal elements
- To understand true structure of formal organization, must know the informal
- Were influenced by "classical philosopher" Chester Barnard

ARTHUR WALKER & JAY LORSCH (1968) "Org.Choice: Product vs Function"

- Employee grouping
  - Should all specialists in a given function be grouped under a common boss regardless of differences in products they are involved in?
  - Or should the various functional specialists working on a single product be grouped together under the same boss?
- They look at 2 firms in same industry, 1 organized by product, 1 by function
- Either form may be appropriate in particular situations

HENRY MINTZBERG (1979) "Five Basic Parts of the Organization"

- One of most widely respected management & OT theorists in 2nd ½ of 20th c.
- Coherently synthesized many schools of organization & management theory
- *Management Policy Theory*: model of org. with five interdependent parts: strategic apex; middle line; operating core; techno-structure; & support staff

ELLIOTT JAQUES (1990) "In Praise of Hierarchy" –

- Lonely defender of hierarchical-bureaucratic form of organization
- Hierarchical layers enable organizations to cope with discontinuities in mental and physical complexities, thereby separating tasks into manageable steps
- Instead of new org. forms, we need to learn to manage hierarchies better

ORGANIZATIONAL ECONOMICS SCHOOL (~ 1975 to 1990)

- Fundamental universal problem: how to induce managers/employees to act in best interests of ownership (or in public orgs, of who controls policy & resource allocation)
- Minimize agency & transaction costs and maximize profit & productivity

3 Core Theories

Agency Theory

- Defines managers and other employees as "agents" of owners ("principals"), who out of necessity must delegate some authority to agents
- Agency costs are a type of transaction cost incurred by principals to protect interests from the possibility of loss by agents including costs of investigating, selecting and monitoring agents and other residual losses

Transaction Cost Theory

- Core element of organizational economics (transaction costs) rests on:
    - Costs of maintaining principal-agent relationship
    - How to minimize the costs
    - Effects on management decisions

Property Rights Theory

- Allocation of costs and rewards among organization participants
- An organization is a form of "legal fiction," of complex relationships (ie: contracts) between the legal fiction (the firm) and:
    - Owners of labor (employees/agents)
    - Owners of material and capital inputs (owners/principals)
    - Consumers of outputs

OLIVER WILLIAMSON (1975) "Markets and Hierarchies: Understanding the Employment Relation"

- Decisions on internal vs external production of goods/services
- Analyze applying economic contracts and market models to employment relations
- Decision process for employer-employee relationship is a market transaction

MICHAEL JENSEN & WILLIAM MECKLING (1976) "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure" –

- Integrative overview of the three core theory components (above)

PAUL RUBIN (1990) *"Managing Business Transactions"* –

- People are self-interested and opportunistic
- Impossible to write complete contracts to account for any/all possible events which eliminate all forms of opportunism or cheating
- All other pre-/post-contract mechanisms must be used to minimize agency costs

POWER & POLITICS ORGANIZATION SCHOOL (~1960 – 1985)

- Rejects classical school, structural school, economics school, systems/environments school, all as being naïve and unrealistic, and of minimal practical value
- Organizations are complex systems of individuals and coalitions:
    - Each has its own interests, beliefs and values
    - All of which continuously compete with each other for scarce resources
- Conflict is inevitable
- Influence is the primary "weapon" for use in competition and conflicts
- Power, politics and influence are essential and permanent facts of org. life
- Goals are result of on-going maneuvering and bargaining of individuals & coalitions

- Coalitions are transitory: shift w/issues; often cross over vertical/horizontal boundaries
- Sources of power:
  - Legitimate authority
  - Control over scarce resources
  - Access to others who are perceived as having power
  - A central place in a coalition
  - Ability to work organization rules (knowing how to get things done)
  - Personal credibility.

JEFFREY PFEFFER (1981) "Understanding the Role of Power in Decision Making" –

- Power and politics are fundamental concepts to understand behavior in orgs
- Those who perform critical tasks have natural advantage to develop/exercise power
- Power is first and foremost a structural phenomenon; context & relationship specific
- One is not 'powerful' or 'powerless' in general, but only in respect to others

ROBERT MICHELS (published 1915 in German / 1962 in English) "Democracy and the Iron Law of Oligarchy" –

- [He] who says organization says oligarchy
- People who want power try to reign in as much as possible (to point of oligarchy)
- Orgs divided into minority of directors and majority of directed (leaders & the led)

JOHN FRENCH & BERTRAM RAVEN (1959) ***"The Bases of Social Power"***

- Five bases of power ["LECRR"]
  - Legitimate power
  - Expert power (knowledge/ability)
  - Coercive power
  - Reward power
  - Referent power (through association)
- Power is derived from these five different bases of *attraction* (the recipient's sentiment toward the agent who uses power) and *resistance* to the use of power; i.e., coercive power generally decreases attraction and causes high resistance; while reward power increases attraction and creates minimal resistance.

JAMES MARCH (1966) "The Power of Power"

- Examines alternative definitions and concepts of social power in orgs & communities, which extends to "boundaryless organizations," "virtual organizations," and networks
- Takes three basic approaches to the study of power: experimental studies, community studies, and institutional studies
- "On the whole, power is a disappointing concept [for social research]."

ROSABETH MOSS KANTER (1979) "Power Failure in Management Circuits" –

- Executive & managerial power is a necessary ingredient for moving toward goals
- Ability of managers to lead effectively cannot be predicted by studying their styles or traits; but by knowledge of their power sources
- Three groups are particularly susceptible to powerlessness:
  - First-line supervisors
  - Staff professionals
  - Top executives
- Those who feel powerless tend to use more dominating/punishing forms of influence

- Powerlessness is more of a problem to organizations than the struggle for power

HENRY MINTZBERG (1983) "The Power Game and the Players"

- "Players" are "influencers" who attempt to control organizational decisions/actions
- To understand behavior of the organization, must know what influencers are present, what needs each seeks to fulfill, how each is able to exercise power to fulfill them
- Influencers come from "external coalitions" and "internal coalitions." [Scott & Davis book, figure 33.1 pg 339 *"The Cast of Players"* is the <u>shape of a 'box guitar'</u>].

ORGANIZATIONAL CULTURE SCHOOL (~ 1990 to present)

- This school is a kind of counter-culture in OT
- <u>Rejects</u> structural, economics, systems/environments schools (like *Power & Politics)*
- Culture is shaped by many factors, such as:
    - Society in which it resides
    - Its technologies, markets and competition
    - Personality of its present and past leaders
- Assumes that many org. behaviors and decisions are predetermined by the patterns of basic assumptions held by members of the organization ("it worked in the past")
- Underlying assumptions become ingrained & totally accepted, but largely forgotten, reasons for "the way we do things here" – even when it may no longer be appropriate
- Org. behavior is controlled by cultural norms, values, beliefs, and assumptions
- Culture is the unseen and unobservable force that is always behind org. activities (that can be seen and observed)

- Social energy moves people to act and provides meaning, direction, and mobilization
- To understand or predict how an org. will behave under varying circumstances, must know org. culture (and related symbolism), not just structure or systems
- Some organizations have strong and unified cultures whereas others are weaker and less pervasive; and there are even cultures within cultures (sub-cultures).

EDGAR SCHEIN (1993) "Defining Organization Culture"

- Contributed significantly by his early writings focusing on the process of socializing employees into existing organizational cultures
- To learn culture of an organization, "clinical" is better than "ethnographic" perspective (As "helper to client" in lieu of "researcher to subject" [who wants to be studied?]).

SCOTT COOK & DVORA YANOW (1993) "Culture and Organizational Learning"

- An *organization* has the capacity to learn how to do what it does, where what it learns is possessed not by individual members, but by the aggregate itself."

HARRISON TRICE & JANICE BEYER (1993) "Changing Organizational Cultures"

- Wrote a comprehensive treatise on organizational culture
- Offer eight "prescriptive aphorisms"

ORGANIZATIONAL CULTURE REFORM MOVEMENTS (~ 1980 to present)

- Different reform movements presented here all share a common theme: *lasting organizational reform requires changes in organizational culture.*
- Replace cultures of hierarchy, rigidity, homogeneity, power based on authority, associations in closed networks, and reliance on rules With cultures of horizontal relations, open and accessible networks, flexibility, responsiveness, individual and group empowerment, diversity, and customer service
- Empowered employees/teams granted autonomy and discretion to make decisions
- Policies, procedures, and layers of hierarchy are eliminated

- Accountability to bosses is replaced by accountability to customers and clients
- In 1980s/90s, U.S. companies & government agencies lost competitiveness & agility
- Now were forced to compete in global markets against worthy competitors who were not all bound by same rules. "Leveling" the playing field, of worldwide marketplace
- Ineffectiveness of government could no longer be ignored
- All of these reform movements trace back to 1950 when Deming (and later Juran) influenced Japanese executives to adopt his methods of statistical control; by 1975 Japan was world leader in quality and productivity
- After 1980 TV show "If Japan can, why can't we?" quality movement exploded in U.S

Reforms include:

- **Total Quality Management** (TQM) Deming, Crosby, Joiner, Juran, Walton)
- **The Search For Excellence** (book: *In Search of Excellence*) Peters & Waterman
- **Quality of Work Life** (QWL) Weisbond
- **Productivity Measurement / Balanced Scorecard**, Berman, Kaplan & Norton
- **Reengineering** (Process and Business), Hammer & Champy
- **Reinventing Government**, Gore, Osborne & Gaebler
- **Feminist perspective**, i.e., *Gendering Organization Theory,* Acker
- **Multicultural perspective**, i.e., *Creating the Multicultural Organization,* Cox

WILLIAM OUCHI (1981) *"The Z Organization"*

- Organizations are incompatible with formality, distance, and contractualism. They proceed smoothly only with intimacy, subtlety, and trust
- Z-orgs more like clans than markets or bureaucracies, they foster close interchange between work and social life

THOMAS PETERS & ROBERT WATERMAN (1982) "In Search of Excellence: Simultaneous Loose-Tight Properties"

- From the "eight attributes of management excellence"
- [No. 8] is a summary of the other seven: "Coexistence of firm central direction and maximum individual autonomy [is best]… Organizations that live by the loose-tight principle are on one hand rigidly controlled, yet at the same time allow (indeed, insist on) autonomy, entrepreneurship, and innovation from the rank & file."

PETER SENGE (1990) "The Fifth Discipline: A Shift of Mind"

- For orgs to learn to change, managers must detect seven "learning disabilities" and how to use five "disciplines" to overcome them
- The 5^{th} discipline is integrative: fuses others into a coherent body of theory & practice

SYSTEMS & ENVIRONMENTS THEORIES (~ 1965 to 1980)

- In 1960s open systems essentially displaced the closed systems models
- Shift from internal to external dynamics of competition, interaction interdependency
- Orgs: systems of interdependent activities embedded in/dependent on environment
- From ENV orgs get material, financial & human resources, social support, legitimacy
- Two kinds of organization environments (w/dynamic & interdependent relationships)
    - General:
        - Societal and cultural values
        - Political and legal norms
        - Economic, demographic, and technological conditions
    - Specific: Individuals, groups, and other organizations it interacts with

- All environments exert demands on organizations
- "Organization Darwinism" - adjusting to changes in environment in order to survive; in turn, virtually all of org decisions and actions affect their environment
- Systems theory also known as management science. Has two major components:
  - Apply the General Systems Theory (Bertalanffy)
  - Use quantitative tools and techniques to understand complex relationships among orgs and environmental variables and thereby to optimize decisions
- Systems theory uses cause-&-effect relationships to find "optimal solutions"
- Search for order among complex variables has led to extensive use of quantitative methods and models (i.e., computer analysis and operations research)

DANIEL KATZ & ROBERT KAHN (1966) *"Organizations and the System Concept"*

- Were the first to articulate the concept of organizations in Open Systems Theory
- Provided intellectual basis for merging classical, neoclassical, human relations/ behavioral, "modern" structural, and systems perspectives of organizations.
- Their concept of open systems has influenced the thinking of many OT theorists.

JAMES THOMPSON (1967) *"Organizations in Action"*

- Deal with environmental uncertainty by creating elements to cope with the outside world, and to use closed system approach only at the technical level of operations
- Three keys of his "New Tradition" Theory
  - *Bounded Rationality:* tending to org. constraints, contingencies, variables
  - *Satisficing:* satisfactory accomplishment rather than maximizing efficiency

- *Contingency Avoidance:* practical measures taken to protect normal operations from excessive disruption caused by environmental factors

JOHN MEYER & BRIAN ROWAN (1977) *"Institutionalized Organizations: Formal Structure as Myth and Ceremony" – Institutional Theory*

- Emphasize cultural and institutional environmental influences; socially constructed [mythical] practices/norms provide frame-work for creation/elaboration of formal orgs
- As open systems, organizations gain legitimacy and support to extent they accept these social norms as appropriate ways to organize

JEFFREY PFEFFER & GERALD SALANCIK (1978) *"External Control of Organizations: A Resource Dependence Perspective" – Resource Dependency Theory*

- All organizations exchange resources w/ their environment as a condition for survival
- Importance & scarcity of resources determine extent of dependency on environment; ie: "information" needed to reduce uncertainty & dependency, so seek info to survive

3.6 Literature Review

Introduction

A broad base of strategy research is reviewed in this chapter to explain the foundations for the present study as based in the existing literature. The chapter comprises seven sections, representing a review of strategy research undertaken in both management and marketing. The first three sections review empirical studies on strategy in management, starting with a discussion of the contingency theory as the root of strategy research. The second section reviews the concept of “fit”, the central theme in contingency theory. This section discusses the dispute among scholars regarding the role of managers to fit their organization to the environment, and on weaknesses in the operationalization of the concept. The third section reviews empirical studies on strategic fit. This includes discussions of strategy content studies that focus on the content of the strategy and its relationship with environmental factors and organizational performance, and of strategy process research, which emphasizes the formulation process of the strategy.

The fourth section goes on to describe the important roles of the marketing manager and marketing concept in the organizations. It discusses the role of marketing managers in fitting organization strategy to the environment, as they have a boundary-spanning role. It also discusses the development of a marketing concept within organizations. The Fifth section reviews empirical studies on marketing strategy – performance relationship. The sixth section discusses the barriers to marketing strategy implementation, realising that not all organizations implement a marketing strategy as prescribed in the literature, even though they know its potential benefit. Finally, the last section summarizes some focal literatures and underlies their limitations.

The Contingency Theory in Management

The contingency theory has been widely accepted in management discipline since the early 60s. The emergence of the theory was the result of criticisms of the classical theories that advocated “one best way” of organizing and managing organizations. Contingency theorists proposed that there is no one best way to organize different organizations working in different industries and conditions. The appropriate management style and organizational structure depend on the environmental context of the organization concerned.

One of the most influential studies in the emergence of the contingency theory is the study of Burns and Stalker (1961). They investigated the relationship between internal management practices and the external environment factors of 20 industrial organizations in the United Kingdom to discover its affect on economic performance. They found two different management practices in use, which they classified as "Mechanistic" and "Organic" systems. The Mechanistic system was appropriate for organizations that operated under stable conditions. These organizations employed routine and well understood technology. Tasks and duties of employees were clearly defined by heads of departments. Communication within such organizations was designed vertically, and its content tended to be instructions from superiors. The Organic system, on the other hand, was more suitable for organizations that worked under an unstable, changing environment. The system enabled the organizations concerned to adapt to environmental changes. It did not pay much attention to rules and procedures. To cope with the changes, the organizations used lateral communication, which resembled consultation rather than vertical command, and hence the span of supervisory control was much wider than in the mechanistic model. Burns and Stalker emphasized that each system is appropriate under its own specific conditions. Neither system was superior to the other under all situations.

Similar results are also found by Woodward (1965). She investigated the relationship between technology and organizational structure of successful organizations in South Essex, England. Based on the techniques of production and the complexity of the production system, she classified the organizations into three groups, these are small batch and unit production (e.g. the custom-tailoring industry), large batch and mass production (e.g. standard gasoline engines industry), and process and continuous production (e.g. chemicals industry). Woodward pointed out that successful organizations in different industries with different technologies were characterized by different organizational structures. For example, she discovered that successful organizations engaged in small batch and unit production had wider spans of supervisory control and fewer levels of hierarchy than did successful organizations with process and continuous production. This indicates that a bureaucratic-mechanistic system is appropriate for organizations operating in stable conditions such as the chemical industry, while the organic system is suitable for organizations working under dynamic conditions, such as the custom-tailoring industry. This influence of environment on organizations was highlighted further by Chandler (1962). He conducted a comparative study of US firms, holding the simple premise that organizational structure followed, and was guided by, strategic decisions. From this study, he found that environmental changes, such as changes in population, income, and technology, provided new strategic choices for the firms. The choices included expansion in the production volume, geographic expansion (market diversification), and product diversification. A new strategy called for a new or modified structure to cultivate the opportunities effectively. Throughout his study, Chandler pointed out that different strategies and environments required different organizational structures. Centralized organization, for example, seemed to be only appropriate for firms operating in a relatively unchanging environment. However, when the environment changed rapidly, this structure did not enable the management to respond the environmental changes quickly, and hence could not facilitate effective realization of the opportunities available. In such an environment, firms that employed a decentralized structure ended up with better performance.

Lawrence and Lorsch (1967) and Thompson (1967) further forged and refined the theoretical foundation of the contingency perspective. Lawrence and Lorsch (1967) studied the state of differentiation and integration in organizational systems in the plastic, food, and plastic container industries. These industries represented the high, medium, and low rate of growth, technology and market changes successively. They found that successful firms in each industry had a different degree of differentiation. The degree of differentiation in the plastic industry tended to be higher than in the food industry. The lowest degree of the differentiation was found in the plastic container industry, since it had the most stable environment. The successful firms in the three industries also attained a higher degree of integration than the less successful ones. The study revealed that the more differentiated an organization, the more difficult is to achieve such integration. Furthermore, successful firms in each industry employed different modes of integration, consistent with their environments. The plastic container industry, for example, used hierarchy to resolve the conflict. In those industries operating under less stable conditions, however, conflicts were resolved well by appointing skilled personnel or project teams. This seminal work of Lawrence and Lorsch refined the contingency theory by demonstrating that different markets and technological environments require different kinds of organizations, and that subunits or functional departments within an organization might be managed in different ways, due to variations resulting from their sub-environments.

In addition, Thompson (1967) forged the foundation of the theory by integrating and expanding the previous studies. He categorized the two modalities considered by previous works as “closed system”, which sought uncertainty by only considering few variables controllable and correlated with goal attainment, and “open system”, which included uncertainty by acknowledging the interdependency of the organizations to their environments to survive. Using Parson's (1960) three distinct levels of organizational responsibility and control (technical, managerial, and institutional), he integrated the two systems to develop what he considered a newer tradition. He believed that a technical function should operate under certainty to achieve the desired outcomes by reducing the number of variables operating on it. The institutional level, on the other hand, dealt largely with environmental elements uncontrollable by the organizations. It was best served by open management to acknowledge the influence of environmental factors and to face up to the inevitable resultant uncertainty. Thompson suggested that the managerial level should mediate these two extreme levels by resolving some irregularities coming from external environments, and pushing the technical core for modifications as environments changed. In his newer tradition, therefore, Thompson conceived of complex organizations as open systems faced with uncertainty that were, at the same time, subject to a rational criterion for certain needs. As did Lawrence and Lorsch (1967), he considered technology and environment as the major sources of uncertainty. He further argued that differences in those dimensions resulted in different structures, strategies, and decision processes.

Based on the above study and some others, Kast and Rosenzweig (1973) defined the contingency theory as a mid range theory between two extreme views, which state, on the one hand, that universal principles of organization and management exist or, on the other, that each organization is unique and each situation must be analyzed separately. The theory views an organization as a system composed of sub-systems and delineated by identifiable boundaries from its external environment. It underlines the multivariate nature of organization and attempts to understand how organizations operate under varying conditions and specific circumstances. Kast and Rosenzweig further emphasized that ultimately the theory is directed toward suggesting organizational designs and managerial practices most appropriate for specific situations.

Since then, the contingency theory has become popular in management research. Galbraith (1973) asserted that this popularity could be attributed partly to the assumptions that there was no one best way to manage an organization and that any one way of organizing is not equally effective under all conditions. Criticisms and suggestions from some writers, such as Miller (1981), Schoonhoven (1981), and Tosi and Slocum (1984) further enhanced the theory in terms of the conceptualization of variables and the specificity in the relationships among them. In addition, the availability of statistical tools for multivariate analysis facilitated the proliferation of its application. The theory is not only used for research and theory building in the fields of organization theory, strategic management, and organizational behavior, but is also utilized in marketing (Zeithaml, Varadarajan, and Zeithaml, 1988). It enables researchers and managers to understand organizational needs and to provide the basis for detailed organizational analysis, which facilitates description of detailed patterns of organizational relations. Such analysis will generate possible solutions to the arising problems (Morgan, 1997).

The Concept of Organization – Environment Fit

The central theme in most contingency studies is the fit between the organization and its environment to improve effectiveness. However, in early contingency studies the concept of fit was understood and discussed implicitly. They postulated the organization – environment relationship using phrases such as: congruent with, matched with, or contingent upon (Venkatraman and Prescott, 1990). Aldrich (1979) was one theorist who explicitly states and popularizes this concept. He proposed that organizational forms must either fit their environmental niches or fail. Using Campbell's (1969) population ecology, rooted in the theory of biological evolution, he developed what he called “population ecology” or the natural selection model.

Through this model, he endeavored to explain changes in organizational forms by focusing on the nature and distribution of resources in an organization's environment. He defined organizational forms as specific configurations of goals, boundaries, and activities, and classified distribution resources into six dimensions: capacity, homogeneity-heterogeneity, stability-instability, concentration-dispersion, domain consensus-dissensus and degree of turbulence. Various combinations of these dimensions and other constraints created environmental niches for organizations. Organizational forms were managed in order to exploit the environmental resources within a niche. Aldrich highlighted that the process of organizational change meant organizations were moving toward a better fit with the environment. He examined this movement (organizational change) under three stages: variation, selection, and retention. The general principle was that variation generates new material from which environmental selection was made, while retention mechanisms preserved the selected form.

Moreover, Aldrich (1979) pointed out the importance of environmental selection relative to intra-organizational factors as a critical difference between his model and the more traditional view. He acknowledged the possibility of exercising strategic choices, but he argued that at least three environmental conditions limit the decision-makers to realize the choices. First, organizations could not exploit many opportunities due to economic and legal barriers. Second, individual organizations did not have enough power to influence the environment. Third, the distortions of the decision-makers' perceptions of the environment limited the possible range of truly strategic choices. These limitations severely constrained the decision-makers' ability to change either their environmental niches or their organizational forms.

Finally, he concluded that the natural selection model was a general one, which may be applied to any situation where the three stages are present. When the three conditions were met, an evolution of better fit to the selective system became inevitable. He emphasized that a better fit did not mean that there is only one fit. Selection was a matter of relative superiority over other forms.

Unlike Aldrich (1979) who analyzed the concept of fit at the macro/industry level and downplayed the manager's role in choosing strategies to attain organizational fit, Chakravarthy (1982) explored the concept at the micro level and believes that the latitude for experimentation available to managers determined the ability of organizations to achieve a fit. He argued that constant pressure on short-term performance could make the managers overlook strategic goals. In addition, the extent of financial risk allowable for managers could determine whether or not they can be proactive in anticipating the environmental changes. The greater the risk allowable for managers, the more proactive strategies could be explored, and vice versa. Chakravarthy (1982) also revealed that information-processing ability of organizations and their material resources such as input material, finance and technology also determined the adaptive abilities of organizations. Organizations that had high adaptive abilities may prefer to take proactive strategies, while low- adaptive organizations were more likely to choose defensive strategies.

The above phenomena indicate the existence of disagreements among scholars with regard to organizational adaptation, which leads to two contradictory schools of thought: environmental determinism and strategic choice voluntarism.

The determinism school believes that organizational life is determined by intractable environmental constraints. It cannot easily adapt to different niches, since environmental factors such as macroeconomic, social and political forces overpower strategic management action in the long run. On the other hand, the voluntarism school considers the environment as the domain in which the managers define and enact their strategies. Astley and Van de Ven, (1983). Hrebiniak and Joyce (1985) deemed that the environment and managerial choice were not mutually exclusive. The two factors interacted with one another, and could be the independent variables in the process of fit. Combining these two factors in a diagram, Hrebiniak and Joyce (1985) identified four quadrants representing four possible conditions faced by organizations. The first quadrant denoted a condition with low strategic choice and high environment determinism, and was similar to the underlying assumptions of the determinism school. In this condition, managerial action was obviously limited and constrained by the environment. Organizations under such conditions must fit or were selected out by the environment: this included companies operating in perfectly and imperfectly competitive industries. The second quadrant was characterized by high levels of both strategic choice and environmental determinism. Under these conditions, many external forces affected and constrain decision-making; nevertheless, the organizations concerned benefit from the availability of choice. Large companies in highly regulated industries and multi-product or multi-divisional companies with little market and technological relatedness were typical examples of organizations in the second quadrant. In direct contrast to the first, the third quadrant represented conditions with high strategic choice and low environmental determinism. Like the school of strategic choice, organizations working under these conditions could deliberately define and enact policies and strategies, and otherwise influence their particular environmental domain.

The lack of environmental constraints made it easier for them to introduce innovations and engage in proactive behavior. Finally, the fourth quadrant stood for a low level in both strategic choice and environmental determinism. These conditions indicated that the organizations couldn't capitalize on even a benign and munificent environment, due to lack of innovation, proactive behavior, internal capabilities, or inappropriate competencies.

Hrebiniak and Joyce (1985) emphasized that the process of adaptation is dynamic. The position of an organization might shift as a result of strategic choices or external environmental changes. By organizational control over scarce resources, managers were still able to exercise their strategic choices, although the nature and impact of the actions would vary according to organization-environment context. This view supported the concept of fit proposed by Miles and Snow (1984): a concept based on the actual process of fit. Miles and Snow (1984) defined "fit" as a process or a state - a dynamic search that sought to align the organization with its environment and to arrange resources internally to support that alignment. They considered the basic alignment as strategy and termed the internal arrangement as organizational structure and management process. Their framework consisted of four main possibilities, which include minimal, tight, early, and fragile fits.

Based on a previous study of Snow and Hrebiniak, (1980), they concluded that organizations operating in a competitive environment called for minimal fit to survive. They found only organizations classified as Defenders, Prospectors, and Analyzers operated their strategy effectively, since they met the requirement of minimal fit, while organizations grouped as Reactors were generally ineffective, because their strategies were poorly articulated, unsuitable to the environment, or misaligned with organizational structure and management systems. Unless these organizations were protected by government regulations, they have to adjust their behavior or fail.

In addition, unlike the minimal fit, which did not guarantee an excellent performance, organizations achieving tight fit could achieve outstanding performance. Referring to the works of Drucker (1969) and Peters and Waterman (1983) who studied many successful companies in the U.S., Miles and Snow (1984) concluded that excellent performances of these companies are the result of the achievement of tight fit both externally with the environment and internally among strategy, structure and management process. In these conditions the strategy, structure, and process were well understood by all members at all level of the organization. Every member from front office to top managers clearly comprehended their roles and responsibilities in the attainment of the ultimate goals of the organization.

However, the tight fit was not straightforward and easy to achieve. It involved complex and long processes. It was usually preceded by an early fit that was the discovery and articulation of a new organizational form. Miles and Snow (1984) asserted that not all inventions could provide organizations with competitive advantages over a considerable period of time. Some innovations, such as patenting a particular product or technology, novel product design, or developing new distribution channels could only offer organizations temporary competitive advantages, because sooner or later, competitors could imitate or improve upon the innovation, which made the advantages disappear. Success in inventing a new organizational form, on the other hand, could enable an organization to hold the competitive advantage in the longer term. Competitors would have some difficulties, or at least will take a long time to copy the new form completely. Miles and Snow illustrated the success of General Motors, Sears Roebuck, and Hewlett-Packard in applying new forms of divisional organization structure as part of their diversification strategies. A new structure facilitated General Motors' steady improvement in its profit, even in the Depression and World War II, and such innovations had delivered sustained achievement to Sears Roebuck and Hewlett-Packard.

As any environment is dynamic and always changing, it is always possible for the degree of organization – environment fit to weaken. Miles and Snow (1984) emphasized that organizations must adjust their strategies, structures, or processes in response to environmental changes. However, some organizations might be unable or unwilling to adjust themselves to extreme environmental jolts. In such conditions, the deterioration of fit could actually lead to a misfit. Miles and Snow further stated that the external business environment was not the only the cause of declining fit, but an organizations' internal processes could instigate the decline. For example, the failure of managers to follow deliberate changes in strategies with appropriate structural and managerial adjustments could produce misfit. This could happen when the managers did not comprehend the strengths and limitations of alternate organizational forms. They might develop voluntary changes in internal structure and management process without considering their effects on strategy and market responsiveness in the long run. Similarly, managers who did not fully understand the alternate forms might regularly make minor changes to accommodate demands for which the systems were not designed. However, as this happens over time, the changes might gradually unravel the entire system. These phenomena indicate that the organization's fit may be quite fragile in relation to changes in the external environment and to unintended internal unravelling.

In addition to the process of fit in regard to voluntarism-determinism, some scholars also criticized research on the concept of "fit" with regard to its lack of conceptualization and its simple bivariate approaches. Basically the need for conceptual clarification in the early development stage of the concept was emphasized. Van de Ven (1979), for example, identified four different conceptual meanings of fit, which could alter the essence of Aldrich's (1979) concept of the relationship of organization and environment. Similarly, Schoonhoven (1981) argued the need to develop a more detailed specification of fit. In the absence of this kind of specificity, researchers tended to present different ideas of "fit" such as contingency, consistency, match, congruence, or alignment, which, in turn, result in to inconsistent outcomes and hampering of the theory building process (Drazin and Van de Ven, 1985; Fry and Smith, 1987). Moreover, as organizations faced many contingency factors, it was not possible to use simple bivariate approaches to analyze them and to make an accurate conceptualization of fit. Organizations did not only try to fit their strategies to the environment, but also attempted to fit the strategies to their unique competencies. This indicated the multiple dimensionality of the concept of fit, which therefore needed more than simple bivariate approaches (Zajac, Kraatz, and Bresser, 2000). To overcome the above handicap Venkatraman (1989) proposed six different concepts of fit. By reviewing research on strategic fit, he developed concepts of fit- based relationships in terms of the degree of specificity of functional form and the choice of anchoring specification. These included fit as moderation, mediation, matching, covariation, profile deviation, and as gestalt. The concepts not only described the relationship between two variables, but also portrayed the relationships among multiple variables. For example, fit as moderation or mediation considered only two variables, while fit as covariation, profile deviation and gestalt involved multiple variables. In addition, Venkatraman also offered possible analytical tools for each concept, to provide a link between the concepts and theory testing. Finally, he encouraged the use of multiple concepts of fit to gain more useful and powerful operationalization, data collection and analysis, and interpretation of the results.

Perspective on Strategy Research

Since the main tasks of managers are to develop and utilize a strategy that aligns the organization's capabilities with the opportunities and constraints present in its environment, and to arrange resources internally to support the alignment (Miles and Snow, 1984, 1994), the concept of fit becomes a central thrust in strategy research. However, apart from diverse conceptualizations of fit as mentioned in the previous section, the strategy research based on their focus can be classified into two distinct school of thoughts: strategy content and strategy process (Jemison, 1981; Rajagopalan and Spreitzer, 1997).

Strategy Content School

Research in strategy content specifically concentrates on what was decided (the content of the strategy) and focuses on the relationship between strategy and performance under different conditions/environments. In other words, strategy content studies place more emphasis on investigation of the external business environment as opposed to the internal one. Industrial organization studies contributed to the existence of this school of thought. Based on the Bain/Mason paradigm (Structure–Conduct–Performance), they investigated and promote how industries in which the organizations operate influence their strategic choices (Porter, 1981). For example, Hambrick (1983) focused on the influence of industry environment on strategic choice. He found organizations operating under stable environments tended to select a cost leadership strategy. However, if organizations work in unstable environments, they would select a differentiation strategy, as the dynamism of the environment limited their ability to utilize a cost leadership strategy. In addition, the environment determined the strategic orientation of an organization. Environmental factors such as complexity, dynamism, and hostility correlated negatively with a proactive strategic orientation, but they associated positively with a defensive one (Tan and Litschert, 1994).

Technological changes can make the environment become hostile and uncertain. Such changes can make the useable life of sophisticated machines shorter than anticipated, thus forcing organizations to undertake technological innovation to stay in the market. However, organizations use different strategies to cope with these changes. For example, Dvir, Segev, and Senhar (1993) classifed the strategies used in electronic and computer companies as Prospector, Analyzer, and Defender. Their study indicated monitoring and adopting technological innovations in the "Analyzer" companies correlated positive, significant to short term performance, while in the "Defender" companies these technological activities associated positive, significant to both short and long term performance. Prospector companies, on the other hand, could only gain better long-term performance from monitoring and adopting technological innovations. The technological innovations related negatively, but not significantly, to short-term performance, indicating that the companies invest more aggressively in the innovations. However, market conditions where the organizations operate can also determine the strategic choice. Luo and Park (2001) revealed that organizations with "Analyzer" as the strategic orientation achieved better performance than organizations utilizing "Prospector" or "Defender". They suggested that organizations operating in the emerging Chinese market should be innovative and adaptive but not too proactive and risk taking.

Moreover, the strategy of choice relates to the organizational structure. Grinyer, Yasai-Ardekani, and Al Bazzaz (1980) suggested that while strategy positively related to structure, environment correlates negatively with performance. As strategy reduced the uncertainty of contingencies, organizations tended to use bureaucratic uncertainty reduction, differentiation, or integration devices. On the other hand, they might employ organic uncertainty reduction, differentiation, or integration devices, when the strategy increased the uncertainty of contingencies (Miller, 1987). A better fit between strategy and structure promoted more effective coping with environmental turbulence, which in turn led to better performance (Adeyemi-Bello, 2000). In conclusion, studies on strategy content indicate that to attain better performance, organizations must align their strategy to the environment [Venkatraman and Prescott 1990). Misfit between the strategy and structure in relation to their environment will lead to lower performance (Naman and Slevin, 1993). Broad scanning information on customers and competitors can help organizations to attain the right fit (Beal, 2000). However as mentioned earlier, the studies do not take into account the internal environment of the organizations. Table 2.1 below provides a summary of strategy content research in more detail. Whilst not including all relevant studies, it nevertheless presents a representative selection of known studies on strategy content.

Table 2. 1: Summary of Selected Empirical Studies on Strategy Content

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Grinyer, Yasai-Ardekani, & Al-Bazzaz (1980)	Senior manager of 48 companies in the UK. Data were collected through cross sectional survey and structured interview.	The degree of diversification (strategy), degree of divisionalization (structure), company's size, technological change (environment), and ROI (performance).	Correlation Analysis	Significantly positive correlation between strategy and structure. Good match or fit between strategy and structure can reduce the environmental pressure. Environment correlates negatively and significantly with the performance. A better fit between strategy and structure promotes more effective coping with

				environmental turbulence which in turn leads to better performance.
Hambrick (1983)	164 capital good firms in the PIMS database.	Strategy (differentiation, cost leadership, and focus), performance (ROI).	Regression, and Cluster Analysis	Cost leadership strategy is found to be a fit only in disciplined capital goods manufacturers (DMs) operating under a stable environment. The strategy seems not to suit aggressive manufacturers of complex capital goods (Acs), since their dynamic environments limit these manufacturers' abilities to maximally utilise the strategy. In addition, differentiation strategy is not only suitable for the ACs but also for the DMs to attain high profit. However, while the ACs tend to emphasize product quality, affinity with users, technological protection, and product innovation to cope with environmental changes, the DMs focus on product

				quality and image. This study indicates that even though Porter's generic strategies can promote good performance, not all generic strategies can fit to a particular industry. The study also indicates that there are some variations within the broad context of generic strategy. The match between the strategy and its environment determines the performance of the manufacturer.
Prescott (1986)	1,638 business units in the PIMS data base	8 environment variables, 4 strategy variables, and ROI as performance variable.	Cluster and discriminant analysis, correlation, and regression analysis	Supporting the hypothesis, findings indicate that environment modifies the strength, not the form, of the strategy – performance relationship
Miller (1987)	161 Senior Managers on major US firms, and 110 Senior Manager in the Canadian and Australian firms. Questionnaires were used for collecting data.	Strategic variables (complex product innovation, marketing differentiation, breadth, and conservative cost control), structural	Correlation Analysis	Finds significant correlation between strategy and structure. Strategy reduces the uncertainty of contingencies so firms tend to use bureaucratic uncertainty reduction,

		variables (bureaucratic & organic in term of uncertainty reduction, differentiation, and integration), and environmental variables (dynamism, heterogeneity, and hostility)`		differentiation, or integration devices. However, they may employ organic uncertainty reduction, differentiation, or integration devices when their strategies increase the uncertainty of contingencies. Strategy significantly correlates to its environment: firms operating in a dynamic environment usually utilize complex product innovation, breadth innovation, or marketing differentiation strategies, while firms facing a more stable environment tend to employ conservative cost control.
Venktra m an & Prescott (1990)	1638 firms (Phase I) And 821 firms (PhaseII). PIMS database was the source of data.	8 environmental variables, 17 strategy variables, and performance (ROI)	Ordinary Least Square, Cluster, Regression, and Correlation Analysis	Three steps of systematic analysis support the hypothesis that the alignment between strategies and their environments may significantly increase performance. Replication of the

				model, using different data, provides similar results, indicating further support for the previous findings.
Naman & Slevin (1993)	82 senior managers of manufacturing companies. Data were collected through mailed questionnaire	Environmental turbulence, entrepreneurial style, organization structure, mission strategy, and performance.	Regression, Correlation Analysis, and ANOVA	Misfit influences the performance negatively and significantly. Since the misfit measures the sum of the difference between desired and reported levels of entrepreneurship, organizational structure, and mission strategy, the authors suggest the use of these variables to determine the organization – environment fit.
Dvir, Segev, & Shenhar (1993)	76 managers of electronic and computer companies. Data Collected through questionnaires and interview	Strategy (Prospector, Analyzer, and Defender), technological progress (monitoring, and adopting technological innovation), performance (short, and long term)	Correlation, t-test and Mann-Whitney test	Monitoring and adopting technological innovations in Analyzer companies, correlate positively and significantly to short term performance, while in Defender companies these technological activities are associated positively and significantly with both short and

				long term performance. Prospector companies, on the other hand, can only gain better long-term performance from their monitoring and adopting technological innovations. The technological innovations relate negatively but not significantly to short-term performance, indicating that the companies invest more aggressively in the innovations.
Tan & Litschert (1994)	97 managers of electronic firms in China. Questionnaires were used in collecting data.	Environment (complexity, dynamism, and hostility), strategic orientation (analysis, defensiveness, futurity, degrees of risk and proactivity), and performance	Canonical Correlation, Pearson-Correlation, and Multiple Regression Analysis	All environmental forces (complexity, dynamism, and hostility) influence the strategic orientation of electronic firms. While they correlate negatively with proactive strategic orientation, they associate positively with defensive strategic orientation. The match of a strategic orientation to its environment yields better performance both in terms of overall performance and

				profit.
Adeyemi-Bello (2000)	187 CEO of Banks in US. Mailed questionnaires were used to collect data.	Strategy, internal organizational structure, degree of competition, and ROA.	Correlation, and Moderated Regression Analysis	The degree of competition, dynamic strategy, and organic structure influence the banks' ROA. The fit between the degree of competition, strategy, and organizational structure influences the ROA positively and significantly.
Beal (2000)	101CEOs of small firms. Mailed questionnaires were used to collect data	Industry life cycle (introduction, growth, maturity, and decline), strategy (low cost, differentiation in innovation, marketing, quality, and in service), scanning frequency, scanning scope, and performance.	Factor Analysis and ANOVA	While the scope of scanning influences the alignment between strategy and environment, the frequency of scanning does not indicate any effect on the alignment. It seems that broad scanning information of customers and competitors facilitates the strategy – environment alignment for firms operating in both growth and mature industries.
Luo & Park (2001)	113 Deputy and General Manager of MNC subsidiaries in	Environment (complexity, dynamism, and hostility),	Factor, Canonical, and Multiple	Environmental factors of the Chinese market affect the strategic

	China. Data were collected through questionnaire	strategic orientation (Prospector, Analyzer, and Defender), and performance (ROA, sales growth, and competitive position)	Regression Analysis.	orientation of MNC subsidiaries. Among the three strategic orientations, Analyzer has the strongest relationship with the environmental factors. This indicates that firms use Analyzer as a mechanism to fit the operations to their environments. Firms with Analyzer as the strategic orientation achieve better performance than did firms with Prospector or Defender. Conclusion:foreign firms should be innovative and adaptive but not too proactive and risk taking to operate in the emerging Chinese market.

Strategy Process School

In contrast with the strategy content, studies of the strategy process concentrate primarily on actions that lead to and support the strategy. These studies focus on the influence of environment, organization, and the decision process on organizational performance. However, Rajagopalan, Rasheed, and Datta, (1993) found that only limited studies existed that investigate the direct impact of environment on strategy decision-making. Most of the studies considered environmental influences only implicitly, as part of the context of the decision process.

Studies of strategy process focused more on top managers as organizational factors influencing the decision process, as they played an important role in determining the direction of organizations. Bourgeois III (1985), for example, indicated that the divergence of managers' perception of environmental uncertainty (PEU) from the true state of environmental volatility correlated negatively and significantly with economic performance, while managers' disagreements on the PEU and strategic goals had positive and significant correlations with the performance. He concluded that the variation in PEU and goals amongst managers could promote higher performance, so long as their perception of the environment matched with the true conditions. Supporting this finding, Priem (1994) uncovered a positive relationship between CEOs' judgement of the strategy-structure-environment alignment and the realised strategy-structure-environment fit of the organizations. Although, he did not find any support for CEO characteristics and the strategy decision process as determinant factors of the CEO judgement, he believed the judgement facilitates the attainment of better performance.

Functional experience of the managers may affect their strategic orientation. Managers with greater experience in marketing tend to have a greater willingness to take risks and greater tolerance for ambiguity. Such managers fit for the successful implementation of "Build" strategy, but not for the "Harvest" one (Gupta and Govindarajan, 1984). Beal and Yasai-Ardekani (2000) supported this fit between managers' experience and their competitive strategy. They found that innovation strategy might succeed when managers have greater experience in R & D, while greater experience in engineering might lead to successful implementation of quality differentiation strategy.

Accounting experience, on the other hand, became a prerequisite, combining with other requisite expertise to facilitate execution of hybrid strategies involving low cost leadership. In addition to functional experience, the personality of managers might influence their strategic choice (Miller and Toulous, 1986). Flexible managers tended to use niche strategy to market their products. They were much more reactive, risk taking and more intuitive in formulating their strategies. They used informal structure with some authority delegation in running the organizations. On contrary, managers needing achievement tended to use breadth market strategy. They emphasized analytical, proactive decision-making and a sophisticated, formal structure. Managers with an internal locus of control, on the other hand, preferred to employ product innovation strategy. They were more innovative, risk taking, proactive and futuristic. They emphasized specialisation and on long-term rather than short-term results (Miller, Kets De Vries, and Toulouse, 1982).

Moreover, the types of decision-making used determine the performance of organizations. Frederickson (1984) found that the broad-based components of strategic decision-making, such as situation diagnosis, alternative generation and evaluation and decision integration led to better performance for organizations that operated in a stable environment. Such a rational model of decision-making enables the manager to make selective decisions to exploit the available opportunities. However, this rational model was not appropriate for organizations working in an unstable environment. In a changing and dynamic environment, an incremental approach to decision-making was more likely to lead to superior performance, due to its speed in coping with environmental changes (Frederickson and Mitchell, 1984; Judge and Miller, 1991). To speed the decision-making, managers in a high-velocity environment used experienced counselors to assist in accelerating the development of alternatives and in reducing ambiguity, to engage in active conflict resolution to achieve consensus, and to integrate the strategic decisions with one another and with tactical plans (Eisenhardt, 1989).

In addition, acceleration of the strategy making process could also be achieved through delegation of authority to functional managers. This authority delegation could eliminate political behavior among the managers (Bourgeois III and Eisenhardt, 1988), since this behavior emerged when the power was centralized in the top managers (Eisenhardt and Bourgeois III, 1988). Authority delegation also encouraged middle managers' participation in decision-making and helped them to implement the strategy itself (Floyd and Wooldridge, 1994). Middle managers (MMs) had greater influence in low risk/return decisions than high ones, and in the implementation of strategic decisions than in their formulation. However, the longer the MMs had worked under their superior the greater their influence on strategic decisions (Schilit, 1987).

Strengthening these findings, Floyd and Wooldridge (1 992a) indicated that the nature of MMs' involvement, especially in championing alternatives, facilitating adaptability, and implementing deliberate strategy varied with strategy type. MMs in Prospector firms reported a greater level of championing activity than MMs in Defenders. They also carried on higher levels of facilitating and implementing activities than MMs in both Analyzers and Defenders. In general, implementing deliberate strategy was the highest level of activity and varies with the strategy type. Moreover, boundary spanning MMs had higher levels of both upward and downward strategic influence than non-boundary spanning ones, and the different is greater for upward influence. Organizations gained higher performance levels when their MMs had more uniform levels of downward influence and more varied levels of upward influence (Floyd and Wooldridge 1997). However, the motivation of MMs to raise strategic issues with top management depended on the willingness of top management to listen, the supportiveness of the organizational culture, the level of competitive and economic pressures, and the level of organizational change. Fear of negative consequences, downsizing conditions, uncertainty (about the future in general, about the future of organization and the like), and conservativeness of organizational culture might cause the MMs to be reluctant in raising strategic issues (Dutton, Ashford, O'neill, Heyes, and Wierba 1997).

In conclusion, studies on the strategy process agree that internal structural fit helps organizations to attain superior performance (Powell, 1992). However most of the studies concentrate on strategy formulation processes and tend to ignore the implementation aspects of the strategy. The lack of the implementation research is due to the complexity of multiple issues involved in the implementation process, attributed to the rapid changes in the business environment and incompatibility between he leadership/managers skills and competence, organizational structure, and systems and processes in the organization. The most common assumption used by researchers is that strategy implementation will be straightforward (Noble, 1999). Table 2.2 provides a summary of empirical studies on the strategy process. It should be noted that the table does not include all the relevant studies, but includes a representative sample.

Table 2. 2: Summary of Selected Empirical Studies on Strategy Process

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Miller, Kets De Vries, & Toulouse (1982)	33 Chief Executives of Canadian firms. Data collected through structured interviews.	Executive's locus of control (internal & external), strategy (innovation, risk taking, pro-activity, and futurity), structure (scanning, technocratisation, and differentiation), and environment (dynamism and heterogeneity).	Correlation Analysis	All hypotheses strongly supported. The internal locus of control significantly correlates to strategy, structure, and environment, whilst internal control has strongest correlation with the strategy making behavior. Executives employing internal control more innovative, risk taking, proactive, and futuristic than those using external control. Partial correlation analysis indicates that relationship between internal control and environment is mediated by the strategy. To the degree that the strategy variables are controlled for, internal control ceases to have significant correlation with the environment. Similar analysis is also performed

				to investigate the nature of relationship between internal control and structure, by controlling the influence of the strategy: results indicate that internal control relates to the structure indirectly. Internal locus of control may affect the strategy, which in turn has an impact on the structure and environment.
Gupta & Govindarajan (1984)	General Managers of 58 SBUs. Mail questionnaires are used for data collections.	SBU’s strategy (Build, Hold, Harvest, and Divest), experience in marketing/sales, willingness to take risk, tolerance of ambiguity, effectiveness of the strategy implementation.	Multiple Regression	Greater experience in marketing/sales, greater willingness to take risks, and greater tolerance for ambiguity contribute to the effectiveness of strategy implementation in the case of Build strategy but impede in Harvest ones. Findings support the view of matching the manager’s characteristics to either the strategic mission or stage of product life cycle.

Frederickson & Mitchell (1984)	109 CEOs of sawmills and planning firms. Structured interviewed were used to collect data	Comprehensiveness of strategic decision (situation diagnosis, alternative generation, alternative evaluation, and decision integration), performance (AROA, & % change in gross sales)	Partial Correlation Analysis	A comprehensive strategic decision process associates negatively and significantly with the average return on assets (AROA). A similar association exists between the comprehensiveness of the strategy and percentage change in gross sales, though this association is quite weak. Since participants of the study work in an unstable environment, the authors conclude that the incremental model of decision-making is more likely, in a changing and dynamic environment, to result in superior performance. Such environments are very complex, unpredictable, and prevent the high level of integration needed by the comprehensive approach. By employing the incremental model, managers

				can speed decision- making and work flexibly to cope with the changes.
Frederick - son (1984)	152 CEOs of paint and coatings firms. Data were collected through structured interviews	Comprehensiveness of strategic decision (situation diagnosis, alternative generation, alternative evaluation, and decision integration), performance (AROA, & % change in gross sales)	Partial Correlation Analysis	Situation diagnosis, alternative means of generation and evaluation, decision integration, and overall comprehensive measures correlate positively and significantly with the average return on assets, but not with the change in sales. The authors conclude that rational model of decision-making is characterised by a comprehensive process, which is more suitable in a stable environment, since the firms studied operate in a stable environment. The managers must make selective decisions to exploit the limited opportunities.
Bourgeois III (1985)	99 CEOs and members of top management team. Interview, mailed questionnaire were	Environmental volatility (commercial and technological), perceived	Correlation Analysis	The divergence of managers' perception of environmental uncertainty from

	used to collect data.	environmental uncertainty, strategic goals, and economic performance.		the true state of environmental volatility correlates negatively and significantly with economic performance. On the other hand, managers' disagreements on both perceived environmental uncertainty (PEU) and strategic goals have positive and significant correlations with performance. In conclusion, variation in PEU and goals amongst managers can promote higher performance, so long as their perception of the environment matches with the true state of affairs.
Miller & Toulouse (1986)	97 CEOs of firms in Quebec. Interviews were used to collect data.	CEO personality (flexibility, need for achievement, and locus of control), strategy (innovation, marketing differentiation, and focus), strategy making (future/planning, analysis, proactiveness,	Partial Correlation and Regression Analysis	Flexible CEOs tend to use niche strategy to market their products. They are much more reactive, risk taking and more intuitive in formulating their strategies. They use informal structure, with

		and risk taking) structure (delegation, formalization, specialisation, technocrats and professional, liaison devices, and control), performance, size of firm, and environmental context		some authority delegation in running the organization. Flexible CEOs working in small firms within a stable environment can realise superior performance. On contrary, CEOs who need achievement tend to use breadth market strategy. They emphasize analytical, proactive decision- making and a sophisticated, formal structure. This dimension of a CEO's personality is not associated with organizational performance. CEOs with internal locus of control on the other hand, prefer to employ a product innovation strategy that requires long term planning for the future of their products. They emphasize specialisation and long-term, rather than short-term, results.
Schilit (1987)	60 middle-level managers (MLMs)	Demographic (organizational	Descriptive, Correlation	MLMs have greater influence

	from 57 organizations. Data were gathered through questionnaires and participants' records	size and sector, functional area, and number of years working for superior), riskiness/return strategic decisions (44 types), upward influence (nature, method, and outcome)	, and Stepwise Regression Analysis	in low risk/return decisions than high ones, in the implementation of strategic decisions than their formulation process, and in private organizations than in public ones. In addition the longer the MLMs work for their superior the greater their influence on the strategic decisions. They may use rational or persuasive arguments to influence strategic decisions.
Bourgeois III & Eisenhardt (1988)	4 microcomputer companies. Data were gathered through semi-structured interviews with CEOs and top managers, questionnaires, and secondary sources.	Decentralisation of power, decision process (comprehensiveness, newness of alternatives), decision speed, and performance.	Descriptive and Qualitative Analysis	Effective executives in high-velocity environments employ comprehensive analysis, emphasising product innovation and speed of decision-making. They delegate authority to functional managers for strategic decision-making and reducing political behavior. Comprehensive analysis enhances the quality of initial

				decisions, and decentralisation of power supports quality further through adaptablity to environmental changes.
Eisenhardt & Bourgeois III (1988)	8 microcomputer companies. Data were gathered through semi-structured interviews with CEO and top manager, questionnaires, and secondary sources.	Centralisation of power, decision process (political behavior, conflict, stability of alliance), performance (CEO's ranking relative to other companies in industry, sales growth, and return on sales)	Descriptive and Qualitative Analysis	Politics emerge as the result of centralisation of power. In the absence of power centralisation, conflicts do not lead to the use of politics. Politics are managed through stable alliances, based on demographic characteristics, not on issue-specific agreements. The existence of high politics within top management results in poor performance, both in economic and decision-process outcomes.
Eisenhardt (1989)	8 microcomputer companies. Data were gathered through semi-structured interviews with CEO and top manager, questionnaires, and secondary sources.	Decision process (real- time information, multiple simultaneous alternatives, two-tier advice process, consensus, decision integration), decision speed, performance	Descriptive and Qualitative Analysis	To speed decision-making, top management teams in high velocity environments tend to use more information, to consider more simultaneous alternatives for comparison, to use experienced

				counsellors to expedite the development of alternatives to help reduce ambiguity, to engage in active conflict resolution to achieve consensus, and to integrate strategic decisions with one another and with tactical plans. Fast strategic decision-making results in better performance.
Judge & Miller (1991)	86 CEOs and Top Managers in Biotechnology, Hospital, and Textile companies. Interviews were used to collect data.	Decision speed, decision importance, organizational size, number of alternatives, board experience, performance	Correlation Analysis	When a number of simultaneous alternatives are considered apart from the environmental context, decision speed increases: however, board experience tends to reduce the speed. Only biotechnology companies operating in a high-velocity environment enjoy the advantage of better performance as a result of speedy decision-making. The relationships amongst board experience, speed and performance

				tend to increase as environmental velocity increases, while the relationship between speed and the number of alternatives is unchanged in any environmental context.
Powell (1992)	113 CEOs of 544 firms listed in Dun's Million Dollar Directory and Standard and Poor's Register. Mail survey was used to collect data.	Structure (controls, formalization, standardisation, liaison devices, centralisation, automation, integration, and differentiation), formal planning (goal setting, scanning, analysis, and overall comprehensive), strategy content (production cost, differentiation, innovation, and market breadth), firm size, and performance.	Correlation Analysis	Organizational alignment, especially internal structural fit, size-planning, comprehensiveness and a CEO with an internal locus of control help firms to gain supernormal profits, and act as sources of competitive advantage. Further analysis shows that these organizational alignments are not generated by chance or luck, but are the result of administrative skill, thus alignment skills stand alongside industry and strategic positioning. The study suggests the importance of organizational factors, particularly the

				alignment of key variables, as additional sources of competitive advantage.
Floyd & Wooldridge (1992)	259 middle managers (MMs) Questionnaires were used in data collection	Strategic type (Prospectors, Analyzer, and Defender), manager involvement (facilitating, synthesizing, championing, and implementing).	Correlation, Factor Analysis, and MANOVA	MMs' involvement activities, especially championing alternatives, facilitating adaptability, and implementing deliberate strategies vary by strategy type. MMs in Prospector firms report a greater level of championing activity than MMs in Defenders. They also carry on higher levels of facilitating and implementing activities than MMs in both Analyzers and Defenders. Implementing deliberate strategy is the highest level of activity. However, MMs' involvement in implementing activity varies according to the type of strategy selected.
Priem	CEOs and top	CEO judgment	ANOVA,	The CEOs

(1994)	managers of 33 manufacturing companies (multiple responses). Data were collected through mailed questionnaires	policies, strategy (cost leadership, innovative differentiation, and marketing differentiation), structure (formulation, decentralisation, specialisation, control, and liaison devices), strategy making (scanning, analysis, and planning process), CEO characteristics (age, education, tenure) and performance	MANOVA, Descriptive, Metric Conjoint, Correlation, Multiple Regression, and Cluster Analysis	judgement in decision-making concerned with the strategy-structure-environment alignment is strongly related to the realised strategy-structure-environment fit of the firm. CEOs judgements following the prescriptions of contingency theory result in better performance. No support found for CEO characteristics and the strategy making process as determinant factors of CEO judgement. Even so, rationality in strategy-making, represented by scanning, analysis, and the planning process, helps CEOs to attain better performance.
Floyd and Wooldridge (1997)	259 middle managers from 25 firms. Data collected through mailed questionnaires.	Boundary spanning position, strategic influence activity, patterns in middle management strategic activity,	Multiple Regression and ANOVA	Findings indicate that boundary-spanning middle managers have higher levels of both upward and downward strategic influence than non-boundary

		performance, and control variables (tenure in position, size of organizations, and industry)		spanning ones, and the difference is greater in regard to upward influence. Organizations attain higher performance when their middle managers have more uniform levels of downward influence and more varied levels of upward influence. There is no difference in the performance of organizations when they are classified on the basis of their size and industry.
Dutton, Ashford, O'ne ill, Hayes, Wierba (1997)	Study I: 30 middle-level managers (MLMs) of Regional Telecommunication company in Midwest USA. Interviews were used to collect data. Study II: 118 middle-level managers (MLMs) of Regional Telecommunication company in Midwest USA. Mailed questionnaires were used to collect data.	Study I: Perceptions of favourable and unfavourable organizational environment for selling issues to top management. Study II: Perception of conditions and factors affect the image risk of selling issues, demographic (age, gender, and employment tenure)	Study I: Qualitative Analysis Study II: Factor Analysis and Paired t-Test	Study I: The motivation of MLMs to raise strategic issues with top management depends on the willingness of top management to listen, the supportiveness of the organization's culture, competitive and economic pressures and the level of organizational change. However, fear of negative

				consequences, downsizing conditions, uncertainty (about the future in general, about the future of organization and players, and the like), and conservativeness of organizational culture may cause the MLMs to be reluctant in raising strategic issues. Study II: Three factors perceived by MLMs to contribute to the risk of losing their image: the violation of normal procedures, political vulnerability and distant seller-target relationships. No relationship between demographic characteristics and the three factors above, except for age, which is significantly correlated with norm violation and political vulnerability.

Beal & Yasai-Ardekani (2000)	101 CEOs of small manufacturing companies. Data were collected through mailed questionnaires	Competitive strategies (low cost; innovation, marketing, quality, & service differentiations and hybrid), CEO functional experience (R & D, marketing, engineering, sales, and accounting), performance	Regression Analysis	The results reveal that a fit between CEOs' experience and their competitive strategy results superior performance. While innovation strategy may succeed as the CEO has greater experience in R & D, greater experience in engineering may lead to successful implementation of quality differentiation strategy. In addition, engineering rather than accounting and sales experiences may be required to implement low cost and service differentiation strategies effectively. Accounting experience becomes a prerequisite combining with other requisite expertise to execute hybrid strategy involving low cost leadership.

The Roles of the Marketing Manager and Marketing Concept in Organizations

As mentioned earlier, organizations must fit with their environment or they fail (Aldrich, 1979). However, making the organization fit to its environment depends on the top managements' perception of the environment, as top management makes strategic decisions based not on the environment itself, but on their perceptions of environmental realities. The effectiveness of strategic decisions, therefore, is subject to the match of top managements' perceptions of environment and resources capabilities to their realities (Anderson and Paine, 1975; Glaister and Thwaites, 1993). To increase the match of these perceptions to their realities, top management should improve the quantity and quality of the environmental information (Provan, 1989). However, in a complex and dynamic organizational environment, the top management cannot detect, interpret, and handle the environmental changes by themselves (Walsh, 1995) as their information capacity and the time available do not enable them to do so. They must rely on their middle managers' support for all strategic information (Barlett and Goshal, 1994). The middle managers' inputs will expose top management to the strategic issues through the viewpoints of those closer to the actual operations of the organization.

Since middle managers can direct and influence top managements' strategic decision-making by presenting the strategic issues in appropriate ways, they have to compete with the other managers to attract the top managements' attention (Dutton and Ashford, 1993). However top management will not place equal value on the strategic issues provided by their middle managers. As asserted by Pfeffer and Salancik (1978), those coalition participants who provide crucial resources would have more influence and control over the organization. In other words, some departments or sub organizations will be more influential than others, as they are seen as being critical to the success of the organization as a whole. For example, the increase of unionism in the 1930's enhanced the role and influence of industrial departments in large corporations.

From this perspective, a manager who is responsible for the marketing area would play a crucial role in providing strategic information to top management to satisfy long-term needs of customer coalition. In other words, a marketing manager can persuade top management to implement a marketing concept (Anderson, 1982). The marketing concept posits that the key to profitability is not current sales volume, but long term customer satisfaction. The only valid definition of business purpose is to create a satisfied customer, and in doing so, any business enterprise has two basic functions: marketing and innovation (Drucker, 1969). Top management is responsible for creating this environment, viewpoint, attitude, and aspiration. These expressions of marketing concept indicate that the executive must put the customer's interests at the top of the firm's priorities. Its product should be tailored and modified in respond to changing customer needs. Profit is not the objective, it is just the reward for creating satisfied customers (Levitt, 1960).

The marketing concept became popular in business in the 1 960s. Evidence indicated that both large and medium manufacturing firms, to a large extent, adopt the marketing concept (Hise, 1965).

There was an inclination that large firms were more fully committed to adopting and implementing marketing concepts than small and medium ones. Similarly, consumer goods' firms tended to adopt and implement the marketing concept to a greater degree than industrial ones (McNamara, 1972). However significant variations in the response pattern among practitioners and academicians indicated that few firms were able to implement the marketing concept on a day-to-day basis. Ames (1970) reported that many firms' moves to become more marketing-oriented fell into the "trappings" of marketing rather than the substance. There was no fundamental shift in thinking and attitudes throughout the firm, and this was what was needed to ensure that everyone in every functional area placed paramount importance on being responsive to market needs. If there was no change in thinking and attitude, even most highly developed marketing operation could not produce any real result.

These inappropriate implementations of the marketing concept not only generated unintended results but also caused some criticism of the pertinence of the concept. Bell and Emory (1971) suggested that the businessman's operational interpretation of customer orientation had not approached the philosophical meaning of providing customer satisfaction. It appeared that customer orientation had meant little more than looking to the customer for guidance as to what can be sold for profit. This implied that customer knowledge was simply a means to persuade or even to manipulate the customer. The marketing concept was also blamed to the lack competitiveness of American businesses. The implementation of the concept had led

American businesses to cut their R&D investment, resulting in the slow death of product innovation. The concept had diverted attention away from product and its manufacture to market research, advertising, selling, and promotion, to the suffering of product value (Bennett and Cooper, 1981). The emergence of the corporate strategic planning concept further lessened the adoption of the marketing concept in organizations. The fundamental purposes of strategic planning were to maintain the competitive strength of the firm and to improve its internal efficiency, whereas the corporate objectives were mostly focused on the achievement of certain returns on investment and market share (Ansoff, 1965). Webster (1988) considered that this concept viewed market opportunities in terms of the market's growth rate and the firm's ability to dominate its chosen market segments. In other words, it defined market as aggregations of competitors, not as customers.

In addition, Webster (1988) believed that the strategic planning concept not only shifted the management focus on to customers, but also removed the marketing role in strategic decision-making. This belief was based on Ansoff's classification of "marketing strategy" as an operation decision, not a strategic decision. In Ansoff's opinion, strategic decisions involved the selection of product-market mix, products to be offered, and markets to which the products were to be sold. He did not consider those decisions to be marketing decisions, because he defined marketing as a broad activity concerned with creating product acceptance, advertising, sales promotion, selling, distributing the product (including transportation and warehousing) contract administration, sales analysis, and very importantly servicing the product (Ansoff, 1965 :p.93). This made the role of marketing set back to its traditional role that is just creating demand for the products. Therefore, it was not so surprising when Webster (1981) found that many qualified marketing executives preferred to move into a strategic planning position, than to stay in marketing one.

He also discovered that marketing people failed to think creatively to provide proper stimulation and guidance for R & D and product development. Marketing people did not like to take risks and were unable to approach problems in an innovative and entrepreneurial fashion. Webster (1981) believed that these problems arose because of pressure of short-term sale volume and financial results on marketing people.

Briggadike (1981) noticed this lack of strategic orientation of marketing in the early 80's. He asserted that marketing does have a rich basis for hypothesising about strategic situations and a growing body of techniques to explore these hypotheses. Most reported studies, however, involved ad hoc problem-oriented research, with little attempt to integrate and extend the relationship to other situations. He judged that many marketers were scientists in the solving problems at brand, or, occasionally, at product level, but not in the theory-building sense. Supporting this judgement, Wind and Robertson (1983) stated that marketing discipline was dominated by marketing management, which was fundamentally concerned with the design of marketing programs and did not focus on the mission of a firm nor on how to gain competitive or consumer advantage. They identified seven limitations within the marketing discipline that should be addressed and corrected. These included a fixation with the brand as the unit analysis, the interdisciplinary isolation of marketing, the failure to examine synergy in the design of the marketing program, marketing's short run orientation, the lack of rigorous competitive analysis, the lack of international orientation, and the lack of an integrated strategic framework. Similar concern was also voiced by Day (1992), who argued that marketers were too slow in addressing some of the important issues of the past decade, and tended to stay too long with outmoded characterisation of strategy processes and issues. However, environmental changes in the 80s influenced the implementation of the corporate strategic planning concept. The resulting changes could lead to the future business environment being characterised by an unprecedented level of diversity, knowledge richness, and turbulence (Achrol, 1991). The main cause of these environmental changes was the rapid proliferation of technology. Manufacturing firms must modify their production systems and patterns with new technology. In some cases, the new technology shortened the product’s market life cycle. Technological development has moved the world toward a borderless marketplace: in other words, it has created global competition. Finally, technology, especially new information technology, has made consumers better informed, more knowledgeable, and more sophisticated in their choice processes (Denison and McDonald, 1995; Webster, 1997). The concept of strategic planning could not cope with these environmental changes. The adoption of the concept has made firms become large, bureaucratic and hierarchical organizations, and hence unable to change quickly. To cope with environmental changes, many firms developed new organizational forms. These new organizations emphasized partnership between firms, multiple types of ownership and partnering within the organization, teamwork among members of the organization, and often place less emphasis on formal contracting and managerial reporting, evaluation, and control. In addition to providing flexibility and acceleration in responding the environmental changes, the purpose of the new forms of organization was to build long-term strategic alliances and customer relationships (Webster, 1992). In addition, the discovery of the importance of product quality in determining profitability was another factor that makes the concept of corporate strategic planning become outmoded. It was found that the higher prices associated with higher product quality did not deter market penetration. Thus quality had positive effect on return on investment indirectly through its influence on market share (Phillips, Chang, and Buzzel, 1983). This discovery did not only force re-interpretation of PIMS data that emerged quality strategy model but also drove the emergence total quality management (TQM) that was concepts and tools for getting all employees focused on continues product or service improvement, in the eyes of customers (Schonberger, 1992).

The radical changes in business environment and the discovery of the strategic role of quality have led to a rediscovery of the marketing concept. As indicated by Webster (1988), many firms such as General Electric, GTE, 3 M, Hewlett-Packard and Ford have redesigned their marketing organizations. McKenna (1991) restated the importance of customer satisfaction and the marketing concept. He claimed that marketing was not a function, but a way of doing business. Meanwhile, Webster (1992, 1997) suggested re-definition of marketing's role in this new business environment. He believes that marketing obviously operates on three distinct levels of strategy: the corporate, the business or SBU and the functional or operating level. He also identified three dimensions of marketing - marketing as culture, marketing as strategy, and marketing as tactic. He further explained that though each marketing dimension was found in at each level of strategy, the emphasis accorded the separate dimensions of marketing varies with the level of strategy and the level within the hierarchy of the organization.

Day (1997) viewed the future role of marketing from a different standpoint. He contended that there could be changes in the role of marketing in the future.

Marketing would become a functional fiefdom if there was no significant change in organizational structure and marketing was already a lead function. However, marketing would become a subordinate function if the organization successfully implemented a hybrid structure with a strong process orientation. In this situation, marketing was likely to occupy a subordinate role in sale support activities or as a participant in core process teams. However, if the organization successfully executed a hybrid structure and maintains a strong marketing orientation, marketing would hold a central guidance function.

Finally, in the current complex business environment, marketing people must be critical and creative in implementing their roles. As emphasized by McKenna (1991) the marketers must be the integrators, both internally, by synthesizing technological capability with market needs and externally, by bringing the customer into the company as a participant in the development and adaptation of goods and services. It is a fundamental shift in the role and purpose of marketing: from manipulation of the customer to genuine customer involvement; from telling and selling to communicating and sharing knowledge; from last-in-function to corporate-credibility champion. This points out that the marketers must advance their capability to promote their important role. They must not only be able to maximize their customers' satisfaction, but also give a better return on investment for their companies. Evidence indicated that when marketers increase their knowledge and skill related to the product, service delivery, and financial accountability, marketing become a best function to manage the relationship between the organization and its consumer (Moorman and Rust, 1999). The main barrier of the marketing concept implementation was not because of non-acceptance of the concept by top management but rather because of poor image, complacency, poor integration, and lack of a secure knowledge base of marketers themselves (Denison and McDonald, 1995). However, customer orientation is too important to be left only to the marketing people. Delivering superior value to customers is the ultimate responsibility of every person in the organization. If this does not happen, the value of the firm is diminished. Marketing specialists are needed to keep the entire organization focused on the customer (Webster, 1997).

Perspectives on Marketing Strategy Research

As mentioned in the previous section, marketing scholars utilize the contingency theory for theory building. Zeithaml et al. (1988) revealed the common use of the theory in the contexts of marketing organizations, strategic marketing, and marketing behavior. Formerly, scholars in strategic marketing used the theory to investigate environmental influences on marketing strategy. However, considering the important role of marketing strategy to achieve superior performance in the current turbulent business environment, marketing strategy researchers need to expand their research focus to encompass not only environmental impacts on the content of marketing strategy but also to take account of the influence of environment on the process of marketing strategy formulation and implementation. As with strategy research in general, therefore, studies of marketing strategy, based on their focus, can be classified into content and process studies. The followings section discusses them in more detail.

Marketing Strategy Content Studies

Besides their contribution to the selection of appropriate product-market combinations (Jemison, 1980), marketing researchers also contributed work on the importance of product life cycle in strategy making. As indicated by Anderson and Zeithaml (1984), strategy should fit with the product life cycle to gain better performance. They found difference determinants of return on investment (ROI) in the growth and maturity stages of product life cycle. While marketing variables determined the ROI in the growth stage, industry variables influenced the ROI in the maturity stage. Product competition and efficiency variables affected the ROI in both stages, even though the effect was much higher in maturity than in the growth stage.

In addition, researchers also investigate environmental and organizational influences on the selection of marketing strategy. Burke (1984) revealed that market attractiveness and managers' reward systems were positively associated with build strategy, but entry barriers and synergy had a negative impact on it. This indicated that managers might choose a build strategy when the market is profitable, has good future prospects, and is easy to enter. This intention might be enhanced when the reward system for the managers emphasized short run organizational performance. Since implementing a build strategy might require many resources, it would lead to low levels of organizational synergy. On the other hand, managers might select a hold or pull back strategy when they perceived that the market was not buoyant.

Lusch and Laczniak (1989) found that increases in resource constraints amplified competitive intensity. They also discovered that this increase in competitive intensity made organizations emphasize non-price marketing strategy, though it did not lead to a better performance. Lusch and Laczniak argued for an insignificant relationship between marketing strategy and performance, because a more intensive competition market forced most organizations to engage in intensive promotion and new product development, which suppressed short term performance.

McDaniel and Kolari (1987) investigated the relationship between strategy types and marketing strategy orientation. They found significant differences in marketing orientation between Defenders and Prospectors, as well as between Defenders and Analyzers. Prospectors and Analyzers employed more proactive marketing strategy than Defenders. They engaged more activities in new product development, promotion, and marketing research than Defenders. McKee, Varadarajan, and Pride (1989) found similar results. They revealed significant differences in marketing tactics among Reactors, Defenders, Analyzers and Prospectors. Organizations with more adaptive strategy types might focus more on marketing efforts. Prospectors, for example, tended to use more scanning and product development efforts than the other strategy types. However, there were no differences between Defenders and Analyzers. Significant differences only existed between Defenders and Prospectors (Rajaratman and Chonko, 1995). Defenders tended to organize their marketing department on more functional structure than Prospectors.

Rajaratman and Chonko (1995) also indicated centralization of power seems to exist in Reactors, but not in the others. Prospectors tended to develop a more specialized organization structure and seek greater market penetration and product development. They expended greater effort in marketing than Defenders, Analyzers and Reactors. In relation to marketing effort, Defenders spent more significantly than Reactors. Finally, they revealed that Reactors had lower performance, either in term of earning/sales growth rate or return on sales/ investment than the other three types of business strategy. There were no differences in performance among these three.

Furthermore, marketing researchers also investigated the importance of the role of marketing strategy in exporting organizations. Madsen (1989), for instance, discovered that export marketing strategy was the key success factor of export performance in term of export sales, growth, and profits, while market and organizational factors only influenced export sales. Madsen also indicated the existence of inter-correlation and association among variables, especially in regard to the characteristics of firms and their markets. This meant that even though those variables did not have any significant relationship with export performance, they still had an indirect influence on it. Strengthening Madsen's findings, Cavusgil and Zou's (1994) revealed that product adaptation, support to foreign distributors/subsidiaries, international competence and commitment enhanced the performance of export ventures. They also discovered that the internal and external organizational environments influenced export marketing strategy. The most critical determinant of strategy was the technological orientation of an industry. It significantly determined all variables of the marketing strategy. Export market competitiveness also affected the strategy variables, except for price competitiveness.

This indicated that managers did not use price as a weapon in coping with market pressure. In addition, organizational international competence and experience with the product determined product and promotion adaptation. Management commitment to the venture affected only the support given to distributors and subsidiaries. Finally, whereas product uniqueness determined product and promotion adaptations, the only effect of cultural specificity of product was on product adaptation.

To succeed in entering global markets, entrepreneurship became a key orientation, especially for small and medium organizations (Knight, 2000). Such organizations made some preparations before entering the international market. They performed such activities as international market research, commitment of appropriate resources, and the adaptation of product and marketing dimensions. In addition, organizations employing a marketing leadership strategy tended to respond to globalization by being sensitive to its imperatives, modifying marketing and other strategies as needed.

In conclusion, to gain superior performance organizations should fit their marketing strategy to the current market environment. Centralization of power impedes the ability of organizations to be more adaptive and leads to lower performance (Ozsomer and Prussia, 1999; Rajaratman and Chonko, 1995). To be sensitive to environmental changes, organizations should employ a decentralised marketing structure. This enables marketing managers to easily adapt to environmental changes, and to achieve strategy – environment fit. Table 2.3 below presents empirical evidence on marketing strategy content research.

Table 2. 3: Summary of Selected Empirical Studies on Marketing Strategy Content

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Anderson & Zeithaml (1984)	1,234 industrial manufacturing companies in PIMS data base	Product life cycle (growth, maturity, & decline), strategic variables (industry, product competition, R&D, product / investment, efficiency, vertical integration, and marketing variables), performance (ROI & relative market share)	ANOVA and Multiple Regression Analysis	Many strategy variables significantly correlate to superior performance. However there is significant difference in the determinants of ROI in the growth and maturity stages. C.f. significant influence of marketing variables and industry variables in growth and maturity stages respectively. Product competition and efficiency variables significantly affect the ROI in both stages but the effect is much higher in the maturity than in the growth stage. Therefore, the business strategy should fit with the stage of the product life cycle to attain

				superior performance.
Burke (1984)	86 marketing managers. Data were collected through questionnaires	Environment variables (market attractiveness, relative competitive strength, level of uncertainty, exit, and entry arriers) organizational variables (reward system, and synergy), marketing strategy (build, hold, and pull back)	MANOVA, ANCOVA, Multiple Discriminant Analysis	Environment and organizational factors influence managers in selecting their marketing strategy. Market attractiveness and reward for short run performance are positively associated with build strategy, but entry barriers and synergy have negative impact on it. This indicates managers may choose build strategy when market is profitable, has good future prospects, and is easy to enter. This intention may be enhanced when the reward system for the managers emphasizes short run organizational performance. Because build strategy may require many resources, it can lead to a low level of organizational synergy. Managers may select hold or pull back strategy when market is not buoyant
McDaniel & Kolari (1987)	279 marketing managers of US banks. Mailed questionnaires were used to collect data.	Marketing environment, strategy types (Prospector, Analyzer, and Defender), and marketing	Cluster, Multiple Discriminat Analyses, MANOVA, ANOVA, and Duncan's	Significant differences in marketing orientation between Defenders and Prospectors, as well as between Defenders and Analyzers.

		strategy	Multiple Range Test.	Prospectors and Analyzers employ more proactive marketing strategy than Defenders. They engage in more activities in new product development, promotion, and marketing research than Defenders. Conclusion: Defenders lack marketing orientation and rely more on their traditional products.
Madsen (1989)	134 managers of Denmark industrial companies. Mailed questionnaires were used to collect data	Market and organizational characteristics, Export marketing strategy, and export performance	ANOVA and Multiple Regression Analysis	Export marketing strategy is the key success factor of export performance in term of export sales, growth, and profits. The other two independent variables (firm/market) only influence export sales. Results also indicate that inter-correlation and association exist among variables, especially regarding firm and market characteristics. This means that even though those variables do not have any significant relationship with export performance, they still have indirect influence on it. Interaction analysis indicated this relationship. Of the overall

				variables, product strength is the most important explanatory variable followed by planning and control intensity, export experience, and export market attractiveness.
McKee, Varadarajan, and Pride (1989)	333 managers of US Bank companies. Data were collected through mailed questionnaires	Market environment / volatility, organization strategy type (reactor, Defender, Analyzer, and Prospector), marketing tactics, and performance.	ANOVA and Non-Parametric Test of Correlation Analysis	Significant differences in marketing tactics among Reactors, Defenders, Analyzers, and Prospectors. Organizations with more adaptive strategy types may put more effort into marketing Prospectors, for example, tend to use more scanning and product development efforts than the other strategy types. Market volatility has significant direct relation-ship to marketing tactics. It is not only significantly related to organization performance but also moderates strategy types - performance relationships. However only in mildly positive volatile markets is the role of market volatility significant as moderating variable: it is not significant in negative and highly positive volatile markets.

Lusch & Laczniak (1989)	103 executives of 500 fortune companies. Data were collected by mailed questionnaires.	Resource constraints, structural fluctuations, competitive intensity, marketing strategies (product, promotion, & distribution), performance.	Structural Equation Modeling (LISREL)	Association found between resource constraints and structural fluctuations. However, an increase in resource constraints amplifies competitive intensity, while an increase in structural fluctuations does not. Increase in competitive intensity makes the organizations emphasize non-price marketing strategy, though it does not lead to a better performance. Insignificant relationship between marketing strategy and performance is probably because a more intensive competition market forces most organizations to engage intensive promotion and new product development, suppressing short term performance.
Cavusgil and Zou (1994)	202 marketing managers of US exporting ompanies. Data were collected through in depth interviews	Industry characteristics, market characteristics, organizational characteristics, product characteristics, export marketing strategy, and export performance	Exploratory, Confirmatory Factor, and Path Analyses	Product adaptation, support to foreign distributors/subsidiary, international competence, commitment to export venture enhance the performance of export ventures. Other export marketing strategies

				such as price competitiveness and promotion adaptation influence the performance insignificantly. Internal and external organizational environments influence export marketing variables. The most critical determinant of strategy is technological orientation of industry, which significantly determines all variables of the marketing strategy. Export market competitiveness also affects the strategy variables, except price competitiveness. This indicated that managers do not use price as a weapon in coping with the market pressure. In addition, organizational international competence and experience with the product determine product and promotion adaptation. Management commitment to the venture affects only support given to distributors/subsidiaries. Finally whereas product uniqueness

				determines product and promotion adaptations, cultural specificity of product only affects product adaptation significantly.
Rajaratnam & Chonko (1995)	410 marketing managers of service organizations. Data were collected through mailed questionnaires	Organization structure, marketing organization, growth strategy, strategic orientation, and performance	ANOVA and MANOVA	No difference between Defenders and Analyzers in organizing the marketing department. Significant differences only exist between Defenders and prospectors: Defenders tend to organize their marketing departments on a more functional structure than do Prospectors. No difference among the four business strategy types in regard to formalization and market development. Centralization of power seems only to exist in Reactors. Prospectors tend to carry out more specialized organization structure, market penetration and product development, and to expend greater marketing effort than Defenders, Analyzers, and Reactors. In relation to marketing

				effort, Defenders spend more significantly than Reactors. Finally, the study reveals that Reactors have lower performance, either in term of earning/sales growth rate or return on sales/ investment than the other three types, amongst whom no differences can be detected.
zsomer & Prussia (1999)	45 executives of MNCs in Turkey. Data were collected through interview in 1988 and 1994.	Target market similarities, standardized marketing strategy, marketing structure (the degree of centralization of decision-making), and performance.	Structural Equation Modeling	The contingency model of target market similarities (TMS), standardized marketing strategy (SMS), marketing structure (CS), and performance relationship is significant for both periods of time (1988 and 1994). TMS influences SMS positively. A similar affect exists between SMS and CS. However, CS has a negative effect on performance. Marketing structure is the dominant factor in determining organizational performance. The negative influence of structure on the performance indicates the need of decentralization of marketing decision to gain better

				performance. The decentralized structure enables managers to adapt the marketing strategy to local environment, and to implement the strategy flexibly. Marketing strategy affects performance indirectly through the structure. Contemporaneous effect analysis reveals that marketing strategy is consistently responsive to the current market environment, since the SMS 1994 is only influenced by TMS 1994, not by TMS 1988 and SMS 1988. The researchers conclude that to gain superior performance MNCs should align their marketing strategy to the current local market environment and decentralize marketing decision-making to their subsidiary managers to facilitate adaptation to environmental changes.
Knight (2000)	216 CEOs of small and medium enterprises (SMEs). Data were	Globalization, entrepreneurial orientation, marketing strategy (product	Factor, Correlation, and Multiple Regression Analyses.	Entrepreneurial orientation correlates to all of the marketing strategies: product

	collected through mailed questionnaires.	specialization, marketing, and quality leadership), technology acquisition, globalization response, internationalization preparation, and performance		specialization, marketing, and quality leadership, especially for SMEs working in high globalization environment. In addition, new technological acquisition associates with these strategies, while globalization response only correlates to marketing leadership strategy. Finally globalization response and internationalization preparation influence SMEs' performance. There is no relationship between new technological acquisition and performance. Conclusion: entrepreneurship becomes a key orientation among SMEs working in a global environment. To achieve better performance, they prepare for entry to the international market by performing such activities as international market research, committing appropriate resources and the adaptation of product and marketing dimensions. In addition, SMEs employing a marketing leadership

				strategy tend to respond to globalization by being sensitive to its imperatives and modifying marketing and other strategies as needed.

Marketing Strategy Process Studies

As is the case with strategy process research in general, studies on the marketing strategy process focused mainly on the formulation and implementation stages. The studies investigate the influence of environmental, organizational and decision-making processes on organizational performance. Phillips, Davies, and Mountinho (2001), for example, indicated that organizations employing strategic marketing planning with product orientation attained more effective and efficient performance levels. This strategic planning was characterised by manager participation, planning thoroughness, formalization and sophistication, with an emphasis on new product development. Stratis and Powers (2001) revealed similar findings, and discovered that strategic marketing planning determined financial performance, but planning modes and environmental scanning individually did not influence performance. All of the strategic marketing processes in combination affected financial performance significantly. However, under conditions of strategic uncertainty, only strategic marketing planning and environmental scanning had any effect on the performance.

Formalization of marketing planning improved the credibility and utilization of a marketing plan (John and Martin, 1984). John and Martin suggested that formalization indicated organizational commitment to certain activities. The formalization of strategic marketing planning also indicated involvement of top management in the planning process, and a cooperative organizational climate (Chae and Hill, 1997). It might generate both competitive and organizational benefits. Chae and Hill revealed that planning formality improved the effectiveness of new product launches, cost reduction efforts, and helped organizations to enhance product quality and market share performance. The formalization of planning efforts might also create organizational benefits, as it enhanced understanding of priorities as well as managerial motivation to attain better overall coordination, implementation, and control of an organization's activities. In addition, planning formalization might reduce interdepartmental conflict (Morgan and Piercy 1998). It facilitated cross- functional integration and consensus commitment (Menon, Bharadwaj, Adidam, and Edison 1999), generating better coordination of decisions throughout the organization. Claycomb, Germain, and Droge (2000) also found positive correlation between planning formalization and marketing specialization, indicating organizations employing strategic marketing formalization had more specialists who direct their efforts to a narrow set of marketing activities. Finally, in combination with comprehensive and formal market planning positively affected the performance of organizations operating in both stable and unstable environments (Lysonski and Pecotich 1992). The formalized comprehensive marketing planning was likely to result in superior performance because it usually anticipated the unexpected and lays contingency plans accordingly.

In contrast to formalization, centralization of strategic marketing planning impeded the credibility and utilization of the marketing plan (John and Martin 1984). In some cases, centralization might improve resource commitment and marketing assets and capabilities (Menon et al., 1999; Vorhies, 1999). However, it tended to generate interdepartmental conflicts. The conflicts might not only reduce the quality of marketing strategy formulation and implementation (Menon, Bharadwaj, and Howell, 1996), but also lowered financial and market performance (Morgan and Piercy, 1998). Interdepartmental conflicts might also arise from failure to provide the kinds of supports needed by other departments, unclear goals, objectives, and functional responsibilities. Organizations might vary in their approaches to conflict resolution. As mentioned earlier, organizations might use planning formalization to eliminate conflict. They might employ such mechanisms as avoidance, conciliation, participatory processes and hierarchy (Ruekert and Walker, 1987). Other approaches could include mechanisms such as multifunctional training, cross-functional teamwork, a variety of compensation strategies, formalization, social orientation, and spatial proximity (Maltz and Kohli, 2000). Besides interdepartmental conflicts, behavioral problems might arise during the planning process. Piercy and Morgan (1990) identified the existence of four different behavioral problems that can occur. These included planning recalcitrance, fear of uncertainty, political interest in planning, and planning avoidance. Most of these problems correlated significantly with the perceived organizational context, especially customer philosophy and strategic orientation. This indicated that higher behavioral planning problems emerged when organizations were perceived to have paid little attention to customer needs and to the requirements of different market segments, and had been ineffective in developing and implementing acceptable marketing strategies. The customer philosophy and strategic orientation related significantly and positively to the credibility and utilization of a marketing plan. In the second study, Piercy and Morgan (1994) discovered that only planning recalcitrance influenced the credibility of marketing plan negatively. The others affected the credibility only indirectly, through their connection with planning recalcitrance. On the other hand, they found that thoroughness in planning and the incorporation of appropriate plan components improved a marketing plan's credibility. In turn, sophisticated analytical techniques and market analyses enhanced planning thoroughness and the plan's components.

Moreover, the support of top management might improve the effectiveness of the marketing planning process (Greenley and Bayus, 1994). Top management's actions and attitudes in coping with environmental turbulence influenced the quality of marketing interactions. Senior managers with high tolerance of ambiguity, internal locus of control and greater risk-taking propensity tended to adapt their marketing strategy to environmental changes (Pitt and Kannemeyer, 2000). They might possess good leadership qualities, needed for the effectiveness of any planning process, especially in a turbulent environment. As indicated by Morgan and Piercy (1998), senior management leadership had a positive effect on connectedness and communication frequency, and affects the level of conflict negatively. They presumed that the management's leadership determined the organization's performance by facilitating employee empowerment and improving interdepartmental coordination and cooperation.

Marketing managers had an important role to play in successful marketing strategy implementation. Noble and Mokwa (1999) discovered that the role performance of marketing managers determined the success of marketing strategy implementation. Such performance was influenced by managers' commitment, not only to marketing strategy, but also to their career roles. However, there was no relationship between organizational commitment and performance. The degree of role autonomy and involvement did not affect the commitment of managers. When marketing managers perceived their roles to be significant to the success of marketing strategy implementation, their commitment would increase. They would commit to a strategy when they perceived that it fit with the broader strategic direction of the organization. This commitment would increase when managers perceive the strategy to have potentially significant consequences for their organizations, and they received cross-functional support. However senior management's support and the scope of the marketing strategy did not determine the managers' commitment to it.

In conclusion, as with studies of the strategy process in general, most studies of marketing strategy process, except that of Noble and Mokwa (1999), concentrated on strategy formulation processes. They paid little attention to marketing strategy implementation, although Sashittal and Tankersley (1997) revealed that the formulation-implementation interface was highly responsive to market changes and to changes in each other. Marketing managers improvised their market strategies and implementation to fit day-to-day market changes and to achieve their marketing objectives. However, to perform responsively in the formulation-implementation interface, authority delegation or managers' autonomy was a prerequisite. Table 2.4 below consolidates the findings of empirical studies of marketing strategy content research.

Table 2. 4: Summary of Selected Empirical Studies on Marketing Strategy Process

Authors	**Subject / Research Method**	**Variables studied**	**Analytical Tools**	**Key Findings**
John & Martin (1984)	292 marketi ng personnel. Mailed questionnaires were used	Formalization, centralization, structural differences (job diversities, specialization, and spatial dispersion),	Correlation, Multiple Regression Analyses, and Structural Equation	Results show that formalization of marketing planning improves the credibility and utilization of the marketing plan.

	to collect data	credibility, and utilization of marketing plan	Modeling	The higher the rules and procedures for performing the planning the higher the credibility and the usage rate of the plan. The researchers suggest the formalization indicates a organization commitment to certain activities. Centralization, on the other hand, impedes the credibility and utilization of the marketing plan. Finally, in bivariate analysis, higher marketing job specialization increases credibility and utilization rates, but these relationships turn out to be

				insignificant when formalization is included in multivariate analysis. While spatial dispersion only influences the credibility negatively, job diversity has no significant effect on either credibility or utilization.
Ruekert & Walker (1987)	95 marketing personnel and 21 R&D personnel. Data were collected through mailed questionnaires	Business strategy (Prospector, Analyzer, & Defender), structure (formalization), conflict resolution (avoidance, onciliation, participatory, hierarchical), outcome (level of conflict, & perceived effectiveness of interdepartmental relationship)	Two ways ANOVA, Chi- square, and Correlation Analyses	Findings indicate that failure to provide the kinds of supports needed by departments, the degree of market response, and unclear goals, objectives, and functional responsibilities are the sources of the conflict. Marketing personnel in Prospector organizations experience more

				conflict with R&D personnel than those in Analyzer and Defender ones. All of the organizations (Prospector, Analyzer, and Defender) employ similar levels of formalization in managing departmental relationships. In addition, organizations vary in their ways of dealing with conflict resolution. Prospectors tend to use hierarchical and avoidance mechanisms, while analyzers are inclined to utilize participatory methods to resolve conflicts. Like Prospectors, Defenders are apt to employ

				hierarchical mechanism for resolving conflicts. Finally, the study discovers that personnel in Prospector organizations have less favorable attitudes to conflict resolution, favoring a greater reliance on non-hierarchical mechanisms. They also perceive the relationship between marketing and R&D to be less effective than personnel in Analyzers and Defenders. Further analysis reveals that the level of formalization is significantly and positively related to the perceived effectiveness of terdepartmental relationships, but

				significantly and negatively to the level of conflict between the two departments. In addition the use of participatory mechanisms, especially in Prospectors and Analyzers, is negatively associated with the level of conflict and positively correlated with the perceived effectiveness of relationships. Meanwhile, the use of hierarchical mechanisms relates positively to levels of conflict but negatively to perceived effectiveness.
Piercy & Morgan (1990)	144 marketing managers of UK ompanies. Data were	Perceived organizational context (customer philosophy,	Correlation Analysis	The study identifies the existence of four different

	collected through mailed questionnaires	marketing organization and information effectiveness, strategic orientation), behavioral planning problems, and marketing plan credibility and utilization		behavioral problems in the marketing planning process. These include planning recalcitrance, fear of uncertainty, political interest in planning, and planning avoidance. Most of these problems correlate significantly with the perceived organizational context, especially customer philosophy and strategic orientation. This indicates that higher behavioral planning problems emerge when organizations are perceived to give little attention to customer needs and different market segment

				equirements, and ineffective in developing and implementing acceptable marketing strategies. Customer philosophy and strategic orientation relate significantly and positively to the marketing plan's credibility and utilization. Finally, results reveal that behavioral problems are associated negatively with the plan's credibility and utilization, but their relationships are not statistically significant.
Lysonski & Pecotich (1992)	522 CEOs of New Zealand companies. Data were	Environmental stability, formalization, comprehensivenes	Multiple Regression Analyses	Findings reveal formalization and comprehensivenes s of marketing

	collected through mailed questionnaires	s, and performance		planning positively affect the performance of organizations operating in both stable and unstable environments. Of the resulting discrepancies with the previous study, the researchers argue that apart from any environmental conditions, formalized and comprehensive marketing planning is likely to result in superior performance because it may provide contingency plans and anticipate the unexpected.
Greenley & Bayus (1994)	175 marketing managers of US companies	Analytical techniques, analytical systems,	Cluster and Discriminant Analyses	The study categorises four different

	and 106 of UK companies. Data were collected through mailed questionnaires	organization information inputs, senior management participation, and the effectiveness of marketing planning decision-making		marketing planning processes among US and UK organizations. Most of the organizations could be classified as unsophisticated marketing planning decision makers that tend to ignore planning techniques and organization information inputs, and use standard computer software in the planning process. Organizations within the second-biggest group may be seen as information seekers, likely to use many information inputs in developing planning but only

				use judgment, PLC analysis, and standard computer software in planning analysis. The third group consist of "gut feeler" organizations that use limited information inputs and make wide use of judgment in the planning process. Only a small number of organizations can be described as sophisticated decision makers in their strategic marketing planning processes. These organizations tend to use most analytical techniques and several information inputs, but they consider computer

				software not to be important. However, apart from their differences in marketing planning process, all organizations consider senior management participation to be important for the effectiveness of the planning process. Likewise, there are no differences in the perceived level of effectiveness of marketing planning processes among the groups. The researchers argue that managers, especially the unsophisticated decision makers and "gut feelers", may not realise the use of a formalized planning process

				could improve their effectiveness.
Piercy & Morgan (1994)	220 managers of medium and large companies in UK. Mailed questionnaires were employed to collect data	Formalization and sophistication of marketing planning (analytical techniques, market analysis, and plan components), planning thoroughness, behavioral planning problems, and marketing plan credibility	Factor and Path Analyses	The study identifies the existence of five different behavioral problems in the marketing planning process: these are planning recalcitrance, politics and myopia, alienation and uncertainty, planning avoidance, and squirm factors. From the five behavioral planning problems, only planning recalcitrance negatively influences the credibility of a marketing plan. The others affect credibility indirectly, through

				planning recalcitrance. Likewise, findings reveal planning thoroughness and plan components improve the marketing plan's credibility, while more sophisticated analytical techniques and market analyses carried out in marketing planning enhance the plan components and planning thoroughness.
Menon, Bharadwaj, & Howell (1996)	236 marketing managers. Data were collected through mailed questionnaires	Centralization, formalization, team spirit, interdepartmental connectedness, communication barriers, functional conflict, dysfunctional conflict, the quality of	Structural Equation Modeling	Consistent with the previous study, findings here reveal dysfunctional conflict (unhealthy behavior within organizations) negatively

		marketing strategy, and market performance		influences the quality of marketing strategy formulation and implementation, while functional (constructive) conflict enhances the quality of the strategy. High quality strategy formulation and implementation leads to superior market performance. The study also uncovers some causes of the conflicts. Power centralization and the existence of communication barriers may enhance dysfunctional conflict, but it may be eliminated by formalized structure. Functional

				conflict, on the other hand, may be increased by team spirit and departmental interconnectedness.
Sashittal & Tankersley (1997)	40 marketing managers of small and midsized industrial firms. Data were collected through in depth interviews.	The processes of market planning and implementation	Qualitative Analysis	Findings reveal that market planning and implementation are interrelated. The planning-implementation interface is highly responsive to market changes and to changes in each other. Marketing managers improvise their market plans and implementation to fit day-to-day market changes and to achieve their marketing objectives. The

				study identifies three major tactics used to manage the planning-implementation interface, depending on the extent of environmental changes. Organizations working with low-level market changes employ communication between planners and implementers to ensure that their market plans are based on the latest market information. However when environmental changes are high, organizations tend to upgrade the involvement of planners-implementers or to fuse their functions. The first

				tactic promotes (a) achievable marketing plans, given time and resource constraints faced by the implementers, (b) flexibility and realism in the planning-implementation processes, and (c) commitment toward achieving marketing objectives. Meanwhile, organizations employing the fusion-of-function tactic will, in addition to the three benefits above, gain a high degree of sensitivity in the planning-implementation function by speeding the response to

				changes in customer needs. The researchers conclude that authority delegation or managers' autonomy is a prerequisite to the attainment of a highly responsive planning-implementation interface.
Chae & Hill (1997)	90 CEOs of industrial and consumer companies. Mailed questionnaires were used to collect data	Planning formality, CEO involvement, organizational climate, environmental complexity & uncertainty, perceived organizational and competitive benefit	One Way ANOVA	Findings indicate that top management involvement in the planning process and a cooperative organizational climate increase the formality of strategic marketing planning. There is no significant influence from organizational structure, environmental

				complexity and uncertainty on planning formality. Likewise there is no difference in planning formality between industrial and consumer organizations. However, formality may generate both competitive and organizational benefits. Results reveal that planning formality can improve the effectiveness of new product launches and cost reduction efforts, whilst facilitating improved product quality and market share performance. In addition, formality of planning efforts may create organizational benefits as it enhances

				understanding of priorities, managerial motivation to attain better overall coordination, implementation, and control of the organization's activities.
Vorhies (1998)	85 marketing managers of good and service companies in US. Data were collected through mailed questionnaires	Environmental turbulence, business strategy, organizational structure, task routinization, market information processing capability, marketing capabilities, and organizational effectiveness	Structural equation modeling	Findings indicate that only environmental turbulence and task routinization do not significantly influence marketing capabilities. Business strategy has the strongest effect on the marketing capabilities, indicating organizations with a higher level of strategy development have better developed

				capabilities. In addition, marketing information processing capability enhances marketing capabilities. As propermarketing actions need accurate information, it could be predicted that organizations with high information processing capability will have the best marketing capabilities. Organizational structure, as well as business strategy, increases marketing capabilities. This indicates more centralized decision-making and more formal rules and

				procedures encourage the development of marketing capabilities. Finally, organizations with high marketing capabilities may achieve superior performance.
Morgan & Piercy (1998)	298 general managers, 351 marketing managers, and 398 quality managers	Senior management leadership, strategy process (formalization, thoroughness, alignment, participation), control system congruence, environment (market and technological turbulence), interdepartmental interaction (connectedness, communication frequency, conflict) and performance	Standardized and moderated Multiple Regression Analyses	The study discovers that senior management leadership has a positive effect on connectedness and communication frequency, but affects the level of conflict negatively. The researchers presume that the management leadership determines the organization performance by facilitating

				employee empowerment, and improving interdepartmental coordination and cooperation. The influence of strategy process on interdepartmental dynamics varies. Planning formalization may reduce interdepartmental conflict. While the planning alignment and functional participation improve connectedness between marketing and quality departments, planning thoroughness enhances communication frequency between departments.

				Congruence between the quality control system and quality strategy may also increase communication frequency. In addition, findings also indicate various effects of interdepartmental dynamics on performance. This connectedness may raise the perceived quality, whereas the communication frequency could improve market performance. On the other hand, lower conflict between marketing and quality departments may lead to better financial and market performance. There is no

				moderating effect of market and technological turbulences on the relationship between interdepartmental dynamics and performance.
Menon, Bharadwaj, Adidam, & Edison (1999)	212 managers of Fortune 1000 companies. Data were collected through mailed questionnaires.	Antecedents (centralization, formalization, & innovative culture), marketing strategy making (situation analysis, comprehensiveness, emphasis on marketing assets and capabilities, cross-functional integration, communication quality, strategy consensus commitment, strategy resource commitment), control (environmental	Correlation, Regression, Exploratory, and Confirmatory Factor analyses	Findings indicate that innovative culture influences all marketing strategy components, whereas centralization and formalization only affect some of them. Centralization enhances the emphasis on marketing assets and capabilities and resource commitment. Formalization, on the other hand, facilitates cross-

		turbulence), and outcomes (creativity of strategy, organizational learning, and market performance)		functional integration and consensus commitment. In addition, there are some variations in the effects of marketing strategy-making components on outcomes. While comprehensiveness, cross-functional integration, and communication quality increase the creativity of strategy, emphasis on marketing assets and capabilities impedes it. The creativity of strategy, in combination with situational analysis, consensus commitment and resource commitment

				improve organizational learning. Creativity also has a mediating role in the relationship between some marketing strategy components and organizational learning. It mediates the effect of cross-functional integration and communication quality and comprehensiveness and emphasis on marketing assets and capabilities on organizational learning. Finally, comprehensiveness, emphasis on marketing assets and capabilities, and resource commitment may improve market performance, but situational analysis hinders

				it. Further analysis indicates the negative influence of situational analysis on market performance only exists in conditions of low environmental turbulence.
Noble & Mokwa (1999)	486 marketing managers in Finance and goods corporation. Mailed questionnaires were used to collect data.	Strategy factors (fit with vision, importance, scope, championing, senior management support, and buy-in), role factors (involvement, autonomy, and significance), dimensions of commitment (organizational, strategy, and role commitments), role performance, and implementation success	Structural Equation Modeling	The study discovers that the role performance of marketing managers determines the success of marketing strategy implementation. Role performance itself is influenced by the managers' commitment to the marketing strategy, and to their career roles. However, there is no relationship

				between organizational commitment and role performance. When marketing managers perceive their roles to be significant to the success of marketing strategy implementation, their role commitment will increase. The degree of role autonomy and involvement do not affect the role commitment of the managers. In addition, the managers will commit to the strategy when they perceive the strategy fits with the broader strategic direction of the organization. This commitment will also increase when

				the managers perceive the strategy to have potentially significant consequences for their organizations and have cross-functional support. Finally, the support of senior management and the scope of marketing strategy do not determine a manager's commitment to a strategy.
Claycomb, Germain, & Droge (2000)	200 managers of industrial companies. Mailed questionnaires were used to collect data.	Strategic marketing formalization, organizational configuration, organizational structure, customer- driven exchange, and context, and performance (market &	Correlation Analysis	Findings indicate strategic marketing formalization leads to better performance. This formalization does not relate to the configuration of a marketing organization: however, it

		financial)		provides for better co-ordination of decisions throughout the organization. It also correlates positively to marketing specialization, indicating that organizations employing strategic marketing formalization have more specialists, who direct their efforts towards a narrow set of marketing activities. These organizations utilise internal measurements and competitive benchmarking as means of formal performance measurement and evaluation. Finally, the

				formalization of strategic marketing planning does not determine the relationship between the organizations and their customers.
Pitt & Kannemeyer (2000)	70 managers of black-owned companies in South Africa. Data were collected through interview and self-administered questionnaires	Personality traits (tolerance of ambiguity, locus of control, and risk taking propensity), and the degree of marketing strategy adaptation.	Descriptive and correlation Analyses	A significant relationship was found between personality traits of managers and adaptation of marketing strategy. Higher intolerance of ambiguity correlates negatively to marketing strategy adaptation. In other words, managers who tolerate ambiguity are more flexible in implementing their marketing strategy than intolerant ones. In

				addition, managers with an internal locus of control and greater risk-taking propensity tend to adapt their marketing strategy to environmental changes.
Maltz & Kohli (2000)	774 of manufacturing, R&D, and finance managers. Data were collected through mailed questionnaires	Integrating mechanisms (multifunctional training, cross-functional team, compensation variety, formalization, social orientation, & spatial proximity), internal volatility, functional interface, and manifest inter-functional conflict	Ordinary Least Squares Regression Analysis	The study finds that only cross-functional teamwork is likely to reduce manifest inter-functional conflict effectively. Inter-functional conflict may result from high internal volatility. This volatility moderates the relationship between cross-functional teams. Compensation variety, and inter-functional conflict. In other words, when volatility is

				high, manifest inter- functional conflict may be reduced by using cross- functional teams or by lowering compensation variety. Further analysis reveals that the integrating mechanisms are differentially effective in eliminating marketing’s conflict with manufacturing, R&D, finance departments. In general cross- functional teams seem to be effective in reducing conflict in all interfaces. Compensation variety and formalization, on the other hand, appear to be

				useful in reducing marketing's conflict with R&D, but not the conflict with manufacturing or finance departments.
Phillips, Davies, & Mountinho (2001)	100 hotel managers in UK. Data were collected by mailed questionnaires	Planning process (participation, thoroughness, formalization, & sophistication), communication with head office, perceived competition, new product development, marketing culture, low price culture, and performance (efficiency, effectiveness, & adaptability)	Factor, and Neural Network Analyses	The study indicates that organizations employing strategic marketing planning with product orientation gain better performance especially for efficiency and effective erformance. This strategic planning is characterized by manager participation, planning thoroughness, formalization, sophistication, and emphasizing

				new product development. However, planning affects adaptability negatively, indicating that formally structured strategic marketing planning may impede innovation, creativity, and the success of new product development.
Stratis & Powers (2001)	73 bank managers	Strategic marketing process (strategic marketing planning, multiple planning modes, & environmental scanning), strategic uncertainty, and performance	Multiple Regression Analysis	Findings reveal that strategic marketing planning determines financial performance, while planning modes and environmental scanning individually do not influence performance. All strategic marketing

				processes in combination affect financial performance significantly. However, due to its small â coefficient, excluding the multiple planning mode from the equation increases the significance value of F. Finally under strategic uncertainty, only strategic marketing planning and environmental scanning have effects on the performance.

Barriers to the Implementation of Marketing Strategy

As discussed in the previous section, organizations that engage in strategic marketing planning might achieve better performance than those that did not, especially in a highly competitive and changing environment. Implementing strategic marketing planning is a multidimensional activity, which includes information inputs and analyses, planning frameworks and techniques and managerial behavior, amongst other things. Some of the evidence also indicates that implementation of strategic planning is not as straightforward as prescribed in the literature. Verhage and Waarts (1988), for instance, pointed out that only 38% of Dutch organizations describe themselves as marketing-oriented companies. These organizations made annual and long-range marketing plans, and have better performance than those that do not. Similarly, McColl-Kennedy, Janet, You, and Keil (1990) reported that while most Australian companies recognized the need for formal planning, not all use it. Due to the low overall awareness and usage of planning tools, McColl-Kennedy et al. supposed that managers might make decisions intuitively, rather than take time to discuss and plan formally. Meanwhile, Greenley and Bayus (1994) discovered that only small numbers of the UK and US companies they studied could be described as sophisticated marketing planning decision-makers who used marketing strategy as prescribed by the literature. Most organizations appeared to be unsophisticated marketing planning decision-makers that tended to ignore planning techniques and organization information inputs, and used standard computer software in the planning process, whereas the others are classified as information seekers and "gut feeler" organizations.

Many works reported failures in implementing strategic marketing planning (Cepedes and Piercy, 1996; Harris, 1996). In general, McDonald (1996) identified two common barriers: cultural, a lack of belief in marketing planning, and cognitive, a lack of knowledge and skill.

Cultural Dimension

Quite often, when an organization introduces strategic changes to improve its performance, it fails to achieve the desired result. This does not necessarily mean that the changes are theoretically wrong or bad, rather that the changes do not fit in with employees' expectations and beliefs. As a result, the employees are not motivated and may even sabotage the implementation of the changes (Anonymous, 1980). Harris (1996) indicated that even managers might fail to initiate strategic marketing planning when it does not match with organizational "mind set" or culture. Leppard and McDonald (1991) asserted that an organization is not simply a conglomeration of people and resources. It embodied a set of values and assumptions, which generated organizational culture and climate. Organizational culture could be the major strength of an organization when it fit the strategies. However it could also be the main weakness when it prevented organizations from meeting competitive threats or from adapting to environmental changes. This indicated that to smooth the process of strategic changes, managers should first understand the peculiar ways the organization practises or find out the reasons - which might be perfectly good ones - why employees acted in the way they did. In other words, understanding the organizational culture provided the managers an unfolding context of inertia, and facilitated the execution of the changes (Martin, 1993). This perspective is based on the premise that organizational changes cannot happen unless people or members of the organization change (Schneider, Brief, and Guzzo, 1996). Strategic changes are only effective when they are associated with changes in the psychology of employees. To change organizational culture is always a challenging and difficult task for the managers.

Deshpande and Webster (1989) distinguished between organizational culture and climate. They defined the organization culture as the pattern of shared values and beliefs that helped individuals understand organizational functioning and thus provided them with the norms for behavior in the organization, while organizational climate related to an organization's members' perceptions about the extent to which the organization was currently fulfilling their expectations. The climate of an organization is inferred by its members. Such inferences are based on the policies, practices, procedures, and routines that they are subject to, as well as o the kinds of behaviors that are expected, rewarded, and supported (Schneider et al., 1996). Organizational culture and climate are interrelated. Schneider et al. (1996) believed that culture resided at a deeper level of psychology than did climate, as culture was concerned with the embedded values and beliefs of its members. In other words, climate was more tangible than culture. Schneider et al. (1996) proposed that culture could be changed through a focus of climate. Altering everyday policies, practices, procedures, routines, and reward systems could impact on those values and beliefs of organization members that constituted the culture. A T & T demonstrated these changes when attempting to sell specialized services. The changing mission could not be realized simply by sending the employee to school, or by hiring new staff. The change was successfully implemented only as it was backed up by modifying organizational structure and building new roles, new incentive systems, and new reward and punishment structures into operations (Anonymous, 1980).

Moreover, Leppard and McDonald (1991) believed that a strategic marketing planning process embodied a set of values and assumptions. It was not merely a sequential step of actions. Organizations that successfully implemented a planning process run on democratic principles, promoted openness and commitment to the organization, and had a collaborative climate and a true concern for providing customer satisfactions. This indicates that to gain a sustainable competitive advantage and to cope with environmental changes, the implementation of the marketing planning must be backed up by an innovative culture and climate. The term “innovative culture and climate” refers to the extent to which organizations emphasize inventiveness, openness to new ideas, and quick response decision- making (Menon and Varadarajan, 1992). Top managers of organizations trying to implement marketing planning, therefore, should create the culture and climate needed for the planning process. Without such conditions, strategic marketing planning is never likely to come to fruition.

Cognitive Dimension

Another barrier to marketing strategy implementation may possibly arise from managers' lack of knowledge about marketing strategy. Marketing managers often interpret marketing strategy as having to do with the financial budget or sales forecasting. Consequently many so-called marketing strategies have little or no strategic content (Piercy, 1992). This may be the result of managers’ confusion between marketing function and marketing concept, and between marketing strategy and marketing tactics (McDonald, 1992b). Marketing concept is a philosophical approach to managing an organization, rather than a series of functional activities. Moreover marketing strategy differs from marketing tactics. Marketing strategy focuses more on the quest for long term competitive advantage and consumer advantage in the context of the organization's mission and corporate goals., while marketing tactics concentrate more on the design of marketing mix ingredients and requirements for operating marketing programs (Jain, 1997; Wind and Robertson, 1983).

Lack of marketing skill also inhibits marketing strategy implementation. In order to analyse their business environments, marketing managers can use a variety of analytical techniques, such as Ansoff matrix, market segmentation, product life cycle analysis, portfolio management, strengths weaknesses opportunities and threats (SWOT) analysis, and profit impact of marketing strategy (PIMS) analysis. Research indicates that these techniques can help managers to develop strategic marketing planning. Utilisation of suitable techniques can reduce any inclination a manager might have towards an irrational economic approach or unstructured judgmental processes that may be inconsistent with profit maximization, and hence can improve the plan credibility (Piercy and Morgan, 1994). However, evidence showed that a gap existed between theory and practice. As mentioned earlier, Greenley and Bayus (1994) discovered that only a small number of US and UK companies could be described as sophisticated marketing planning decision-makers. Except for this small group, few companies seemed to use the decision-making techniques advocated in the prescriptive literature. Similarly Reid and Hinkley, (1989) found that most of their respondents tended to ignore the analytical technique. They did not even know the names when questioned about their familiarity with such techniques as Ansoff matrix, PIMS, Experience curve, and the like. This lack of utilization of appropriate marketing techniques might cause the failure of a marketing strategy to realise its intended results.

Problems of understanding may be the main cause of failure to use available marketing tools. Such problems could be related to the complexity of the tools themselves or their application. Portfolio planning models, for example, are inhibited by difficulties in measurement of market growth rates and relative market shares. Wind, Mahajan, and Swire (1983) identified four different definitions of market growth and market shares. Market growth could be defined as real market growth, market growth, forecast real market growth, or forecast real short and long-term market growth. Meanwhile market share could be described as a company's share of the served market, the company's share versus big three competitors, a company's share versus that of the largest competitor, or share index. The classification of any business into a specific portfolio position such as "dog" or "star" is very sensitive to the selection of the measurement definition. Consequently, as demonstrated by Wind et al. (1983) different matrix methods were likely to generate different recommendations for the same situation.

Managers also have similar problem when applying product life cycle (PLC) analysis. Defining the product class (market) to which the product belongs is also fraught with difficulties. Its definition is a key point in PLC analysis. McDonald (1 992a) claimed that it would be pointless for the manager to draw a PLC of his/her product without drawing a life cycle of its product class. McDonald (1992a) further suggested that both academicians and practicing managers must understand not only the analytical techniques themselves but also the nature of interrelationship among them. This suggestion arose for two reasons. Firstly, misunderstanding of the techniques led to their being misused. Secondly, there was no one technique on its own that could solve the complexity of marketing problems. McDonald believed that some inputs could be used in some models/techniques and outputs of one model could be used as inputs to others. This integration of some models would of course raise another dimension of complexity. However, the availability of computer-based expert systems could overcome human weaknesses in dealing with complexity. McDonald and Wilson (1 999b) and Chan and Dandurand (1998) indicated that use of an expert system could improve managerial decisions and organizational performance. They believed that this system did not exclude the manager's judgment and intuition, which were still very important as personal inputs and control elements in decision-making. They emphasize, however, that the manager's judgment needed to be continually augmented, refined and updated with current conditions.

Summary of Focal Literature and Its Gaps

Contingency theory is a very popular approach for research in the fields of organization theory, strategic management, organizational behavior, and marketing (Zeithaml et al., 1988). The theory enables researchers and managers to provide the basis for organizational analyses, which generate possible solutions to the arising problems. The fit between organization and its environment is the central theme of contingency studies (Venkatraman and Prescott, 1990).

However, there was a dispute among scholars about the influence of environment on organizations, particularly concerning matters related to the strategic role of managers in their efforts to adapt their organizations to the environment (Astley and Van de Ven, 1983). Some scholars believed that environments determined the organizational life and constrain the managers to exercise their strategic choices (Aldrich, 1979). Whereas others believed that managers might still have the capacity to exercise their power and enact their strategic choices to handle the organization in line with its environments (Chakravarthy, 1982).

In an effort to resolve the dispute, Hrebiniak and Joyce (1985) claimed that the environment and the managerial choice were not mutually exclusive. The two factors interact one another and could function as independent variables in the process of fit.

Because of this, managers might face four different situations in their organizations. They might confront themselves with a combination of low strategic choices and high environmental determinism, a situation, which is similar to the underlying assumption of the determinism school. They might face a combination of high strategic choices and low environmental determinism, a situation reflecting the voluntarism's assumption. They might also have to deal with a mixture of high strategic choices and high environmental determinism, or a blend of low strategic choices and low environmental determinism. These different possibilities reflected that organizational adaptation was a dynamic process, a process that was supported by Miles and Snow (1994) who defined "fit" as a dynamic search that sought to align the organization with its environment and to organize resources internally to support the alignment.

Apart from the above dispute and its solution, the concept of fit also becomes the central trust in strategy research because the main task of the managers is to develop and utilize a strategy to fit their organization to its environment. Basically, both studies on strategy in general and studies on marketing strategy can be classified into two different schools: content and process (Jemison, 1981; Rajagopalan and Spreitzer, 1997). Studies in strategy content put emphasis on the exploration of external environment's influence upon the strategic choices, organization's structure, and performance. This is understandable because most of these studies emerged from industrial organization studies, which promoted how industries influence the strategic choices of the organizations (Porter, 1981).

Studies in strategy content indicated that environment factors such as stability of industry (Hambrick, 1983), technological changes (Dvir, et al., 1993), complexity, dynamism, and hostility (Lou and Park, 2001; Tan and Litschert, 1994) determined the strategy selected by the organizations. Studies in marketing strategy content also revealed similar results. Burke (1984) and Cavusgil and Zou (1994), for instance, identified that market attractiveness influenced marketing managers in setting up their marketing strategies. While technological changes in the industry determined all elements of marketing strategy, competitive intensity influences almost all of marketing strategies, except the pricing one (Cavusgil and Zou, 1994; Lusch and Laczniak, 1989). This indicates that the organizations do not use the price as a competitive tool but emphasize more on non-price marketing strategies to cope with the competitive pressures. In addition, to deal with a turbulence environment, the organizations should employ decentralized structure to enable the marketing managers to adapt any environmental changes easier (Ozsomer and Prusia, 1999; Rajaratman and Chonko, 1995). In general, content studies underline that to gain superior performance, the organizations must fit the strategies to their environment (Venkatraman and Prescott, 1990). Misfit between the strategy and organization structure to their environment might lead to inferior performance (Naman and Slevin, 1993).

In contrast to the strategy content, studies on strategy process concentrate on the strategy or marketing strategy decision process. Most of the studies consider environmental influences implicitly, as part of the context of the decision process (Rajagopalan et al., 1993). This might be due to the fact that administrative behavior studies, which primarily focused on the decision processes of the strategy being formulated and implemented, contributed more to the existence of this school of thought (Jemison, 1981). Several studies on strategy process indicated that speed of decision making was a crucial determinant to gain better performance, especially for organizations working under unstable environment (Eisenhardt, 1989; Frederickson and Mitchell, 1984; Judge and Miller, 1991). Decision making process might be accelerated through authority delegation to the functional manager. This authority delegation could eliminate political behavior among middle managers (Bourgeois III and Eisenhardt, 1988). At the same time, it might also encourage them to participate in the strategy making, which in turn might facilitate them to implement the strategy (Floyd and Wooldridge, 1994).

In addition, studies on marketing strategy process revealed similar findings. John and Martin (1984) demonstrated that formalization of strategic marketing planning might increase the credibility and utilization of the marketing strategy. This formalization might reflect the participation of top management in the planning process and cooperative organizational climate (Chae and Hill, 1997). It might also eliminate interdepartmental conflicts (Morgan and Piercy, 1998), and facilitate better coordination of decisions throughout the organization (Menon et al., 1999). Finally, the formalization of strategic marketing planning might likely attain superior performance (Lysonski and Pecotich, 1992), provided that it could anticipate the unexpected and lay contingency plans accordingly. On the contrary, centralization of strategic marketing planning could hamper the credibility and utilization of marketing strategy (John and Martin, 1984). It tended to create interdepartmental conflicts, which not only lessened the quality of marketing strategy formulation and implementation (Menon et al., 1996) but also decreased the performance of the organization (Morgan and Piercy, 1998).

Furthermore, Noble and Mokwa (1999) identified that commitment of marketing managers to the marketing strategy determined the success of marketing strategy implementation. This commitment could increase when the managers perceive their roles to be significant for the success of strategy implementation, and when they perceived that the marketing strategy fits to the broader strategic direction of the organization. In conclusion, studies on strategy and marketing strategy process highlighted that the internal structural fit might facilitate organizations to attain superior performance. However, most of these studies concentrated more on the process of strategy formulation. They tended to overlook the process of strategy implementation, assuming that the implementation could be straightforward (Noble, 1999). Meanwhile, Sashittal and Tarkersley (1997) demonstrated that formulation and implementation of the strategy interacted each other to cope with the environmental changes. They also pointed out that marketing managers must improvise their marketing strategies and implementation to fit day-to-day market changes, and to attain their marketing objectives.

Consistent with the important role of middle managers, especially the boundary spanning managers, in current complex and dynamic business environment (Barlett and Goshal, 1994; Dutton et al., 1997; Floyd and Wooldridge 1992a, 1994, 1997; Schilit, 1987), marketing managers as the boundary spanners might provide top management with strategic issues regarding customers and competitors.

These managers might also persuade the top management to implement marketing concept, which posits long term customer satisfaction, not current sales volume, as the key factor to profitability of organization (Anderson, 1982; Drucker, 1969; Levitt, 1960). Marketing managers, therefore, must be critical and creative in implementing their roles. Most importantly, they must be the integrators between organization and its customers (McKenna, 1991).

However, implementing marketing concept or strategic marketing planning was not an easy task. McDonald (1996) identified two common barriers in the implementation of marketing planning. These included cultural and cognitive barriers. The marketing planning was not simply a sequential step of actions. It represented a set of values and assumptions. To execute the planning process successfully, an organization must promote managers empowerment, encourage openness and commitment to the organization, and advocate a collaborative climate and a true concern for providing customer satisfaction (Leppard and McDonald, 1991). Similarly, marketing managers must have good marketing skills and capabilities to analyze business environment. The use of appropriate marketing techniques, such as PIMS, SWOT analysis, PLC analysis, market segmentation, could minimize marketing managers to use unstructured judgmental process that may be inconsistent with profit maximization (Piercy and Morgan, 1994). Without the existence of these two conditions, the strategic marketing planning might not likely attain the intended results.

So far the discussion has revealed that studies on strategy research, specifically on marketing, concentrate in two different aspects. Content school emphasizes their investigation on the fit of the organization to its external environment, whereas the process school places more attention on internal fit of the organization to achieve superior performance. However, most studies representing both schools focus on strategy formulation. They incline to ignore strategy implementation, assuming that it is a simple aspect. Meanwhile, empirical findings indicated that most of the strategy failures were caused by ill implementation or behavioral problems in the organizations (Heyer and Lee, 1992; Perlitz, 1993). Bonoma (1984) even stated that inappropriate strategies but excellent implementation would end up with better results than excellent strategies but poor execution (discussed in more detail in the next chapter).

Considering that organizations should attain both external and internal fit to achieve superior performance, at the same time the processes of strategy formulation and implementation are not separable activities; there is a need for an integrative approach that incorporates both schools of thought. An integrative approach enables researchers not only to analyze the environmental factors that influence the content of the organization's strategy but also to investigate the process, in which the strategy is formulated and implemented to attain superior performance (Jemison, 1981; Paine, 1979; White and Hammermesh, 1981). The emergence of this approach is based on the idea that the formulation and implementation processes influence the content of a strategy; meanwhile, the processes themselves are determined by previous strategic decisions (Jemison, 1981).

The current study uses an integrative approach for following reasons:

- It can eliminate the weaknesses of the content and process approaches in theory building and testing when they are applied individually (Blair and Boal, 1991).
- It provides a more comprehensive framework (Jemison, 1981).
- It enables the researcher to investigate issues related to strategy content, strategy formulation and implementation processes, and to explore how these factors may influence performance (Varadarajan and Jayachandran, 1999).

With all the above considerations, therefore, this study investigates how external environment and internal organization conditions may affect the formulated marketing strategy. It also explores the important role of marketing managers in the processes of marketing strategy formulation and implementation to gain superior performance.

3.7 WALDO – ORG Theory

Waldo divides the development of Org Theory into three stages:

- **Classical period** – epitomized by the works of **TAYLOR, GULICK, FAYOL**. Classical period based on the **"machine model"** of the organization and emphasized the rational aspects of human behavior.
- **Neo-Classical period** – Began with **Hawthorne experiments** in the 1920s and the following **Human Relations Movement**. In contrast to the Classical stage, the neoclassical approach emphasized the emotive and sociopsychological dimensions of human behavior in orgs. The **Human Relations Movement** focused on morale, perceptions, attitudes, group relationships, informal groups, leadership and the bases for cooperation in org behavior. The Human Relations Movement demonstrated the limitations of perspectives such as Scientific Management.
- **Modern Org Theory** – Began with publication of **March & Simon**'s *Organizations* in 1958. Modern Org Theory is based on an "organic" or "natural system" model of the organization and stresses organizational growth and survival. Simon's work on decision making is but one aspect of modern org theory. Waldo considers Simon's work to be a radical departure from Classical Org Theory. A second perspective on modern org theory is **ORGANIZATIONAL HUMANISM, represented by works of CHRIS ARGYRIS, WARREN BENNIS, and RENSIS LIKERT. Waldo** observes that the ORGANIZATIONAL HUMANISM focuses on much the same kinds of concerns as the Human Relations Movement. From the humanist perspective, the objective is to achieve organizational effectiveness and self-fulfillment simultaneously, under the assumption that the interests of the individual and the organization are compatible. A third strand of Modern Org Theory is the "scientific and managerial" literature (contingency theory, system perspectives).
- **Waldo charges that modern org theory presents no unified "theory of organization". By becoming everything, systems theory runs the danger of becoming nothing in particular.**
- **"A value-free theory of organizations is unattainable."**

3.8 They Dyadic Environment of the Organization

Transaction Cost Economics – **Ronald Coase** – Conceives organizations as structures for governing exchange relations. Central Theme is the friction between two organizations that arises when they are mutually dependent.

The firm – a system of specialized relationships which comes into existence when the direction of resources is dependent on an entrepreneur rather than on the price mechanism.

Even “free” markets are not costless – the process of transacting creates its own costs – contracts, lawyers, negotiations, etc.

Transaction costs are the costs of contracting – planning, adapting, monitoring task completion.

Williamson – Any issue that can be formulated as a contracting problem can be investigated to advantage in transaction cost economizing terms. Every exchange relation qualifies. Transactions vary in their level of uncertainty and frequency. The greater the uncertainty and frequency, the greater the transaction costs are likely to be. **The key, Williamson** argues, is the degree of ASSET SPECIFICITY – High when assets invested in a particular exchange relationship are much less valuable in other relationships.

Simon – Bounded Rationality – Contracts can’t possibly cover every possibility, and people are sometimes opportunistic and lie, cheat and steal, so there is a limit where the org is better off investing in assets than continuing to contract out.

Make or Buy decisions – TCE says the greater the asset specificity involved in producing a particular part, the more likely that part is to be made inside the organization rather than by an outside supplier.

The M-form – Multidivisional form. TCE proposes that some org forms are better than others form their task. **Williamson argued for the benefits of the M-form in large enterprises.** Williamson calls the functional organizational form the U-form – divided into departments such as manufacturing, sales, finance, etc. But at some level of size, information overwhelms the orgs ability to make decisions. The M-form solves this with each division having its own stand-alone departments (manufacturing, finance, sales) with its own profit-loss responsibility.

Armour & Treece (1978) – study of 28 petroleum firms, evidence for the performance benefits of the M-form.

Difficulties with TCE: In essence, firms *buy* everything, so the "make or buy" decision is a misstatement – there is nothing special about one kind of contract or another.

Resource Dependence Theory – in contrast to the rational systems approach of TCE, resource dependence offers a natural systems perspective that highlights the organizational politics behind choices such as the make-or-buy decision.

Resource dependence theory – 3 Core Ideas:

1) Social context matters – much of what orgs do is in response to the world of other orgs that they find in themselves in.
2) Orgs can draw on varied strategies to enhance their autonomy and pursue their interests. – Similar to Cyert & March's description of "the negotiated environment".
3) Power – not just rationality or efficiency – is important for understanding what goes on inside orgs and what external actions they take. **This emphasis on power and the analysis of org actions to pursue it, is the distinctive hallmark of resource dependence theory.**

How is Resource Dependence Theory different than TCE? Pfeffer - Resource Dependence argues that organizational actions are often taken "regardless of considerations of profit or efficiency" **Pfeffer focused on formulations of power and exchange relations among organizations at the level of organizations (Emerson studied this at the individual level)**

TCE assumes "market selection" determines firm performance. Resource Dependence assumes more "slippage" and that orgs (esp. large ones) have a great deal of discretion to manage their environment. Also Resource Dependence (since it doesn't rely on arguments of market selection) readily explains behavior from orgs of any type, covering businesses, non-profits, or governmental orgs. In short, anywhere there is power, resource dependence will have something to say. **(Pfeffer, 1987)**

Bridging Mechanisms – Efforts to control or in some manner coordinate one's actions with those of formally independent entities. One important bridging tactic is **Cooptation**.

Selznick first described – **Cooptation** is the incorporation of reps from external groups into the decision-making structure of an organization. Selznick described the significance of cooptation and its huge costs – arguing that orgs are in effect trading sovereignty for support.

Managing Organizational Interdependence

Interlocks, Alliances, Mergers & Acquisitions (Vertical Integration, Horizontal Mergers, Diversification).

3.9 Organization of the Environment

Organizational Ecologists – (**Hannan & Freeman, Aldrich, Pfeffer, Carroll**) analyze organizational birth, change and death as the most informative dependent variables.

Ecologists focus on: 1) study all members of the population. 2) Study processes that take place over time rather than relations among variables at a single point in time.

Ecological conception is firmly grounded in an open system model (importance of the environment).

(Bulk of studies the have been performed at the population-level).

<u>**Organizational Populations**</u> are comprised of all organizations sharing the same general form.

Creating New Organizational Populations

Aldrich – most entrepreneurs establish "reproducer"(routines and competencies vary only minimally from those of existing orgs), rather than "innovator" organizations.

Organizational Population – used to define aggregates of orgs that are alike in some respect (institutions of higher ed, newspapers).

Hannan & Freeman noted that biological species are defined in terms of genetic structure and proposed that the appropriate analogue for organizations is to define them in terms of their "blueprint for organizational action, for transforming inputs into outputs." **Hannan & Freeman** add that <u>**the basic key to identifying a population is the possession of a common organizational form.**</u>

Carroll & Hannan – Forms are viewed as "a recognizable pattern that takes on rule-like standing".

<u>**Stinchcombe**</u> **- Imprinting** – Orgs are likely to retain the features acquired at their origin. As orgs age, they are likely to become increasingly institutionalized, their structures and routines "infused with value" and legitimacy, resisting change (a natural system explanation).

Meyer & Rowan – The building blocks of for organizations come to be littered around the societal landscape; it takes only a little entrepreneurial energy to assemble them into a structure. (1977)

How are Organizations Shaped by Broader Social-Political-Cultural Processes? Institutional Perspectives:

Scott – Institutions are composed of cultural-cognitive, normative, and regulative elements that together with associated activities and resources, provide stability and meaning to social life.

Institutions as Regulative Systems

North – Institutions are perfectly analogous to the rules of the game in a competitive team sport. That is, they consist of formal written rules as well as typically unwritten codes of conduct that underlie and supplement formal rules. The rules and informal codes are sometimes violated and punishments are enacted. Therefore, an essential part of the functioning of institutions is the costliness of ascertaining violations and the severity of punishment (**North** 1990)

North observes that the major source of regulatory rules and enforcement mechanisms in modern society is the nation-state. In the **regulatory view of institutions**, it is assumed that the major mechanism by which compliance is effected is **coercion.** Individuals and groups comply to rules and codes out of expediency – to garner rewards or to avoid sanctions. Behavior is viewed as legitimate to the extent that it conforms to existing rules and laws.

Institutions as Normative Systems

(Sociologists such as **Cooley, Weber, Selznick, Parsons**) have viewed institutions primarily as normative structures, providing a moral framework for the conduct of social life. Unlike externally enforced rules and laws, norms are internalized by participants; behavior is guided by a sense of what is appropriate, by one's social obligations to others, by a commitment to common values.

Institutions as Cultural-Cognitive Systems

The most recent view of institutions – "**The New Institutionalism** in organizational analysis" – **Powell & DiMaggio emphasize the role of Cultural-Cognitive processes in social life.**

Berger & Luckmann argue that social life is only possible because and to the extent that individuals in interaction create common cognitive frameworks and understandings that support collective action. The process by which actions are repeated and given similar meaning by self and others is defined as ***institutionalization***. It is the process by which social reality is constructed.

The most influential applications of institutional ideas to the analysis of orgs operate at the intermediate level of **focusing on the effects of societal rules and field-specific norms and beliefs**. These socially constructed realities provide a framework for the creation and elaboration of formal organizations in every arena of social life. (**Meyer & Scott** 1983, 1994)

Institutional Agents

Theorists suggest that the two major types of collective actors who generate institutional rules and frameworks – regulatory policies, normative beliefs, and cultural-cognitive categories – are **governmental units and professional groups**.

DiMaggio & Powell assert that Bureaucratization and other forms of homogenization are effected largely by the state and the professions, which have become the great rationalizers of the second half of the twentieth century. (1983)

Organizational Fields

DiMaggio & Powell – **Fields are comprised of diverse organizational populations and their supporting (funding) and constraining (regulatory/competitive) partners, all of whom operate within an institutionally constructed framework of common meanings**. Fields necessarily vary among themselves and over time in their degree of ***structuration*** – their relational and cultural coherence (DiMaggio & Powell, Giddens).

Giddens – the original framing of his definition, that **structuration** stresses the recursive interdependence of rules and relations, of schemas and resources. As structuration increases, meanings become more widely shared: institutional logics – "the practices and symbolic constructions which constitute a field's organizing principles" become more pervasive.

3.10 Networks In and Around Organizations

A network consists of "nodes" and "ties" or relationships among the nodes. It is clear that networks have much in common with the open systems approach where we conceived of organizations as systems of interdependent, loosely coupled parts, among which can flow materials, energy, and information.

Formal organizations are themselves a special case of network: roles (or jobs or participants) are nodes connected by ties such as authority relations or informal exchanges.

Network Thinking

C. Wright Mills applied network ideas to analyze the social connections among members of the American "power elite" – "those political, economic and military circles which share decisions having national consequences." Mills' work launched a series of empirical studies of power elites in modern societies.

Networks can be viewed at three analytical levels:

1) The ego network – consisting of a node's direct contacts.
2) The overall network – includes all actors and relationships within a particular domain.
3) The network position – identifies an actor's coordinates within the "overall network" topography.

Baker and Faulkner (1993) – Being central in a network is not necessarily a good thing. In their study of a famous price-fixing conspiracy network, they found that managers who were most central in their study were most likely to be found guilty in court.

Networks are often "multiplex", meaning that different kinds of relationships often overlap.

3.11 The Rise and Transformation of the Corporate Form

"…organization theory seeks to provide an understanding of the intersection of biography and history in social structure"

"The history of the development of modern society is also a history of the development of special-purpose organizations. Organizations were both created by and helped to produce these changes"

1) Twentieth century: organizations and nation-states are the dominant organizational forms
2) Organizations and their structures shape the way we live
3) Social class, religion, family life has been shaped by large organizations
4) Major social organizations (prisons, schools, government agencies) have adopted corporate organizational structures
5) Do organizations absorb society or are they becoming increasingly absorbed by societies?
6) Movement of rational, hierarchical organizations (Ford) to loosely coupled (Linux) organizations

Major Organizational Forms

Transitions from major organizational forms and movement from an industrial to service economy:

- Railroads
- U-form: central management unit with several functionally organized units
- Railroads created by an upper class elite group of "robber barons"
- Helped create the emergence of stock markets and the New York Stock Exchange
- Set the tone for interaction between business elites and governments
- Made widespread distribution of goods possible, thus helped other industries expand

- Manufacturing firms
- Rational, hierarchical units
- Major corporations
- Guilds as a precursor to the modern corporation
- Early corporations in the U.S. were "quasi-public agencies, granted corporate status to build canals or roads—public projects—that were too costly for individuals to fund" (p. 347).
- Fortune 500 (U.S. businesses with largest revenues) as the institutional field of big business
- Fortune 500 dominated by manufacturing firms until 1995
- Major corporations have had an enormous impact on social and economic life in the U.S.
- M-form: multi-divisional structure which included a general corporate office and product-based or regional divisions that also had different departments

Characteristics of corporations:

- vertically integrated
- multidivisional forms
- professional managers
- no particular ties to founders
- owned by dispersed and powerless shareholders

Corporations are distinguished by three features:

1. Separate legal personality (corporation can make its own contracts and own property)
2. Unlimited life (existence under law is not dependent on any group of people)
3. Limited liability (people who own it are not responsible for corporation debts)

American Exceptionalism

- It is assumed that the development of the corporation was inevitable…it was not--things could have gone differently.
- Corporate revolution during 1898-1903
- No other economy experienced the same development of "vertically integrated M-forms" like the U.S. did
    - Germany: cartels, smaller firms
    - France: large firms owned by the state
- "In other industrialized nations, governments grew up before business; in the U.S. the opposite was the case" (p. 355)
- If more of a federal than state influence had occurred over banks and corporate law, we might have a different system
- Other countries may adopt our corporate forms…some are successful and some are not
- Role of states: New Jersey and Delaware—"corporation friendly" states; tax shelters, etc.

The "Soulful Corporation"?

- Professional managers as more "public-spirited civil servants than rapacious robber barons"
- Responsibility to stockholders, customers, employees, public
- Firm as an institution
- Are corporations becoming more and more like nation-states?
- Corporations increasingly take on more and more social welfare roles:
    - In house legal counsel
    - Internal dispute and grievance procedures
    - Support local arts and communities

- Support low-cost housing
- Subsidize medicines for lower income families
- Health care
- Day care
- Higher education

Are Organizations Still the Defining Structures of Society?

- Are classes or organizations the major structures in society?
- Marx: owners and non-owners/workers
- Dahrendorf: Marx's model is too simplistic
- Social mobility is still possible while at the same time, a widening gap between the rich and the poor continues

Discussion Questions:

Scott and Davis point out that the U.S. corporation looks more and more like a nation-state: "Corporations have come to look more like states in the range of their activities, while states have come to look more like business corporations, as both compete for each other's business".

- Do you see the corporation as "soulful" OR as furthering the class divisions in our society as we continue to see the widening gap between the rich and the poor?
- Do you think the unique development of the corporation in the United States has contributed to its role of providing an increased range of social services more so than possibly the federal government? Should this be the role of the corporation vs. state or federal government?

Can societal members depend or *should* they depend on the corporation to ensure the social welfare of a society? Does a corporation want to fulfill this role?

3.12 Changing Contours of Organizations and Org Theory

From unitary to multi-paradigm. Scott argues that the field of org studies emerged from the "cleft rock" provided by the scientific management and the human relations schools. This dualistic perspective, enshrined in the rational and natural system perspectives remains with us up to this time. From the 1960s to the 1990s, a wide range of competing models or paradigms for studying organizations were proposed, elaborated, and, to varying degrees, tested. We have reviewed theory and research associated with the bounded rationality perspective, contingency theory, transaction costs, resource dependence, sociotechnical systems, organizational ecology, institutional theory, and network approaches to name only the main contenders.

It is now a multiparadigm world.

We have moved from studying the micro to the macro, from studying structure to process.