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The Handbook of Organizational Design, Vol 1

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Book Reviews

The Handbook of Organizational Design, Vol 1, edited by P. C. Nystrum and W. H. Starbuck. New York: Oxford University Press, 1981, 560 pp., \$29.50.

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Clinical sociology is in need of theoretical models and practical examples which help with the definition of the collective *métier*. This is especially true the larger the scale of analysis and intervention. Volume 1 of *The Handbook of Organizational Design* will serve as a lodestone to some, a lodestar to a few, and a loading platform to all who read it. (Editors note: Volume 2 will be reviewed at a later date.)

Volume 1 is divided into three parts: 1) the adaptive capacities of organizations; 2) the implications of organizational environments; and 3) issues involved in interactions in interorganizational networks. This review places special emphasis on the major implications of the presentations for macro-clinical organizational analysis and intervention.

Adaptive Capacity

Eight articles are devoted to adaptive capacity of organizations. They share an emphasis on macro-analysis and intervention, a combination of prescription and description, and an extraordinary density of information. Adaptive capacity is treated as a primitive term; the papers refer to it but do not define it. Hedberg proposes that an adequate theory must have propositions about how organizations—not people—learn, unlearn, and relearn. Adaptive capacity may be described as the rapidity, appropriateness, and self-control with which organizations perform these tasks. Organizations can be taught to promote experimentation, to increase their awareness of internal and external factors by opening communication channels, reducing filters, and increasing levels of conflict and variety of input, and to redesign environments. Macro training should help organizations achieve a dynamic balance between innovation and control.

Hedberg's work on dynamic balances should be of interest to clinicians. Hedberg uses the metaphor of seesaws in balance to portray dynamic equilibrium between having "just enough" order and stability to promote self-design, and having so much that inertia sets in, making change difficult. This metaphor is coupled with aphorisms that capture the tension and fragility inherent in trying to have enough consensus to ensure cooperation without it becoming stifling.

He suggests tentative relationships between prescriptions and the attainment of dynamic balance.

Child and Kieser take the perspective that organizational development is always occurring, it can be adaptive or maladaptive. Adaptive capacity is seen as a strategy of development coupled with an organizational design to support it. This is not a simple statement of contingency theory; the authors are aware of the limited power of contingency theory to explain variations in organization performance over time and are sensitive to the fragility and dynamic nature of the process.

Child and Keiser argue that the main forces behind development are uncertainty and dependence reduction. They develop a taxonomy of strategies for accomplishing these ends. Each strategy has implications for the structure and functioning of an organization. The authors review a sizeable chunk of the structural literature. They make an initial attempt to describe the dynamic aspects of the processes through a diagram that specifies some of the important variables and their relationships. It is a provocative model. Deliberate simplification and misspecification reflect the nature of the early stages of conceptualization. This can be a source of much of the excitement for clinical sociologists, for clinical practice should resonate with the insights and enlighten the pitfalls of the current state of the art.

Peterson's paper on entrepreneurship consolidates much of the literature and defines it from a macro-posture. Peterson emphasizes that in considering the *process* of entrepreneurship, the supply of entrepreneurs is not as important as the demand for them. Demand is something that can be designed into organizations, with an essential problem being development of stable combinations of entrepreneurship and organization.

Kimberly defines managerial innovation as "any program, product or technique which represents a significant departure from the state of the art at the time it first appears, and which affects the nature, location, quantity or quality of information that is available in the decision-making process" (p. 86). Innovation is analogous to entrepreneurial activity (though Peterson blurred the distinction between process and product), and is affected by invention, diffusion, adoption, and implementation.

Kimberly's focus is macro, but permits consideration of individual factors in the processes. Adaptive capacity is viewed as the central design issue. The reader is forcefully reminded not to confuse the rate of innovation with adaptive capacity, which entails adopting innovations only when clearly indicated and disposing of ineffective innovations. Kimberly also argues that such an approach is more likely in self-evaluating and self-designing organizations. This framework enables Kimberly to organize an extraordinary amount of information on the life-cycle and environmental context of managerial innovation.

Sage plays on the theme that the quality of strategic decisions contributes

to performance independent of consideration of organization/environment fit. Information filtering is a two-stage process: first discerning cause-effect relationships, then constructing algorithms that estimate important organization parameters. If successful, this process should augment adaptive capacity by facilitating accurate long-range projections and evaluating the long-term impact of alternative strategies. Alternative methods of optimal information filtering are discussed.

Makridakis and Wheelwright describe in depth the process of integrating forecasting methods into an organization's functioning. The tie to adaptive capacity is in the assumption that in rapidly changing environments, forecasting enables organizations to learn more rapidly. Although not discussed, such an assumption also provides a provocative link between the quality of strategic decisions and organization/environment fit.

The central design problem is matching methods to situations. Two comprehensive schemes are presented in some detail. The life-cycle concept argues that forecasting methods will vary depending on the stage of a product's development. The time-horizon scheme argues that long time-horizons, involving external conditions and major decisions are going to require more sophisticated techniques than shorter time-horizons.

Taylor and Vertinsky's paper recalls Hedberg's theme: trying something new to learn from situations that arise. The adaptive capacity of an organization may be increased if this process is engaged in more systematically and has better results across time. How an organization experiments, however, is affected by its views on experimentation. The authors differentiate among philosophical views of experimentation in closed and open systems. This provides a framework for considering experimental design alternatives, tactics of behaving sequentially and learning, and ethical and legal issues in organization-behavior experiments.

Warner briefly reviews a variety of organizational experiments that vary considerably in their design characteristics and size, and makes some suggestions regarding the institutionalization of experimentation in organizations. This chapter, together with Taylor and Vertinsky's, should be required reading for clinicians.

Societal Environment Implications

The second section of Volume 1 covers a broad range of topics loosely related to organizational environments. Champagne, Neef, and Nagel discuss ways that organizations attempt to adapt to or change their legal environments, describe how organizations stimulate the creation of law and involve themselves in the process, and discuss the conditions of varying compliance to constraining laws. Another section treats courts as organizations, with a brief but competent review of some relevant issues. A brief discussion of how political power, resources,

legitimacy, and intensity of members' feelings influence strategies would have been of greater use to clinicians had the authors grappled with the evolution and logic of adaptation strategies of both the law and organizations.

Moch and Seashore focus on intra- and extracorporate normative relationships. The commitment of individuals to the corporation becomes more problematic as interdependence grows. They argue that the human relations movement was a response to control dilemmas presented by interdependence, and critiques of the human relations movement are briefly reviewed. Missing from this discussion is the later human resource management literature that makes less simplistic assumptions about the fusion of individual and organizational interests. Much of this latter work, however, poorly conceptualized the delicate balance between career and organizational commitment and between conformity and innovation. The variables affecting the intensity of commitment, flexibility, and coherence of organizational norms need review by competent social scientists such as Moch and Seashore. Given the tendency in the business literature to make sweeping, unrealistic assumptions about the operation of norms and cultures, it is a shame the authors did not address these issues in more depth.

Of greater interest is their discussion of larger scale phenomena such as the evolution of norms preventing undue coercion by management or labor, or norms governing relationships between corporations and society. The fundamental dilemmas and alternative strategies for resolving these dilemmas are presented. This is not an area in which most clinicians in organizations are properly grounded. They should be, for these larger issues have a considerable impact on decisions, policies and procedures of business firms.

Morrill reviews a sizeable body of literature on migration and regional development, two fundamental processes which have implications for organizations. He discusses alternative organizational postures for monitoring and adjusting to change. Morrill's position is conservative, arguing that these changes are on such a large scale that altering them is futile, and that organizations can, at best, hope to take advantage of or, at least, cope with these forces. But surely these issues are open. Is the conglomerate that buys a huge tract of land, forms governmental entities, develops a physical and social infrastructure, and creates a demand through advertising only taking advantage of a population shift? The developers of some of the supposed model cities or revitalized central cities or communities trying to attract high tech industry would not think so. As the size, resources, political connections, and expertise of an organization increase, its relationship to its environment changes in predictable ways and has implications for migration and regional development.

The Morrill chapter should be considered more as a loading platform than a lodestar. An impressive amount of literature is reviewed, and the central thesis prompts additional questions. The Hawkins and Walter chapter on planning multinational operations should be considered in the same vein. They discuss

some of the operating characteristics of multinational corporations (MNCs), the impact on the planning process of uncertainties of international operation, and alternative methods for dealing with these additional uncertainties. They raise the issues of impact of MNC size and pressures for social responsibility.

Hawkins and Walter present a considerable amount of useful information but there are some shortfalls. The section on planning and social responsibility is overly prescriptive and normative. A more balanced approach would have considered relationships among the extent of MNC abuses, regulatory changes, power and resource distributions, centralization of policy making, and so on. Documentation and analysis are problematic, but one needs to get beneath the surface of such statements as the following in order to understand the dynamics involved:

The predominant view appears to be that firms should periodically follow lines of action that help society attain its goals, as determined by political processes. (p. 261)

Roos and Starke review role research and develop prescriptions about how organizations should adapt to societal role systems. If the role concept is to be a building block and bridge, as the authors maintain, it must be able to handle the emerging complexity of organizational design that emphasizes alternative ways of knitting organizations together. This is dealt with in part by the authors' emphasis on role making; individual input should be greatest when tasks are complicated, incumbents are professionals, and interrole relationships are changeable. The more recent motivational literature, emphasizing feedback and intrinsic motivation (which the authors barely touch) can be useful here, as can the work on boundary-spanning roles and organizational environments (which the authors do review). But surely it is possible to consider role making as a design element that can be systematically manipulated or that can vary by default as information load varies. And cannot such dynamics also be related to choices regarding integrative mechanisms for the organization as a whole and/or for differing units within an organization with variable technologies and environments? One is left with a sense that the role concept may be a bridge, but perhaps a bridge erected in response to advances in organizational analysis occurring elsewhere.

For the clinician looking for answers on why working in international settings is at once frustrating and exciting, Eisenstadt's chapter is a good starting point. In a rich discussion, Eisenstadt explores the relationship between the type of stratification system and characteristics of organizations in a society, both fundamentally concerned with exchanges and conversion of resources and with control of these processes. The author identifies types of societies based on the extent to which unified conscious strata with autonomy from political rulers have

developed. These are compared with respect to a host of structural, goal, and bureaucratic behavior characteristics of organizations, and to more general characteristics of societies. There are no straightforward prescriptions or kernels of simple truth, but straightforward prescriptions are usually self-evident and simple truths illusory. The real test is whether future research and current practice are informed by Eisenstadt's discussion. This seems likely, although the value of this chapter could have been more immediate and less tortuous had Eisenstadt been reined in by the editors and prodded to consider the implications of his complex framework for the adaptive capacity of organizations in the varying societal situations he develops.

Where Eisenstadt's approach is comparative and historical, Gerlach and Palmer's is evolutionary. These authors focus on strategies of adaptation to different sorts of environments, tying larger scale issues to the issue of adaptive capacity. Discussing the evolution and driving forces behind different patterns of adaptation, Gerlach and Palmer review the concept of SPINs—segmented, polycentric, integrated networks. The parallel between the implications of turbulent environments for the shape of individual organizations and the driving forces behind the loosely coupled SPIN is unmistakable and explicit. Detailed examination of the interactions which have developed around the control of electric power in the upper Midwest of the United States makes the Gerlach and Palmer chapter of more immediate use to both organizational and resource mobilization theorists and to practitioners working in a complex, changing environment where the control of critical resources has broad implications for clusters of organizations.

Interactions in Organizational Networks

The last section of Volume 1 covers issues related to interorganizational networks—the term “networks” to be taken in the loosest sense, with no suggestion of purpose or direct linkage. These chapters address types of relationships, driving forces, regulatory possibilities, and design considerations, regrounding the discussion of environments in the compelling themes found in the first section.

Aldrich and Whetten attend to populations of organizations relating to their environments and provide a useful introduction to the rest of the section and a chapter of considerable interest to clinicians. They clarify forms of networks that are often confused in theory and practice. Setting them out in such simple and authoritative form marks this chapter as a potential lodestone. Of particular importance is the clarity of the evolutionary model of network development which permits easy consideration of the extent of connectedness and dominance. Avoiding the trap of most past approaches to network analysis, which have been biased toward coordination efforts at the expense of conflict elements, Aldrich and Whetten neatly and simply bring in environmental turbulence and market

competitiveness as forces which shape networks toward loosely-coupled, hierarchical systems. They go on to describe applications and methodological problems, and end with a discussion of where theory and practice should be digging for further gold.

The result is a lodestone of an entirely different kind than found in the previous section. The emphasis is on simplifying the issues and on contributions to theoretical development and practice. Clinicians should pay special attention to the use of network analysis to describe forms of interdependence, potentially stimulating "a lively and frank discussion about the real problems each member is facing in coordinating actions with other members" (p. 403).

Khandwalla's chapter brings considerable clarity to the concept of inter-organizational competition. The author disabuses the reader regarding two common oversimplifications. First, competition is not a unitary concept; it may refer to a variety of activities and factors of production. Competition for market share is most familiar, but one can array organizations on the degree of competition for equipment, competent managers, raw materials, location, etc. Second, competition is not simply an environmental property; it is under the control of organizational decision makers in a complex, nonrecursive system of factors which have direct implications for the design of organizations. This is a chapter which should hold particular excitement for many clinicians. Competition is one of the things that makes clinical work in organizational settings so exciting; understanding the implications of competition and sensitizing organizational interests to them constitutes a significant part of the work of clinicians.

Pennings' chapter provides an interesting complement to the Khandwalla piece, for strategic interdependence is quite close to competition. Competition is described from the point of view of the focal organization; strategic interdependence permits a somewhat easier transfer of levels of analysis. Pennings argues that interdependence creates uncertainty, and that organizations react to reduce uncertainty in their external relationships. A variety of coping strategies for reducing uncertainty are spelled out. Pennings' progression is derived from economics, simply and elegantly presented, with some provocative implications for organizational theorists and practitioners.

In Sharkansky's chapter on intergovernmental relations, a traditional approach to authority, decision making, and accountability is developed and related to some issues of organizational design. This chapter is a bit of a disappointment, for it stops just when it is getting to the heart of the matter. Had the author been able to read advance copies of some of the accompanying chapters, the tone and content might have been considerably different. Had he read Gerlach and Palmer's chapter on adaptation through evolutionary interdependence, he might have reviewed the considerable comparative and historical material which describes how public administration has dealt with problems of relationships among political entities and related phenomena. Had he read any of the other chapters

in this section, he might have elected to confront the issue of regionalism more forcefully, or he might have discussed some of the empirical literature on interdependence and effectiveness across time. Much of the dynamism is missing; it is a solid introduction, but probably does not reveal much that most clinicians working in organizations do not already know.

Chatov distinguishes between consensus and conflict networks in government-business relationships. As a device for bringing some order to the analysis of various regulatory problems, the consensus/conflict distinction deserves close scrutiny. Missing from this discussion, however, is a more comprehensive framework regarding industrial policy in the modern age.

Volume 1 ends with an extraordinary chapter by Metcalfe. Of all the many fine chapters in this handbook, this last one may be the most significant for clinicians. Metcalfe develops the theme of the politics of organizational design with attention to constitutional flexibility in organizational learning. He discusses design options for regulating boundary transactions among subsystems and adapting organizational constitutions. In a final section, he deals with the combined problems of generating effectiveness and risk-taking while protecting the interests of publics and penalizing the abuse of power.

Metcalfe comes as close to providing a coherent scheme for understanding adaptive capacity as both an external and internal phenomenon as may be possible given the conceptual constraints under which the field is presently operating. His emphasis on the political requisites of self-designing organizations and the consideration of power as amplification of regulatory capacities lead him eventually to detail the crucial but neglected functions that social control can have in promoting effectiveness and organizational learning.

Conclusion

Overall, the first volume of *The Handbook of Organizational Design* provides a staggering amount of material of interest to clinicians working in organizations. The imposed framework is a bit artificial (as a number of the chapters could be placed in other sections), and some building blocks are missing—a chapter on approaches to measuring and conceptualizing technologies would have been helpful to many clinicians—but these are characteristics of almost all handbooks. As it is, the *Handbook* is a place to go—and then go back to—to get perspective, begin literature reviews, find provocative treatments of interrelated issues, and get a sense of what it could mean to intervene in an organizational context on a larger scale. It is this last attribute that should be of most interest to clinicians, for though many have become adept at process intervention, a smaller number have been concerned with the relationship among structure, process, and environment.