

MNGT-C1010

# ORGANIZATION DESIGN

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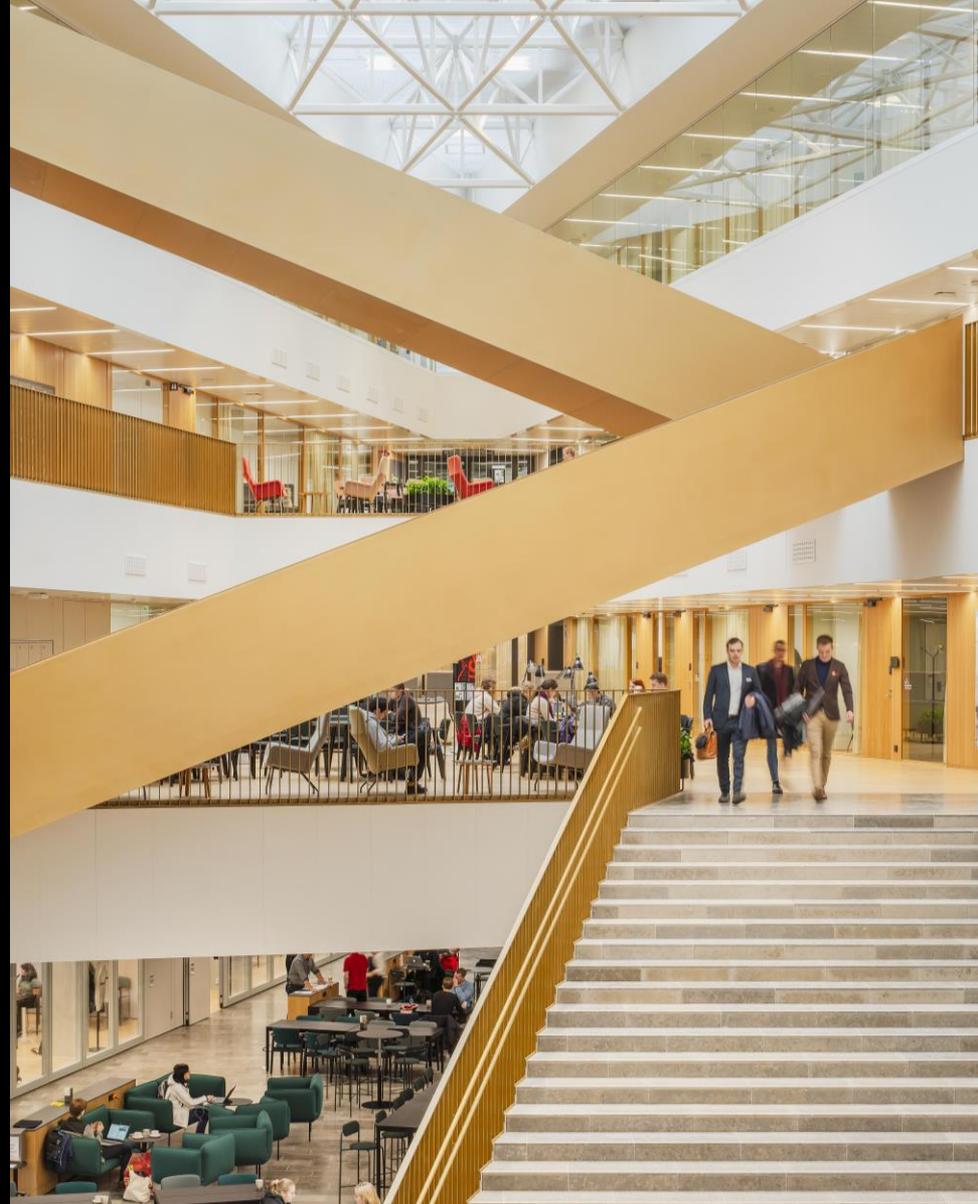
## Module 3: Culture & Leadership

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16.3.2023



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# MODULE 3: People and culture in organization design (JM)

**Themes:** People and culture in organization design. Coordination inside the organization.

**Learning objectives:** After the module, you are able to evaluate the role of culture and climate in organization design, and understand how workflows and task design inside the organization affect organization design. You are also able to argue for different kinds of control and coordination mechanisms and how these can be linked to overall organization design.

## Mandatory readings:

Burton, R. M., Obel, B., & Håkonsson, D. D. (2021). Organizational design. Cambridge University Press. 4th edition - Chapter 6

AND

Burton, R. M., Obel, B., & Håkonsson, D. D. (2021). Organizational design. Cambridge University Press. 4th edition – Chapter 7

# MODULE 3: Readings & Sessions

## Tuesday 13-15 – Lecture - U356 (ALMA MEDIA)

**Themes:** Coordination inside the organization

**Readings:** Burton, R. M., Obel, B., & Håkonsson, D. D. (2021). Organizational design. Cambridge University Press. 4th edition - Chapter 6

## Thursday 13-16 – Workshop - U356 (ALMA MEDIA)

**Themes:** People and culture in organization design.

**Readings:** Burton, R. M., Obel, B., & Håkonsson, D. D. (2021). Organizational design. Cambridge University Press. 4th edition – Chapter 7

# Discussion on the readings

Burton, R. M., Obel, B., & Håkonsson, D. D. (2021). Organizational design. Cambridge University Press. 4th edition – Chapter 7

## Discuss in pairs:

- **What did you find most interesting?**
- **What questions arose?**

# Focus of the day

We aim to address the following questions:

1. What is the role of leadership in organization design?
2. What is the role of culture and climate in organization design?
3. (What is the role of incentives in all this?) – If we have time

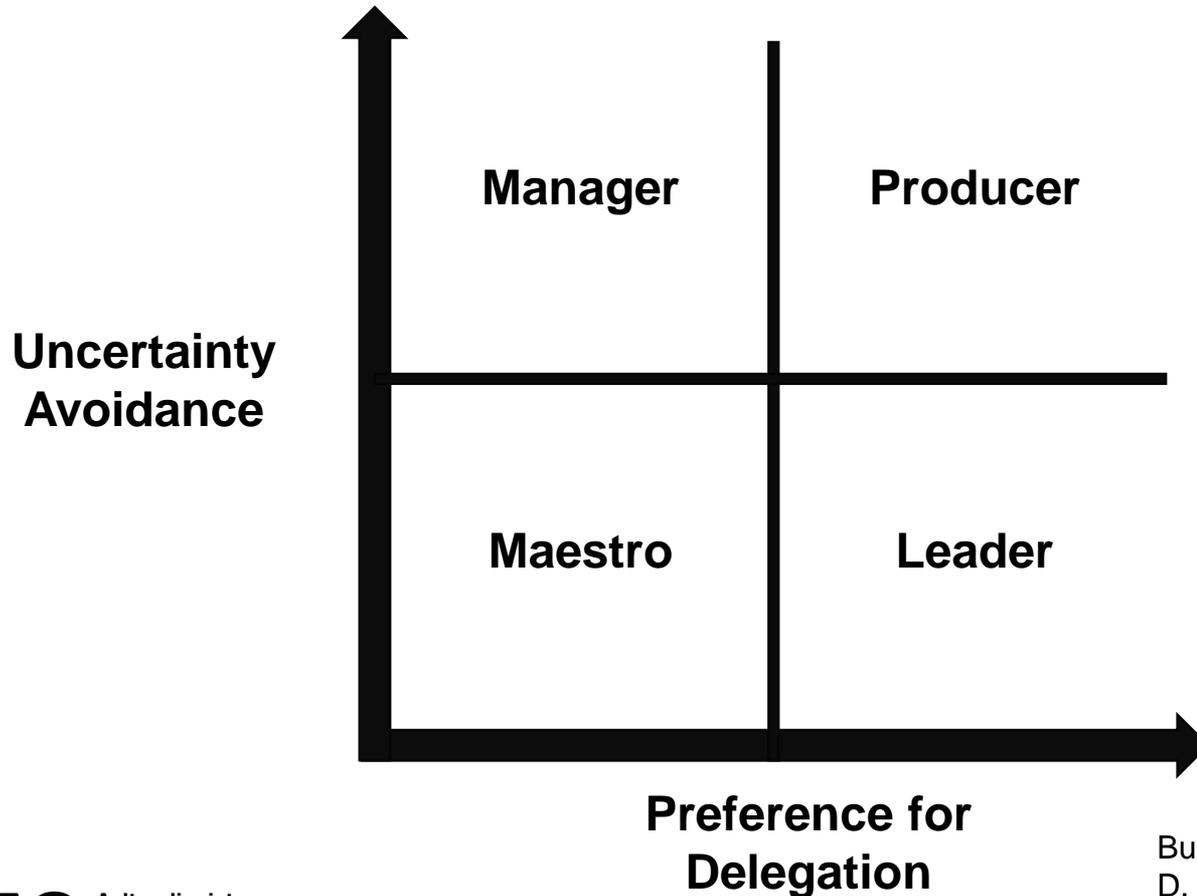
# Leadership



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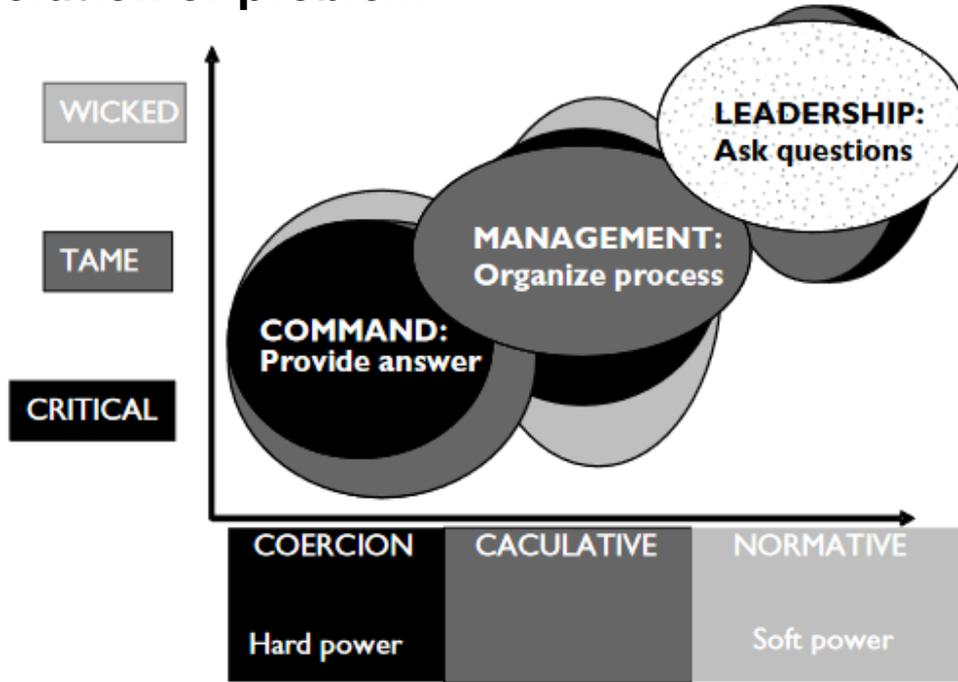


# Basic Leadership Styles



# Different Leadership styles

Uncertainty about solution or problem



**Requirement for collaboration**

# Some General Remarks about Leadership

One should mix different leadership styles per situation and expectations (social costs) – however a default style could follow the above matrix (to match other org. design aspects)

Nestedness – e.g. leadership in country level but maestro in team level is possible

Toolbox approach – no single style is universally best so we need to learn multiple approaches

Don't overemphasize the importance of leadership – there is a deus-ex machina like quality in our minds about leadership

# A Quick History of Leadership Studies

**Trait theories  
(Before 1940s)**

**Contingency theories  
(1960s)**

**Collaborative leadership theories  
(1990s)**

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**Behavior theories  
(1940s)**

**“New Leadership” theories  
(1980s)**

# Typical Leadership Dichotomies

Leader  Follower

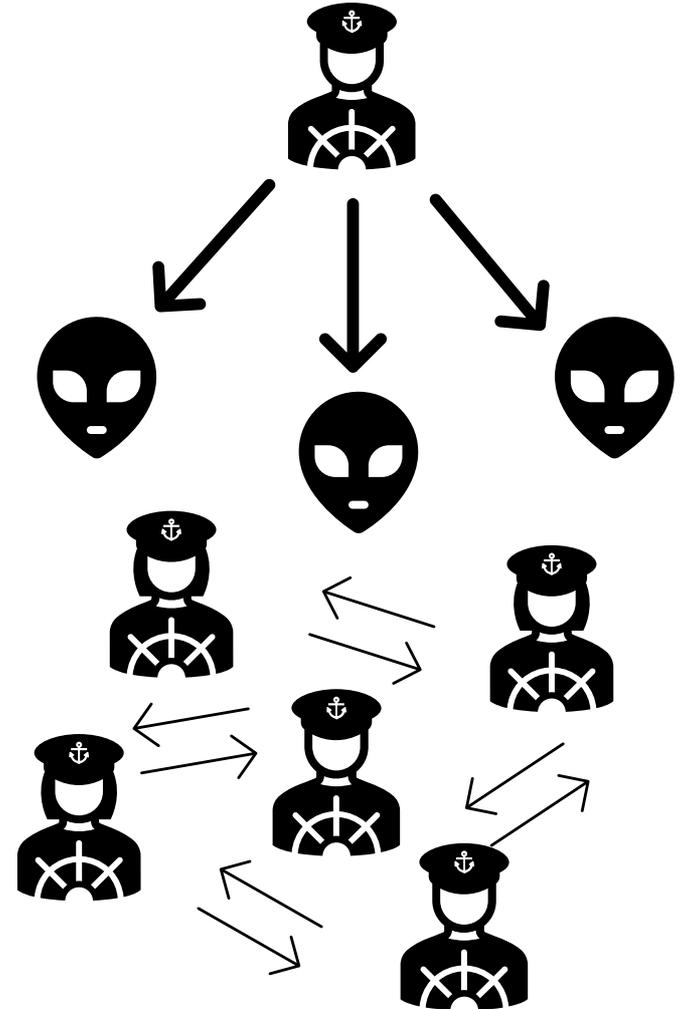
Individual  Group

Vision  Doing

Static  Dynamic

Unilateral  Procedural

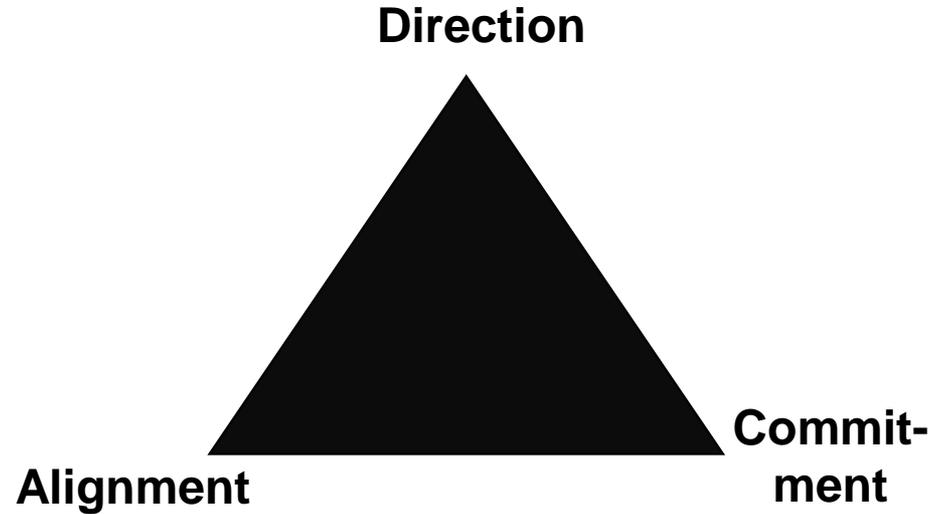
People  Things



# DAC framework

DAC framework is an example of contemporary leadership theories – it focuses on outcomes and is agnostic about who (or even what) “produces” leadership

Functional perspective – if these things are produced, it is leadership



Drath, W.H., McCauley, C.D., Palus, C.J., Van Velsor, E., O'Connor, M.G.O. & Mc Guire, J.B. (2008) Direction, alignment, commitment: Toward more integrative ontology of leadership. *The Leadership Quarterly*, 19-6

# Functional View of Leadership

Condensed from multiple theoretical frameworks

Martela, Mäkkeli, & Kostamo (2022)

<b><u>Task-oriented functions</u></b>	<b>Task setting and resourcing</b>	Setting goals and directions Staffing Budgeting & resourcing
	<b>Task execution</b>	Decision-making Coordination Disturbance resolution
	<b>Performance assurance</b>	Oversee Control Feedback Reward
	<b>Information distribution</b>	Acquiring Sensemaking Distributing
<b><u>Systems-oriented functions</u></b>	<b>Organizational change &amp; development</b>	Strategy development Developing structures & practices Encouraging change
	<b>External interaction</b>	Monitor Network Represent
	<b>Culture building</b>	Cultivating purpose & values Guiding the atmosphere Building togetherness
<b><u>People-oriented functions</u></b>	<b>Cultivating motivation</b>	Empowering Motivating Recognizing
	<b>Supporting well-being</b>	Emotional support Well-being monitoring Conflict resolution
	<b>Developmental support</b>	Supporting learning & competence Supporting career development Supporting team development

# The Point

The point is that:

- There are multiple leadership styles to choose from – some are better synced with other aspects of organization design than others
- There is no single perfect “style” for management, leadership, or “maestro” (combination of the two)
- It is helpful to adopt a functional perspective to leadership (and management) – Instead of focusing on who does what, focus on what **needs** the organization, people, and clients have and how to fulfil them in various ways

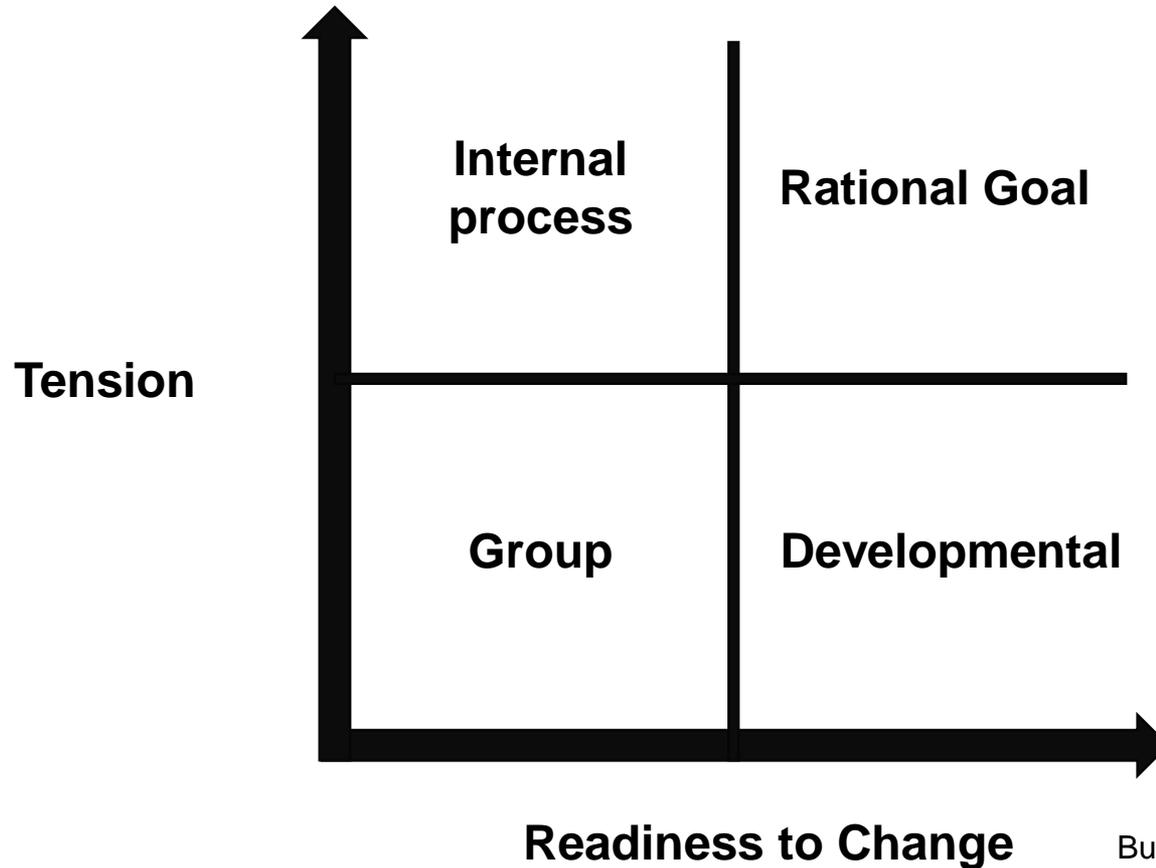
# — Climate and Culture

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# Organizational Climate



**Group:** Calm & relaxed climate

**Internal process:** Trying to limit turbulence and has high stress & conflict

**Developmental:** Readiness to change is high, friendly climate

**Rational goal:** Readiness to change is high, but the pressure is high as well

# Organizational Climate

Relatively enduring quality of the internal environment of an organization that is experienced by its members.

It somehow influences their behavior (doesn't need to dominate) and can be somehow explicitly described

Culture is a more stable factor of the organizational climate

Culture answers to the question: “how do we things around here”, especially in cases where a) there is no supervision, b) there is no procedure in place for the event.

# Psychological Safety

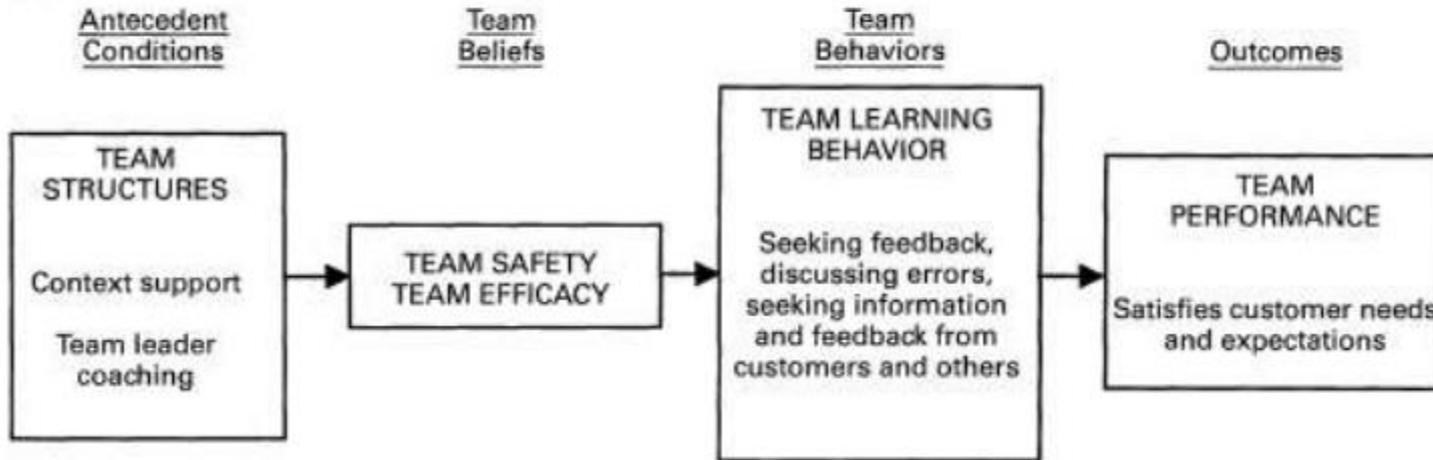
Psychological Safety = Feeling that it is safe to express opinions, be vulnerable to others, and take interpersonal risks

“In sum, a psychologically safe environment enables divergent thinking, creativity, and risk taking. It motivates engagement in exploratory and exploitative learning, thereby promoting team performance”. (Edmonson & Lei, 2014)

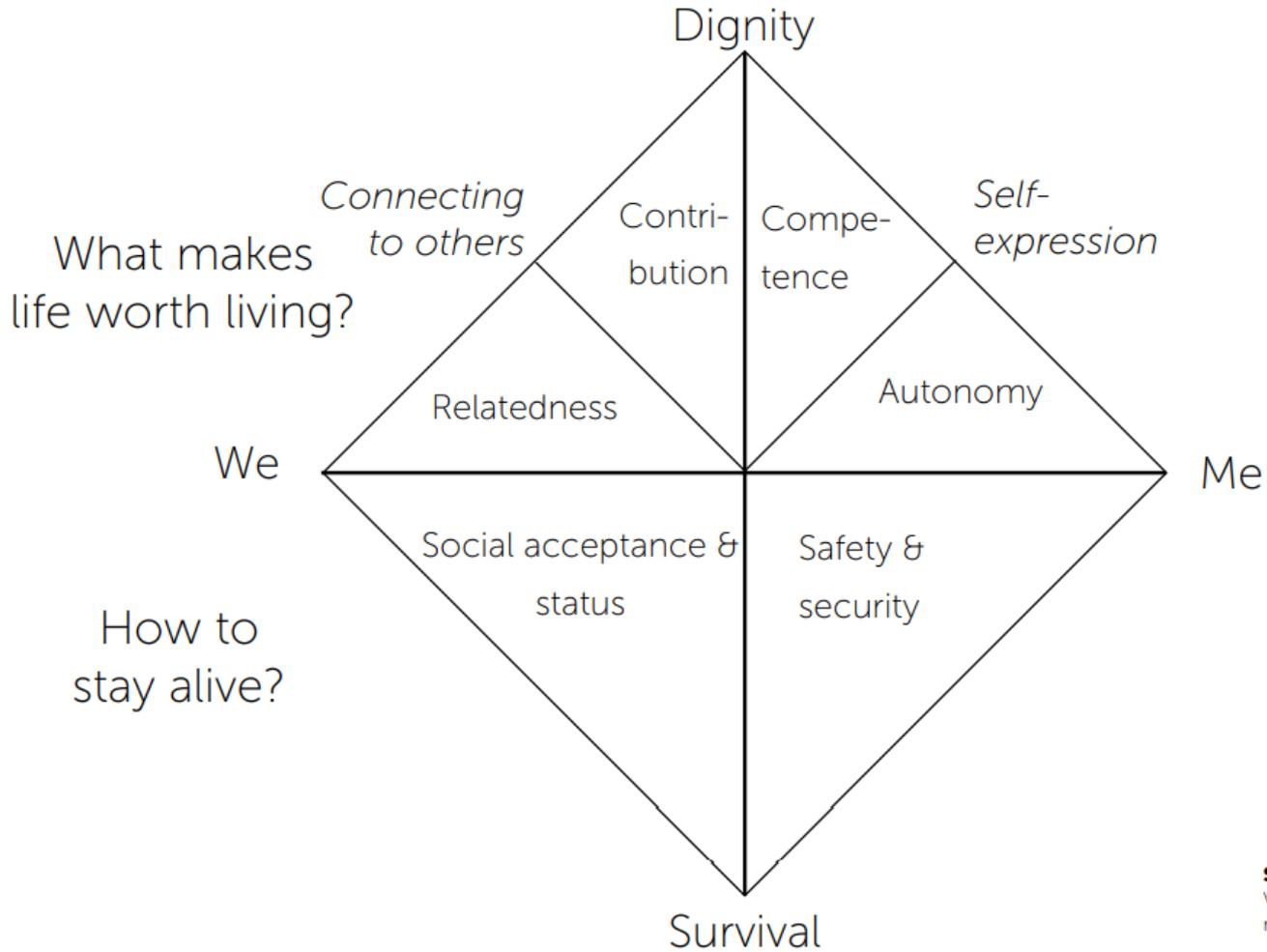
One key characteristic of a good organizational climate is the overarching feeling of psychological safety

# Psychological Safety

Figure 1. A model of work-team learning.



Edmondson, A. C., & Lei, Z. (2014). Psychological safety: The history, renaissance, and future of an interpersonal construct. *Annual Review of Organizational Psychology and Organizational Behavior*, 1(1), 23–43



**Source:** Martela, F., 2015: Valonöörit - Sisäisen motivaation käsikirja

# Supporting Inner Motivation

In a nutshell, supporting inner motivation is to create structures, processes, and practices that support the core pillars of inner motivation:

- Autonomy
- Competence
- Relatedness
- Contribution

Note: These needs are a) individual, b) contextual, and c) temporal. They are universal, but individual.

# Supporting Autonomy

- Explaining why things are done and why certain rules exist
- Giving room for individual choice
- Creating job descriptions that have the right amount of autonomy
- Creating practices that invite people in instead of shutting them
- Creating practices that invite people in instead of forcing them in

# Supporting Competence

- Clear boundaries for work – creating possibilities for mastery experiences
- Support for growth and learning (strengthening the feeling of competence)
- Constructive feedback
- (Mental) tools to help cope with failure

# Supporting Relatedness

- Creating cohesion points – having a professional community is important
- Caring – treating people as human beings instead of resources
- Unformal events for personal connecting
- Retrospectives for team building
- Supporting psychological safety

# Supporting Contribution

- Try to create jobs that are meaningful to others
- Narratives and actions – giving context and meaning to work (e.g. do we “make cars” or “do we ensure that people are able to see their loved ones and go to work”)
- Philanthropy – Link organizational outcomes to e.g. donations to charities

# Incentives

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# Incentives are Part of Coordination and Control

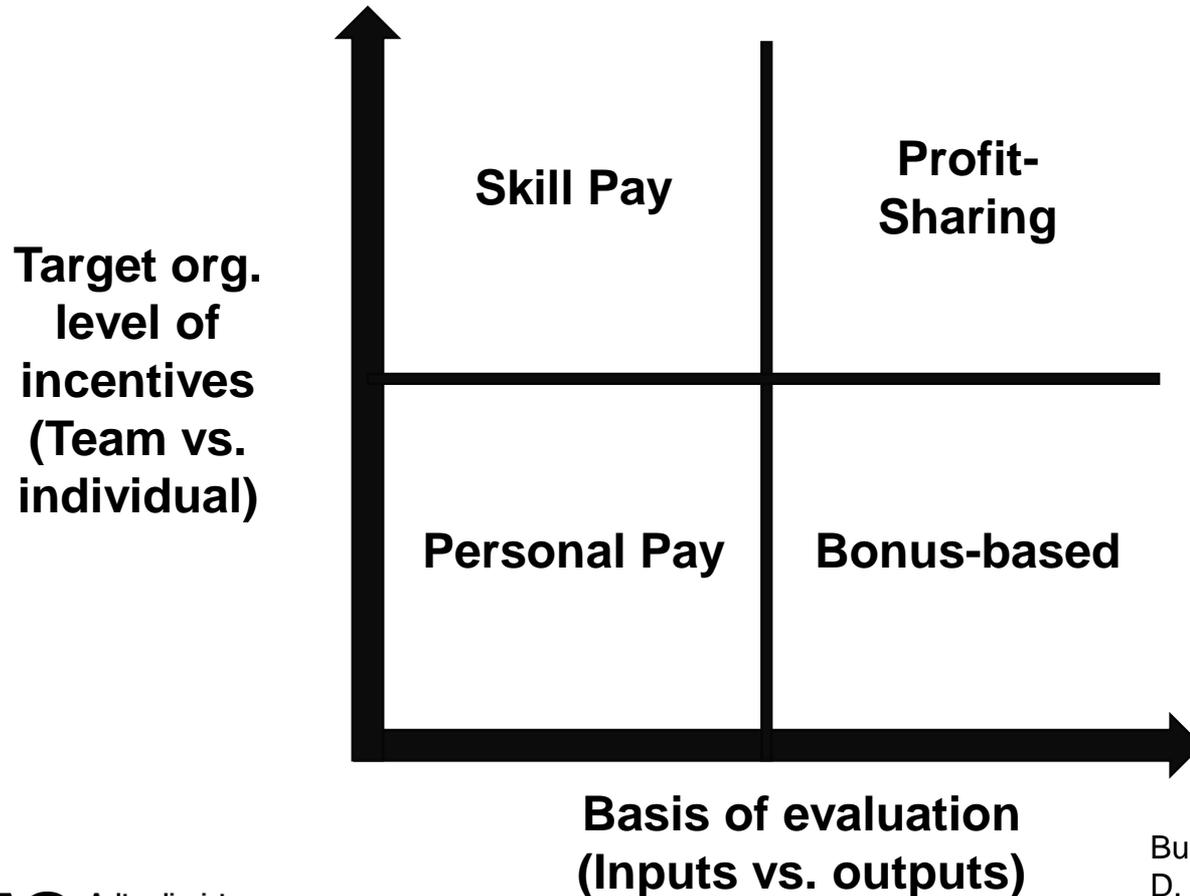
Incentives are a way to motivate employees to contribute to common goals – Mechanisms to encourage certain actions over others

**Hard (monetary) incentives:** Money, stock, prices, promotions etc.

**Soft (social) incentives:** praise, recognition, social status

**Internal incentives:** learning, motivating work, feelings of mastery & autonomy

# Basic Choices for Monetary Incentives



**Personal pay:** Do hours – get paid

**Skill pay:** People are paid based on skill/position

**Bonus-based:** Management by setting objectives

**Profit-sharing:** Get your share of the overall results

# Monetary incentives are a balancing act

Common pitfalls:

- Ask to work as teams, but reward for individual accomplishments
- Reward sales, not profits or customer satisfaction
- Reward equally, when there is significant differences in contribution

It's a balance:

- Individual rewards discourages team-play and helping others, and team rewards encourages free-riding and don't recognize difference in contribution
- Outcome based rewards are often independent of trying your best (in good or bad) and input based rewards reward for right behaviour (doing things right) instead of focusing on outcomes (doing right things)

# Monetary incentives are always broken

Incentive structures are always broken

Because it's a balancing issue, you will always encourage some harmful behaviour at least in some situations

It will be considered unfair by someone

Too complicated structures invite to “play the game” – people often gamify incentives and metrics

The point: aim for the simplest working solution, accept that it is not perfect, tweak when needed

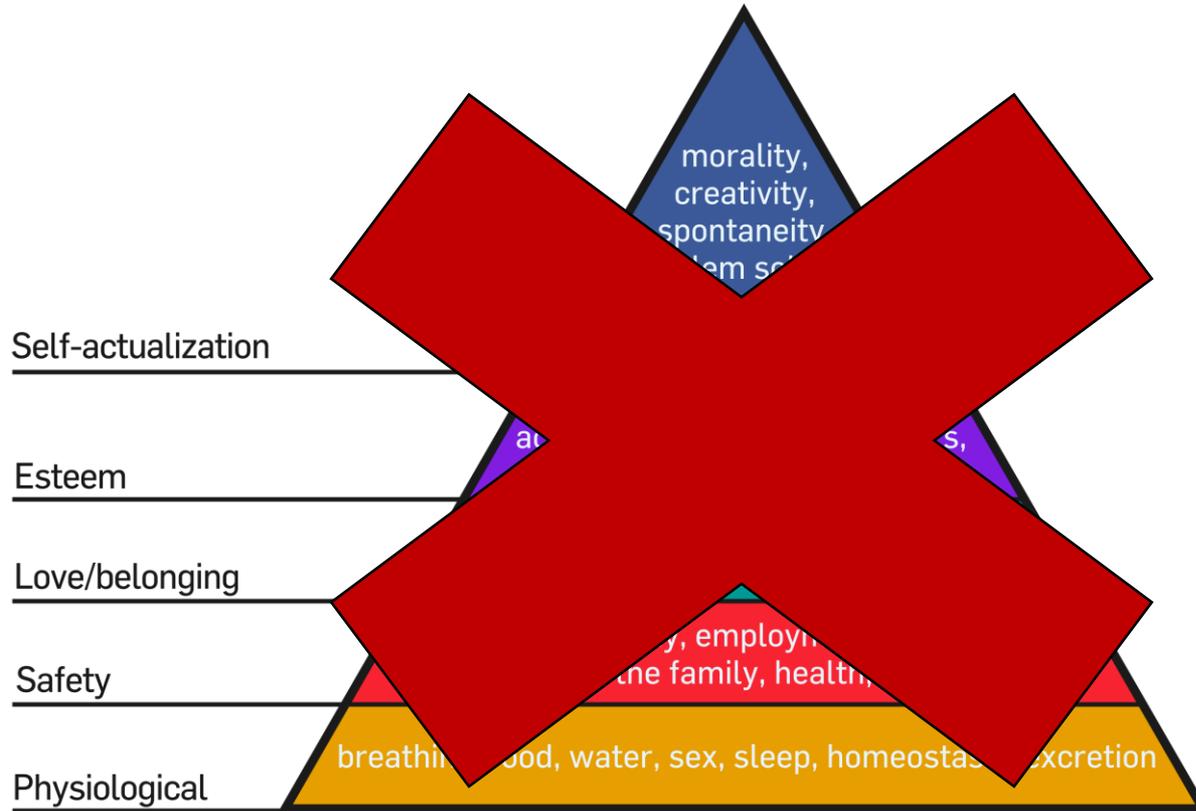
Why do you want this job?

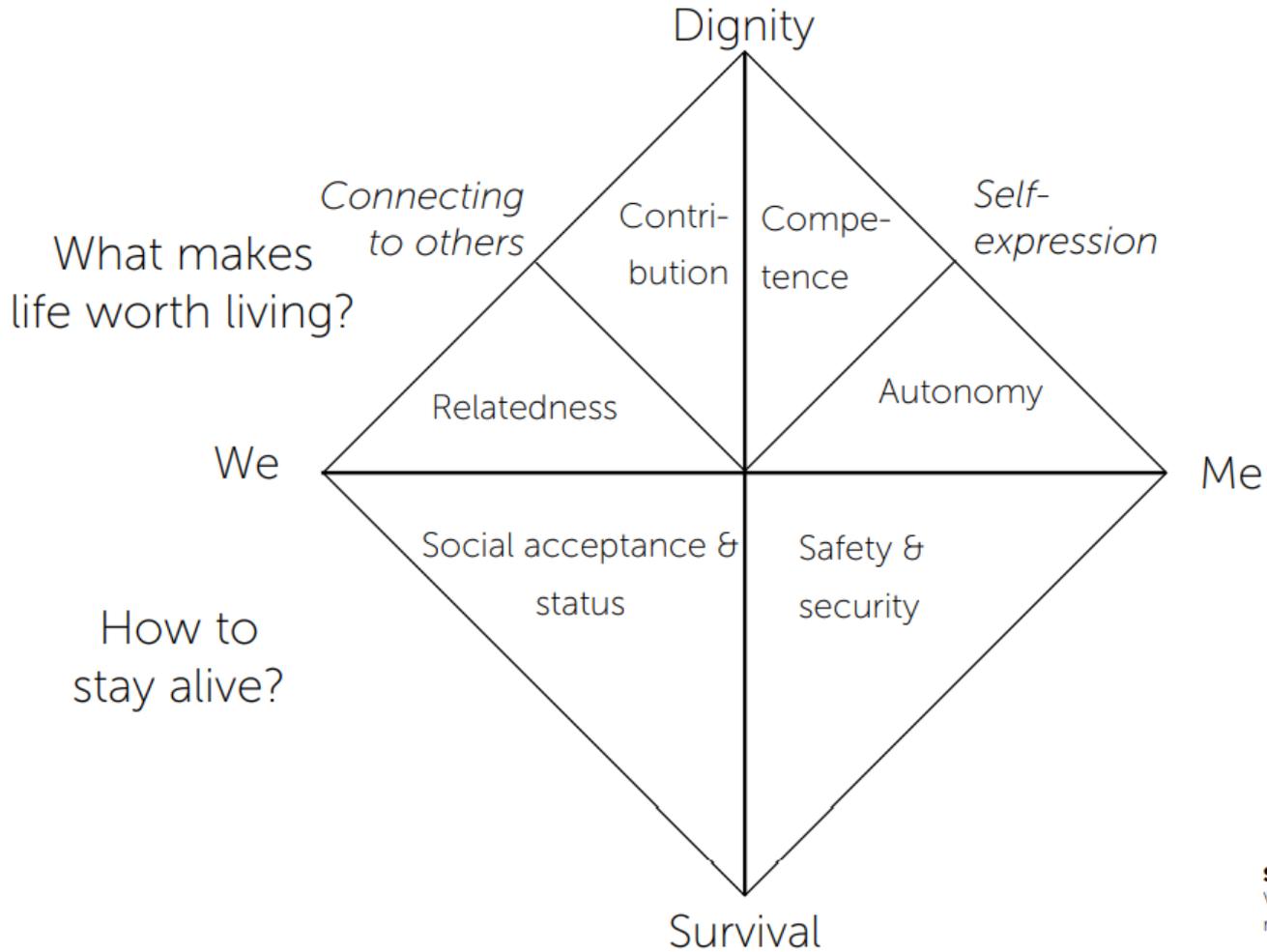


I've always been passionate about being able to afford food.

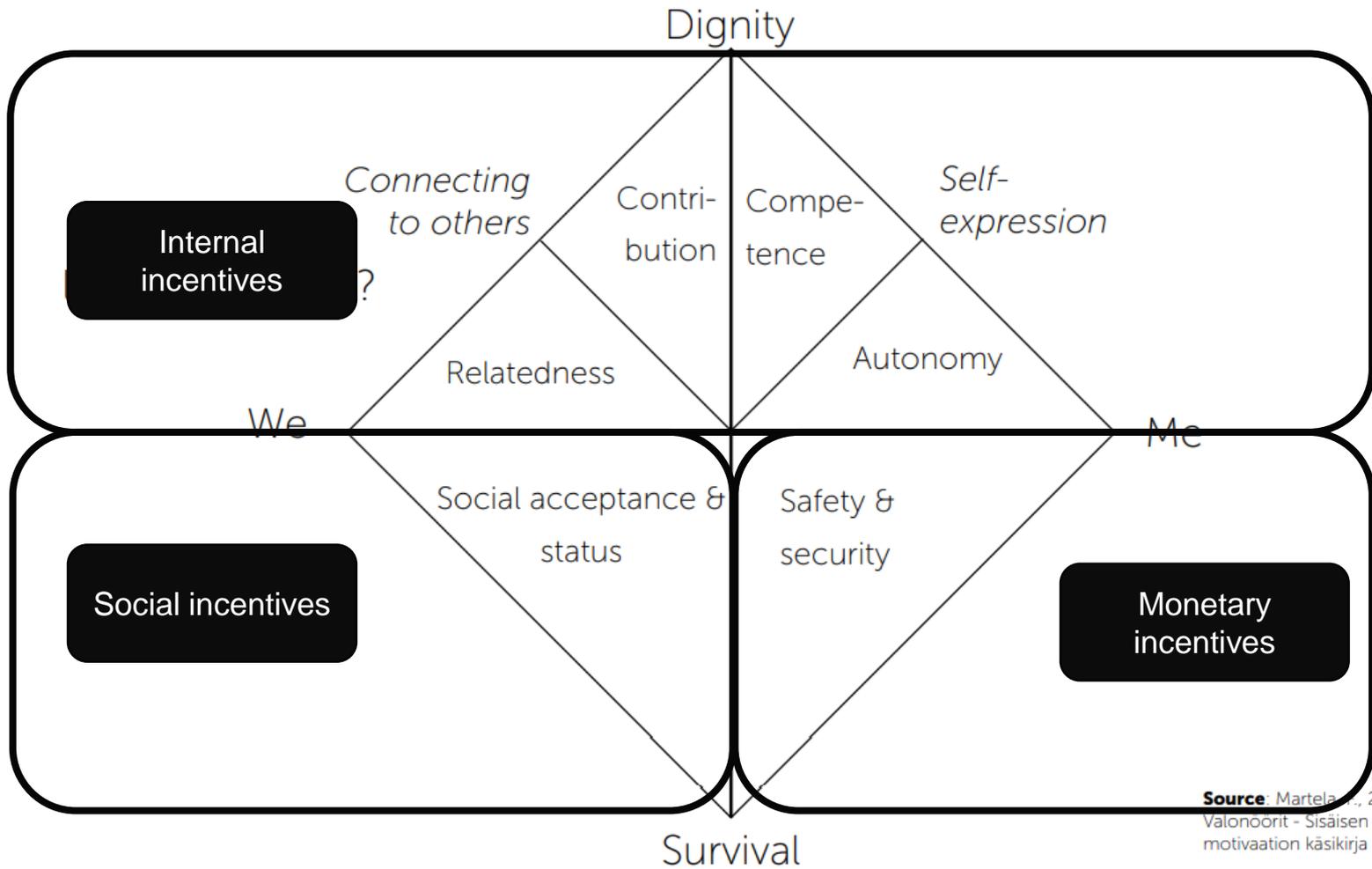


# Maslow's Hierarchy of Needs



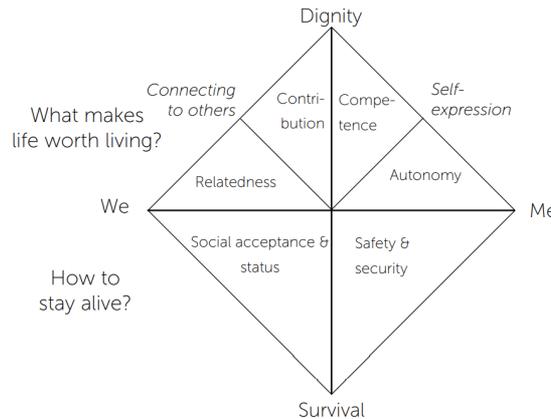
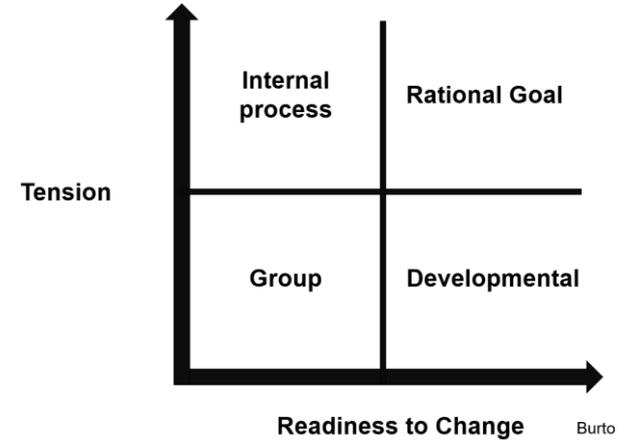
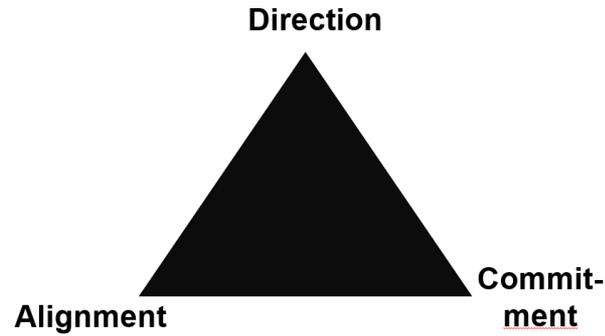
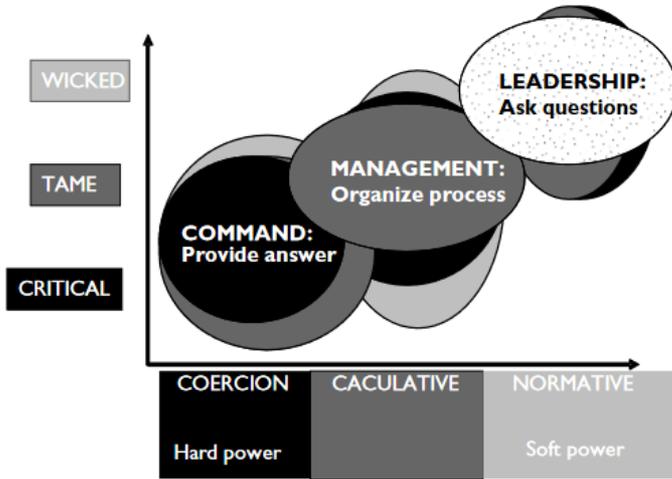


**Source:** Martela, F., 2015: Valonöörit - Sisäisen motivaation käsikirja



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motivaation käsikirja

# Summary



Source: Martela, F., 2015: Valonöyrit - Sisäisen motivaation käsikirja

# References

- Burton, R. M., Obel, B., & Håkonsson, D. D. (2021). Organizational design. Cambridge University Press. 4th edition – Chapter 7
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- Martela, F. (2015). *Valonöörit: Sisäisen motivaation käsikirja*. Helsinki: Gummerus, 56.

# Thank You!



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