MNGT-C1010

ORGANIZATION DESIGN

—

MODULE 4: Historical embeddedness of organization forms

20.3.2023

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MODULE 4: Historical embeddedness of organization forms (TT+ Visitor: Perttu Salovaara)

Themes: Historical embeddedness of organization forms. Metaphors and narratives in organization design.

Learning objectives: After the module, you are able to get perspective on how certain practices have institutionalized themselves through the historic perspective in organizational life. You are also able to compare how formal and informal organizations co-constitute each other and understand the narrative and metaphoric aspects of organizing and organization design .

Mandatory readings:

Knights, D., & Morgan, G. (1991). Corporate strategy, organizations, and subjectivity: A critique. Organization studies, 12(2), 251-273.

Sackmann, S. (1989). The role of metaphors in organization transformation. Human relations, 42(6), 463-485

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MODULE 4: Historical embeddedness of organization forms

TUESDAY 21.3. :
Guest Lecture on Tuesday: Perttu Salovaara (Docent in University of Helsinki, Consultant, Author)

Readings:

Šmite, D., Moe, N. B., Floryan, M., Gonzalez-Huerta, J., Dorner, M., & Sablis, A. (2023). Decentralized decision-making and scaled autonomy at Spotify. *Journal of Systems and Software*, 111649.

Optional: Kiechel, W. (2012). The management century. *Harvard business review*, *90*(11), 62-75.

THURSDAY 23.3.

Readings:

Sackmann, S. (1989). The role of metaphors in organization transformation. Human relations, 42(6), 463-485

Optional: Boje, D. M. (1995). Stories of the storytelling organization: A postmodern analysis of Disney as "Tamara-Land". *Academy of Management journal*, *38*(4), 997-1035.

Discussion on the readings

Šmite, D., Moe, N. B., Floryan, M., Gonzalez-Huerta, J., Dorner, M., & Sablis, A. (2023). Decentralized decision-making and scaled autonomy at Spotify. *Journal of Systems and Software*, 111649.

Optional: Kiechel, W. (2012). The management century. *Harvard business review*, *90*(11), 62-75.

Discuss in pairs:

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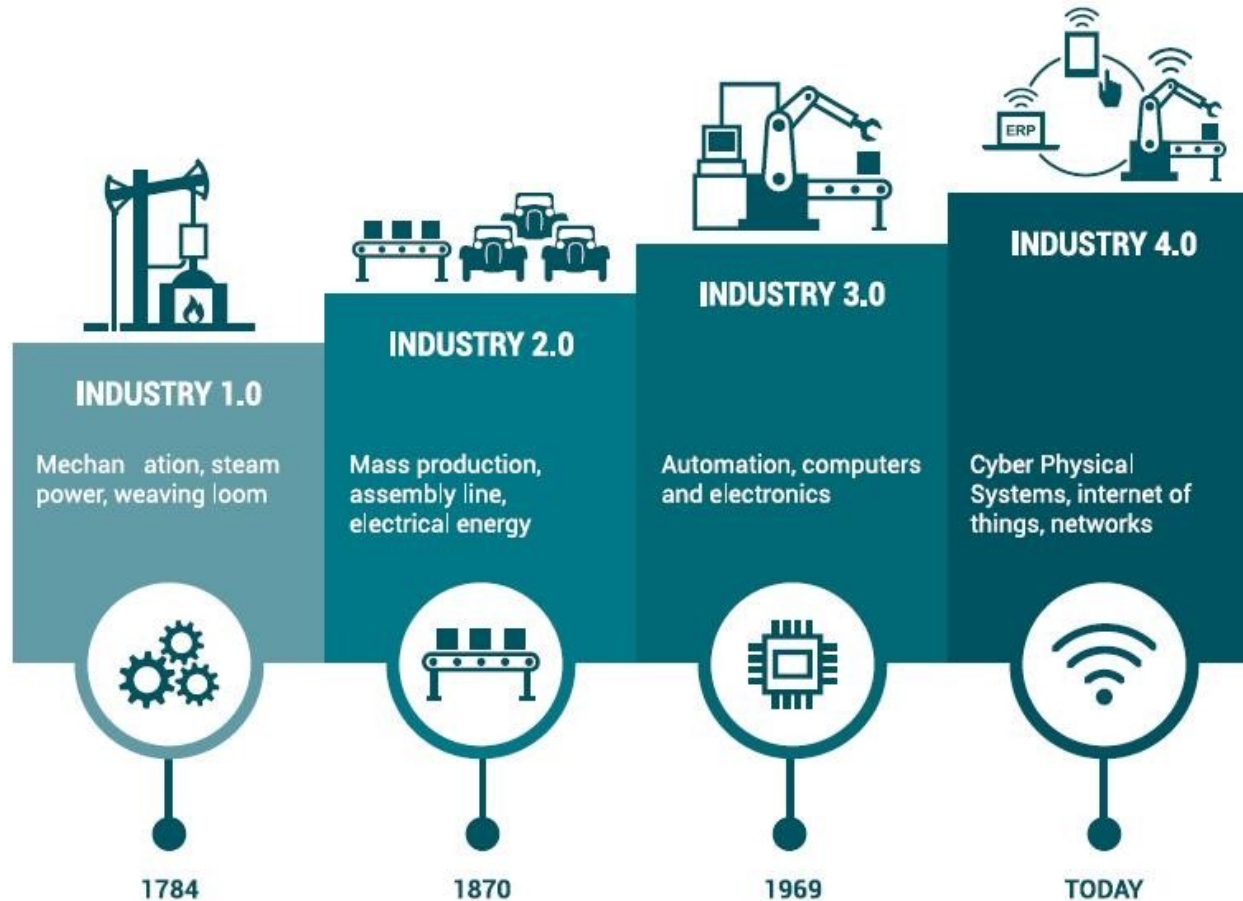
- **What questions arose?**
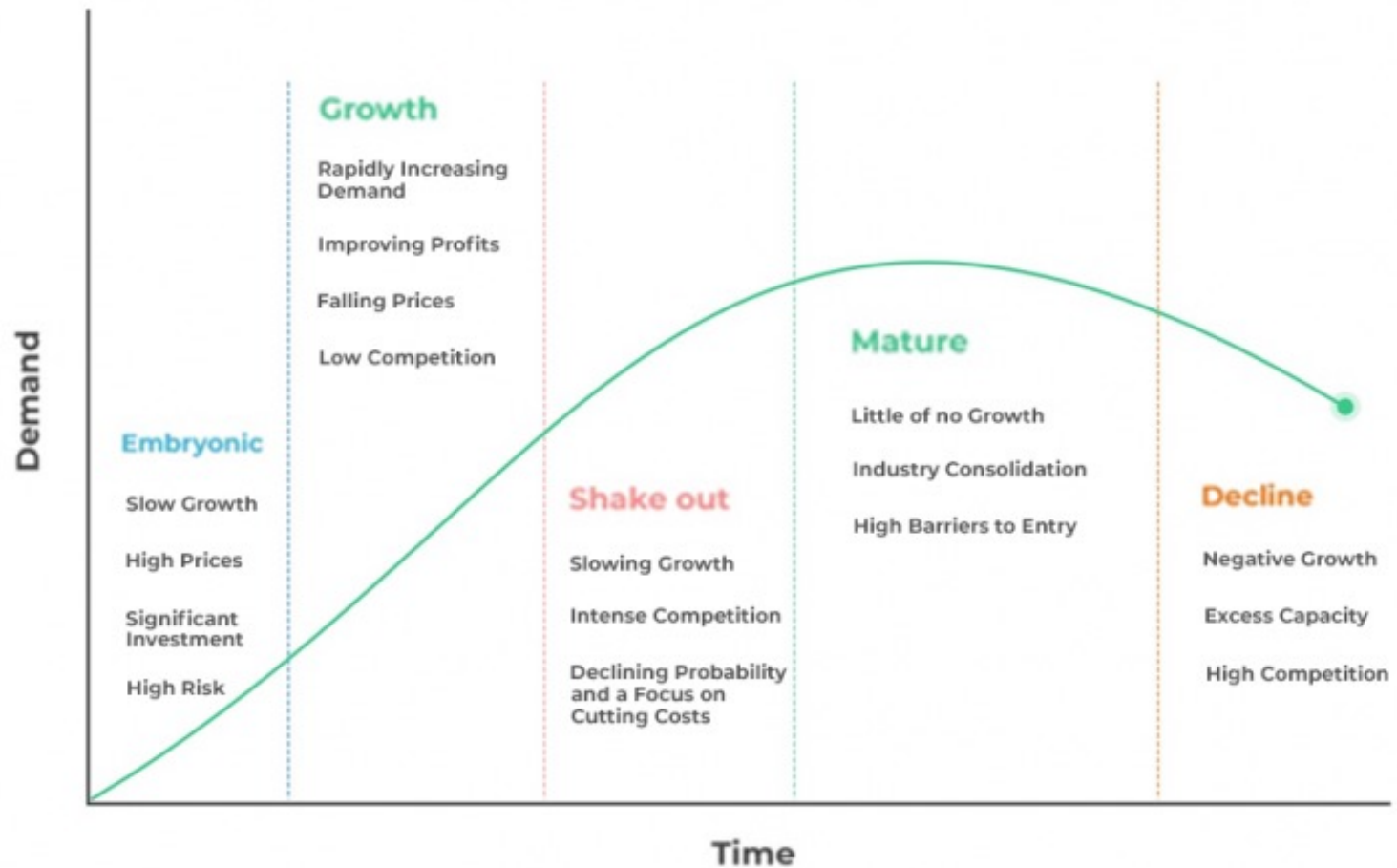
Historical embeddedness

What has impacted organization design in the recent past?
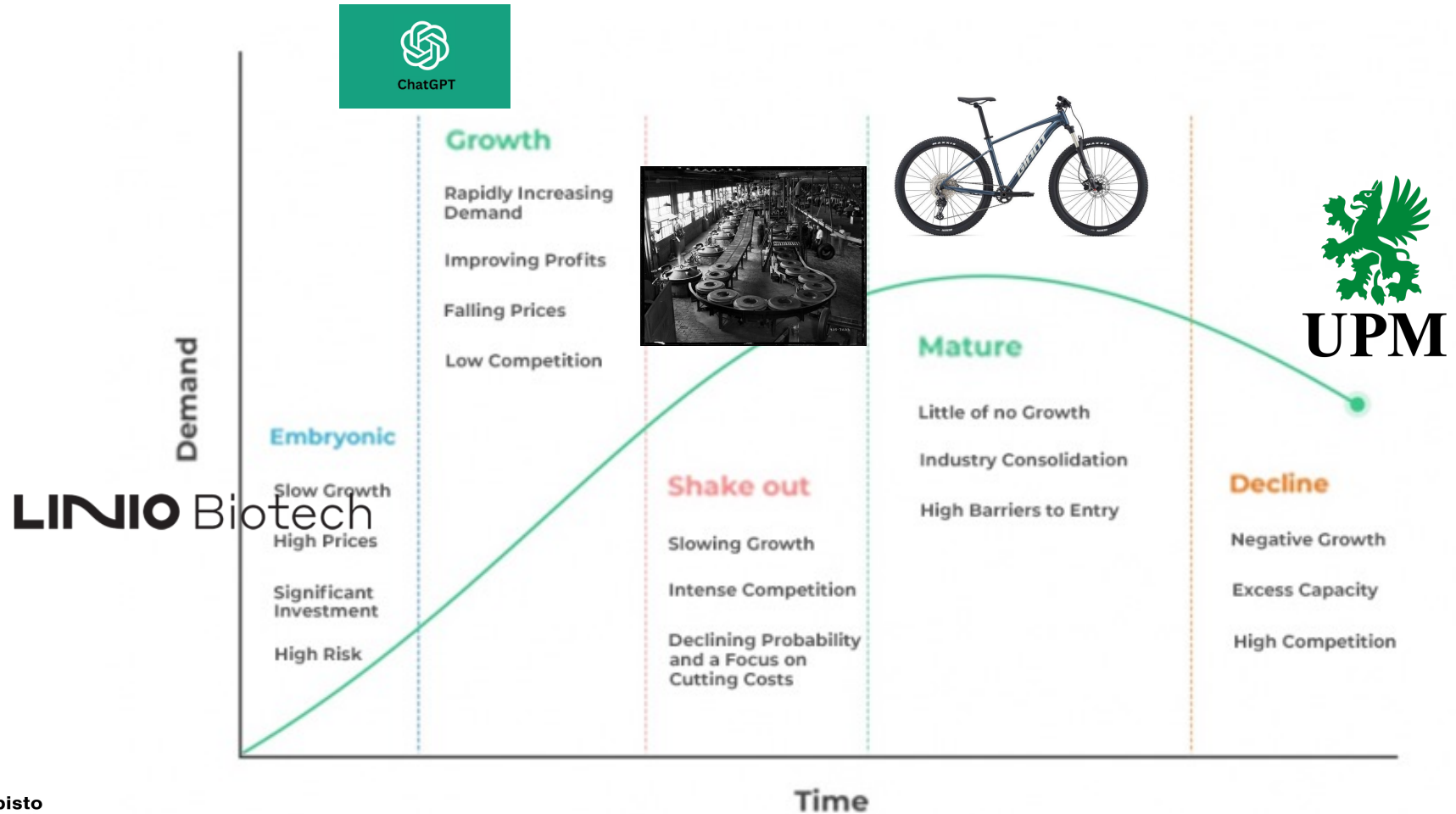
Industry evolution - manufacturing

- Industry 1.0 as the beginning of the industry culture which focused equally on quality, efficiency and scale.
- Industry 2.0 mass production of goods using assembly line became a standard practice.
- Industry 3.0 the invention and manufacturing of a variety electronic devices including transistor and integrated circuits automated the machines substantially which resulted in reduced effort, increased speed, greater accuracy and even complete replacement of the human agents.
- Industry 4.0 refers to the concept of factories in which machines are augmented with wireless connectivity and sensors, connected to a system that can visualise the entire production line and make decisions on its own.

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Kim, 2019

Industry life cycles

Klepper (1997)

What case companies to place here?

Klepper (1997)

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Evolution of fields- Example 1 gaming
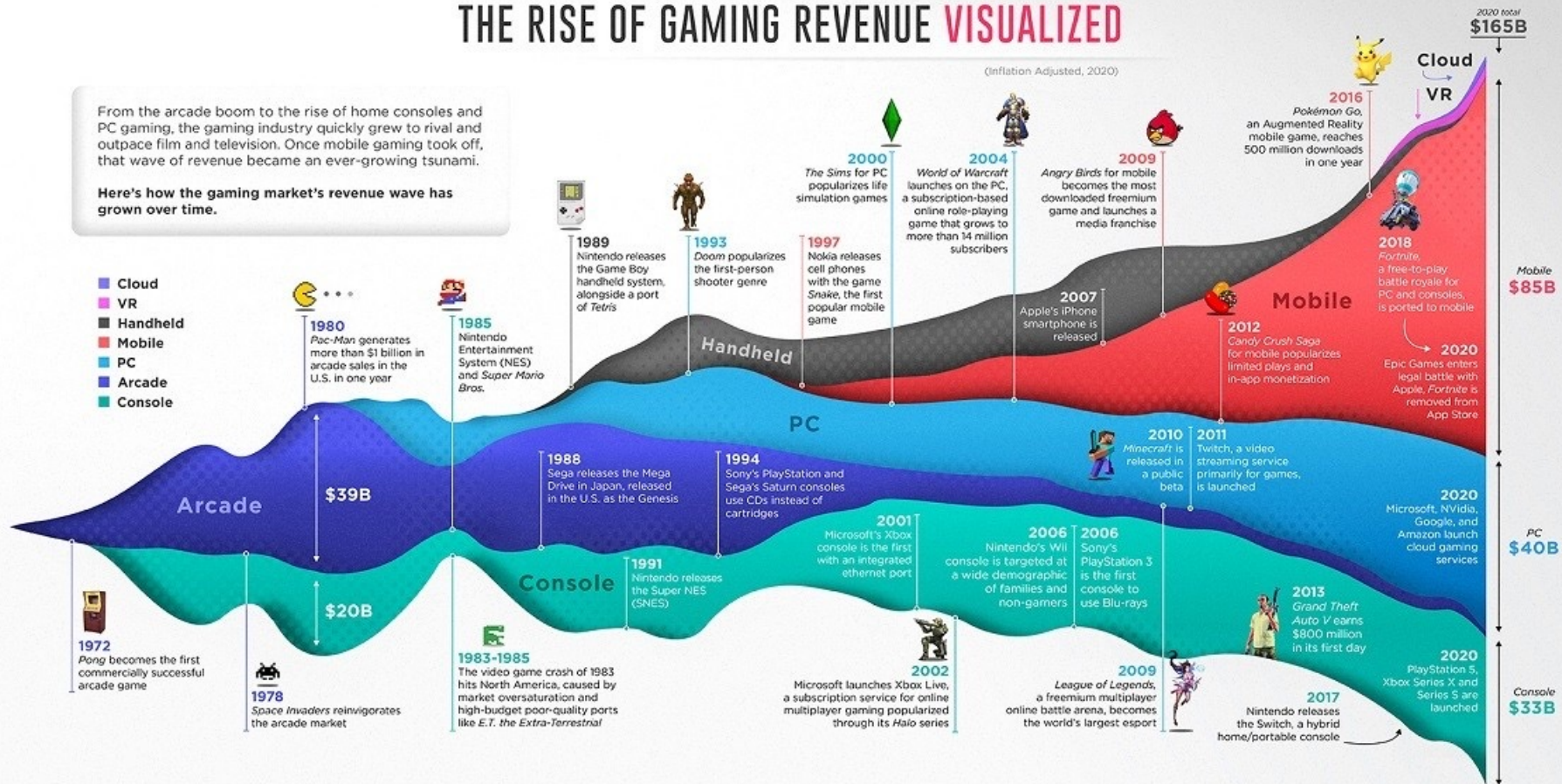
WEF, 2022

Evolution of products- Example 2

TELEPHONE

Phones evolved to be smaller and lighter, until going fully mobile with the creation of cell phones.

1900s — Strowger Candlestick Phone
1920s — Kellogg Dial Grabaphone
1940s — Western Electric 500
1960s — The Trimline
1980s — AT&T Cordless Telephone 4400
2000s — iPhone

1910s — Model 50AL Candlestick
1930s — Western Electric 302
1950s — The Princess
1970s — Novelty Phones
1990s — Nokia 1610
2010s — iPhone X

SavingSpot

Evolution products- Example 2

Summary

- Things transform and evolve

- Evolution can be studies in many levels of analysis (macro, meso, micro, nano)

- Organization needs to be continuously re-designed to meet the needs of the given evolutionary phase

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Transformation

Why organizations need to change?

Let's first discuss in pairs for 5 minutes. List all the reasons you could imagine why change?

How successful are organization in their change efforts?

Type of Change	Number of Studies	Sum of Sample Sizes	Median Success Rate
Strategy Deployment	3	562	58%
Restructuring and Downsizing	9	4,830*	46%
Technology Change	5	1,406*	40%
Mixed Collection of Change Efforts	1	23	39%
TQM-driven Change	5	863	37%
Mergers and Acquisitions	9	395*	33%
Re-engineering and Process Design	7	3,442*	30%
Software Development and Installation	6	31,480	26%
Business Expansion	1	200	20%
Culture Change	3	225*	19%
All	49	43,426*	33%

*One or more reports did not state the sample size.

Figure 1. Summary of Organizational Change Efforts.

Smith, 2002

How success is measured?

Category	Sample Measures
Ratings of Overall Success	Satisfaction with change, stakeholder expectations met
Project Management	Implementation scored against "world-class standards," project completed on time, on budget, with promised features; unanticipated negative consequences
Operations Performance	Cost reduction, cycle time reduction, productivity gain, product/service quality, rate of product introductions, rate of technology deployment, employee morale improvement
Management Behavior	Control, speed of decisionmaking, reduced layers of bureaucracy
Customer	Customer satisfaction, sales
Enterprise Performance	Earnings, ROE, revenue growth/loss, operating profit, market share/penetration, competitive edge, customer loss, cash flow, stock price
Owner	Shareholder value (dividend plus stock appreciation)

Figure 14. Sample Measures of Organization Change.
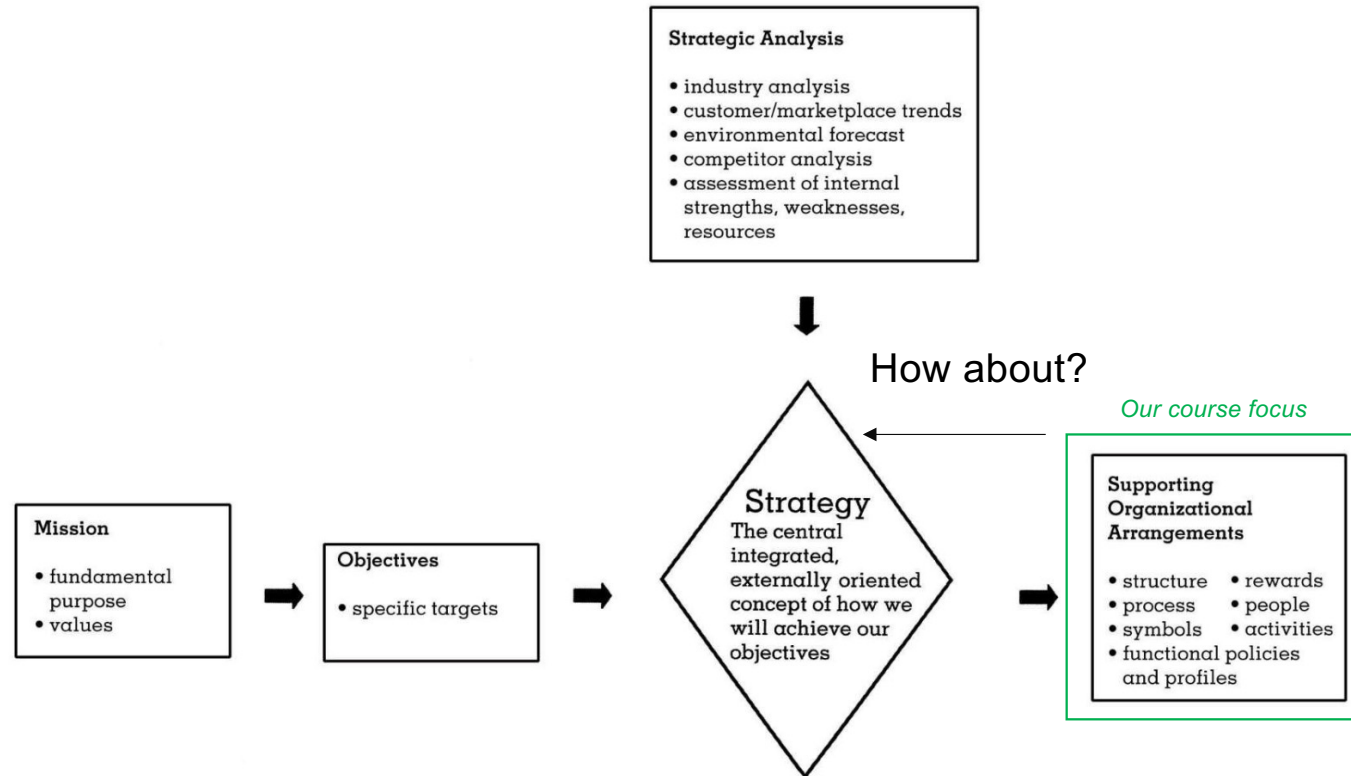
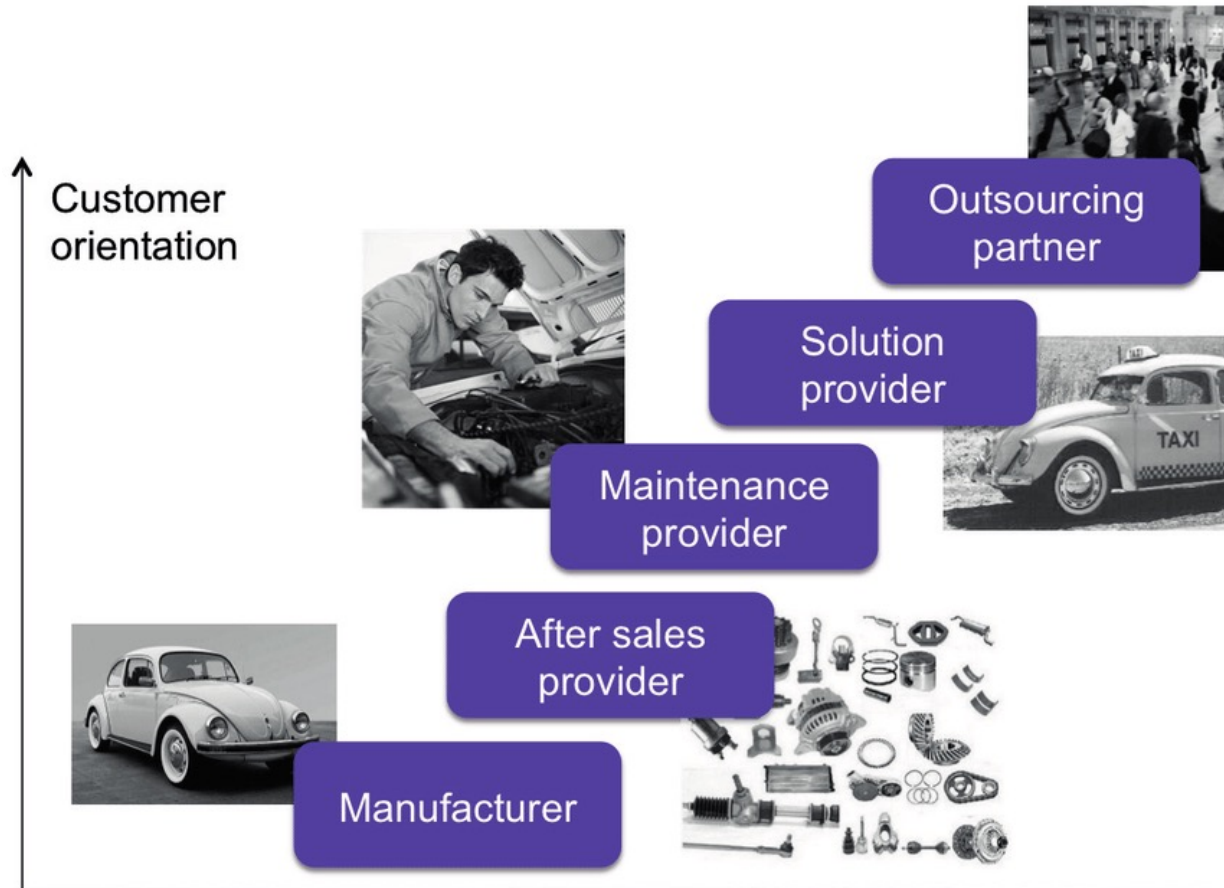Smith, 2002

FIGURE 1
Putting Strategy in Its Place

Source: Hambrick, D. C., & Fredrickson, J. W. (2005). Are you sure you have a strategy? *Academy of Management Perspectives*, *19*(4), 51–62.

But then, how to change?

From manufacturing to services

Why?

- Additional revenue
- More stable revenue
- Customer experience
- Customer life cycle
- Sustainability reasons

Customer orientation

- Manufacturer
- After sales provider
- Maintenance provider
- Solution provider
- Outsourcing partner

Engineering

Compounding this situation is the fact today's younger workforce has seen a change in social values, needs, and expectations (Flamholtz, Randle, & Sackmann, 1986; Yankelovich, 1981). The "new breed" of workers do not like to be told, pushed, or pulled. They want to be involved, asked, and be able to contribute. Organizational change is accomplished with the least resistance if those who have to live with changes are involved in the process as early as possible so that they identify with the new reality and are committed to the change process (Coch & French, 1948). The same can be applied to a transformation process. But not only does involvement reduce resistance, it may also generate both new ideas to better prepare for an uncertain future and the commitment to implement these ideas.

Thursday

Metaphors and narratives in change

Discussion on the readings

Sackmann, S. (1989). The role of metaphors in organization transformation. *Human relations*, 42(6), 463-485

Optional: Boje, D. M. (1995). Stories of the storytelling organization: A postmodern analysis of Disney as "Tamara-Land". *Academy of Management journal*, *38*(4), 997-1035.

Discuss in pairs:

• **What did you find most interesting?**

• **What questions arose?**

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Metaphors

- Metaphors are verbal mappings across conceptual domains. They explain a concept by borrowing concepts from other contexts (Lakoff, 2008).

- Examples:
    - Time is money
    - That was a rollercoaster of emotions
    - Employees are human capital
    - European Central Bank is only in its infancy

- Changing metaphors offers an interesting way to illuminate our taken-for-granted assumptions.

Metaphors in change process (1/3)

- Metaphors, the mental pictures which are used to conceptualize, understand, and explain vague or unfamiliar phenomena such as a transformation, are helpful tools for communication in change process.
  1. Metaphors can refocus the familiar and show it in a new light which is a necessary first step of a transformation process.
  2. Metaphors provoke a vivid image which make future actions more tangible.
  3. Depending on the choice and field of origin, metaphors connote meanings on a cognitive, emotional, and behavioural level in a holistic way.

Sachmann (1989)

Metaphors in change process (2/3)

1) those that suggest a transformation process toward pre-specified goals, and

2) those which include the search for a direction since the outcome of the transformation cannot be clearly specified.

The first group of metaphors conveys a more mechanistic and targeted transformation process, in contrast with the more adaptive nature of the second group of metaphors.

Sachmann (1989)

Metaphors in change process (3/3)

Depending on its origin, a metaphor can provide vivid images on a cognitive, emotional, and behavioral level, and suggest a certain course of action <u>without determining, however, the actual behavior.</u>

The specific use of a metaphor in its new context may <u>legitimize behaviors</u>, and its attributed meanings may make certain behaviors more attractive or unattractive.

Bennis (1984) suggests that effective leaders must use metaphors (as mental images) to make their vision clear to others.

Sachmann (1989)

First workshop metaphors (MODULE 1)

Organization As Metaphor

The 8 Metaphors of Organization from Gareth Morgan's *Images of Organization*

MACHINE

ORGANISM

BRAIN

CULTURAL SYSTEM

POLITICAL SYSTEM

PSYCHIC PRISON

INSTRUMENT OF DOMINATION

FLUX AND TRANSFORMATION

NOBL

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Two reasons- two solutions

Reasons:

1) Response to exogenous technological and regulatory shocks (e.g., Amit and Zott, 2001; Teece, 2010)

2) Result of trial-and-error experimentation in response to changes in the environment (e.g., Chesbrough, 2010; McGrath,2010)

Solutions two cognitive processes that individuals use naturally to cope with novelty:

1) Analogical reasoning (Gentner, 1983)

2) Conceptual combination (Wisniewski, 1997)

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Analogical reasoning (1/2)

Analogical reasoning is "the application of structured knowledge from a familiar domain to a novel domain" (Martins et al., 2018).

Studied e.g.

 1) psychological research on creative cognition (Gentner, 1983; Gentner, Holyoak, and Kokinov,2001)

2) management research on entrepreneurship (Cornelissen and Clarke, 2010), innovation(Rindova and Petkova, 2007)

3) strategy making under uncertainty (Gavetti, Levinthal, and Rivkin,2005).

Analogical reasoning (2/2)

Process:

1. Select an analog as the source concept whose relational structure could potentially be applied to reorganize the target concept to address a particular strategic problem or opportunity.

    E.g.   Tesla Motors → Apple computers

    Aravind eye care →McDonalds

2. Compare the relational structure of the analog concept to that of the target concept (mapping)

3. Based on the comparison of the relational structures of the source concept and target, must determine what elements of the analog will be incorporated into the target concept (e.g. McDonalds how efficiency is enabled)

4. Determine how the elements borrowed from the analog need to be modified in order to fit the context of the target concept (e.g. Tesla delivery time)

Conceptual combination (1/2)

- Like analogical reasoning, conceptual combination involves comparisons between two concepts.

- However, unlike analogical reasoning, its use rests on differences, rather than similarities, between a source and a target concept (Wisniewski, 1997a,1997b).

Conceptual combination (2/2)

Process in which managers:

1. Select a modifier concept, which is a concept that can provide elements to be combined into the target concept.
   - E.g. Intentional Starbucks as "coffee **bar**" & bar as a modifier concept (Schultz and Yang, 1999) or Cirque du Soleil as a "theatre"
   - Or accidental as Best Buy

2. Compare the modifier concept to the target schema to identify differences that can be used as the bases for creating a new variant
   - E.g. Starbucks bartender vs. cashier, customized drinks vs. standardized

3. Integrate the selected values (fillers) of the modifier concept in the place of the corresponding existing fillers in slots of the target schema—a process that is termed 'slot filling'(Wisniewski, 1997b).
   - E.g. Starbucks barista & mixed drinks (Gulati, Huffman, and Neilson, 2002;Schultz and Yang, 1999) Cirque du Soleil themes, high quality music, ex athletes

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Conceptual combination (2/2)

Process in which managers:

4. Adapt the new filler(s) in the slots of their target schema to suit the characteristics of the model and its context.

    - E.g. Starbucks no bar stools, Cirque du soleil performers are behind the masks

The power of narratives

Common metaphor in transformation

Metaphors as basis for narratives

- Metaphors transmit an entire story visually using only one image.
- Research has shown that stories have a stronger impact on people than mere facts (Martin, 1982).
- Despite their high information content, metaphors are easily remembered because they are concise.
- Metaphors not only structure complex situations by highlighting certain issues, they may also convey one course of action as more likely than another and influence associated **feelings** and **perceptions**.
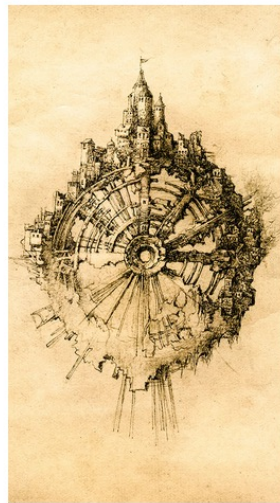
Sachmann (1989)

How to build narratives?

We will practice narrative building with the following exercise.

## How to Build a Strategic Narrative

by Mark Bonchek

March 25, 2016

It's a common refrain in executive suites these days: "We need a new narrative."

It's not enough any more to say "we make widgets." With changes happening so quickly from so many directions – competition, regulation, technology, talent, customer behavior – it's easy for one's story to become generic or outdated.

You want a story that inspires employees, excites partners, attracts customers, and engages influencers. A story that is concise but comprehensive. Specific but with room to grow. One that defines the company's vision, communicates the strategy, and embodies the culture.

Why Science Needs Story

HOUSTON,

WE HAVE
A NARRATIVE

Randy Olson
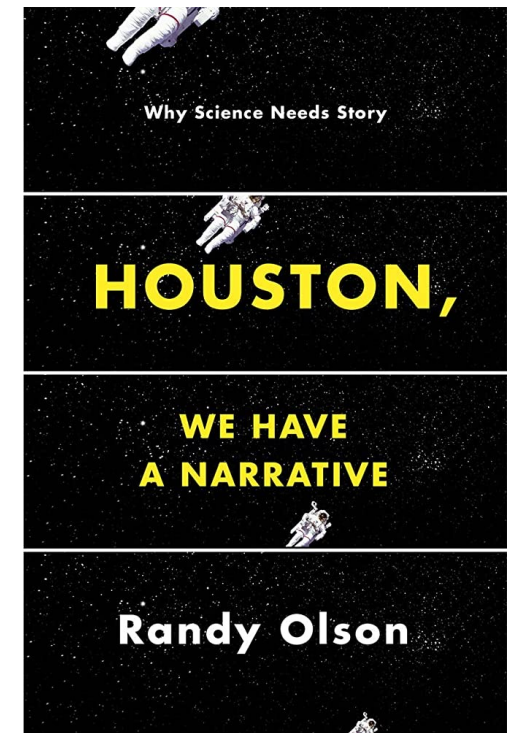
Exercise

- **We will work in groups of 2-3.**

- **You will be given a list of cases that you can choose from.**

- **Your task is to innovate with given guidance of analogical reasoning and concept combination.**

- **Aproach the task by imagining that company would need to achieve one of the following:**
    - A. To become more sustainable
    - B. To increase efficiency
    - C. To achieve better working conditions

Part I: Go through the process of analogical reasoning

Select a case company → Select an analog → Compare → Decide elements → Modify elements
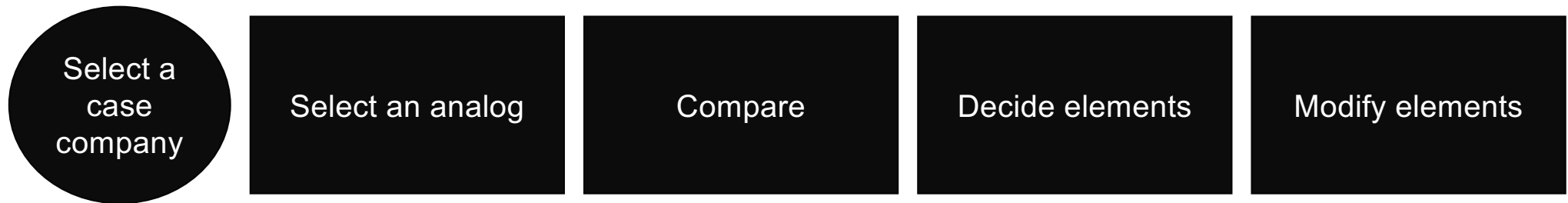
Part II: Design the ways in which the narrative will be built

Big narrative	Channels	Practives to keep narrative alive	Responsibility

Instructions for writing the big narrative: ABT Structure (and, but, therefore)

E.g. Makita becoming more sustainable

We will become the next Zipcar of our field (metaphor). People need to get things fixed and our tools offer a good option for that, but people don't need our tools all the time, therefore we will introduce peer to peer renting solution.

Cases

Fiskars

Volkswagen Group (VAG)

Kemira

Aalto University Business School

Twitter

Oatly

Zalando

Your own choice ☺

Additional references

Smith, M. E. (2002). Success rates for different types of organizational change. *Performance Improvement*, *41*(1), 26-33.

Boje, D. M. (1995). Stories of the storytelling organization: A postmodern analysis of Disney as "Tamara-Land". Academy of Management journal, 38(4), 997-1035.

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Morgan, G. (1996). Images of organization (2nd ed.). London: Sage

Martins, L. L., Rindova, V. P., & Greenbaum, B. E. (2015). Unlocking the hidden value of concepts: A cognitive approach to business model innovation. Strategic Entrepreneurship Journal, 9(1), 99-117.

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