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Organizational Theory

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1 Organizational theory in perspective

Since Mr. A.P. Møller founded this business,
decency, integrity and trustworthiness
have been in the heart of the company,
and I venture to assert that in the A.P. Møller Group,
there always has been and still is high morals and ethics.
We have never had and still do not have written rules.
And we are not planning on having any.

Mærsk Mc-Kinney Møller

The above quotation from Mærsk Mc-Kinney Møller expresses some of the reasons why the company has come to serve as a model for many when it comes to the ability to manage and organize a company. The company is based on a number of standards which indicate what it perceives as right and important:

- Focus on the company – in contrast to focus on the individual
- Consideration – in contrast to hasty decisions or exaggerated caution
- 100% rather than 99.9% as we can always improve
- Take small risks at the risk of failing – rather than risking everything
- Make usage of abilities for the benefit of the company – rather than keeping knowledge to yourself
- Create confidence in the company – in contrast to performing actions that create distrust
- Be visionary – rather than having a lazy attitude
- Dress code – rather than jeans and sweaty hands.

All managers in the company have attained technical qualifications through a kind of apprenticeship, which corresponds with Mærsk Mc-Kinney Møller's own type of employment in the shipping company at the age of 19, and subsequent training in the group, including stationing supplemented with long-term education at an institution of higher education.

Previous managers in A.P. Møller still use their experience in management and organization from the headquarters in their new jobs. Many managers state that Mærsk Mc-Kinney Møller is visionary, awe-inspiring and perceptive and at the same time a straightforward manager who communicates directly and "kicks the ball" when employees are sluggish.

His 90th birthday did not put a full stop to his career. There were no signs that his active career would end then, and his work to improve and develop continues.

There is room for improvements in the management and structure of many companies and organizations. Everybody talks about the need for innovation, but according to opinion formers, many companies have not succeeded in being innovative.

Three frequent mistakes in managements and organizations are:

1. Management and organization are too self-satisfied
2. Management and organization do not master the process of change
3. Management and organization underestimate the significance of vision

In a knowledge society, companies are challenged by technology leaps, slides in values and globalization. Heavy demands are placed on the management and the organization: Both radical, innovative thinking and disciplined action in response to challenges.

Too much self-satisfaction can be a large barrier in taking up these challenges. Sources of self-satisfaction are e.g. unconcerned management, staff's ability to deny facts, organizational culture, lacking performance feedback from external sources, internal assessment systems, organizational structure, low performance standards, too many visible resources, and the absence of a large, visible crisis. These challenges place demands on future organizations. Self-satisfaction may be the greatest obstacle in taking the first step in the process of change.

Furthermore, management is becoming more important and more difficult than earlier as organizations are becoming more important than production equipment. It is no longer enough to invest in new technology, and implement effective production processes. Many companies can do that. It is about who is the best, when it comes to mobilizing the organization's energy and individual talents and controlling the necessary challenges.

1.1 Requirements of future organizations

Future organizations must be capable of changing relative to a quickly changeable world. Future organizations are characterized by:

Characteristics	Requirements
Perceived need for change	The maintenance of this perception requires information systems which communicate results as feedback, e.g. customer satisfaction and accounting figures. Open and honest dialogue about results and working methods.
Cooperation at the top	No person – regardless of talent – can manage the necessary changes alone. Management teams are used as they have a stronger basis for changes than one manager. Individuals, who have influenced the management earlier, but who spoil teamwork, are replaced by cooperative managers.
Both leadership and management	The traditional manager, who plans, budgets, organizes, staffs, controls and solves problems, is supplemented with a manager who can create and communicate visions.
Proactive work to become future winners	Sitting boxes for management which include both leadership and management
Ability to implement changes	Broadly based competence development in the staff group contributes to a thorough implementation of changes.
Excellent short-term results	Delegation of management which provides short-term results indicating that the vision is on the right track.
Structure facilitates changes	The organization is structured without unnecessary interdependence creating inflexible structures and power concentrations, which prevent changes from being implemented.

Figure 1.1: Features characterizing future organizations

1.2 Levels and perspectives in organizational theory

My experience in working with organizational analyses is that they tend to become too extensive. It may be relevant to include relations to society and the influence on and from other organizations. And naturally, there are also relations between the organization's own teams and individuals. Thus, an organization may be viewed from different angles. In order to limit the organizational analysis, I recommend Scott's[1] three levels of analysis as a starting point:

Social-psychological level – focus on the individual and interpersonal relations.

Structural level – focus on the organization in general and its subdivisions into organizational entities containing departments, teams, etc.

Macro level – focus on the organization as a player in relation to other organizations and society.

The diversity of isolated theories within organizational theory may be related to these levels of analysis. The earliest organizational studies were based on the social-psychological level, e.g. Mayo's Hawthorne studies[2]. On the basis of early studies by Max Weber, the structural level became widespread, e.g. Lawrence and Lorsch's Contingency Theory[3]. After that, organizational theories were supplemented with studies at macro level. Currently, I am extending Scott's analysis levels, giving special attention to organizations' learning, which is perceived as the critical success factor in the organization's adjustment to the surrounding environment. Today and in the future, any organization needs broadly based competence development in its staff group as it contributes to thorough implementation of changes. Conversely, production is limited away from the macro level. For a total presentation, see "Strategy in Successful Companies"[4], chapter 3 as an alternative. In this context, organizational theories are considered with emphasis on the socio-psychological level, the structural level and on organizational learning.

Each organizational theory has its primary perspective which Scott[5] subdivided into rational, natural and open perspectives. In this presentation, a distinction is made between these three perspectives through three primary areas of focus for a given organizational theory.

- Focus on performance of tasks
- Focus on motivation
- Focus on adjustment to the surrounding environment

1.3 The connecting thread in organizational theory

This book is structured according to these three areas of focus and subdivided according to the three analysis levels. It provides the reader with the following view of the organizational theories:

	Task performance and structure	**Motivation**	**Adjustment to surroundings**
Social-psychological analysis level			
	Scientific Management – Taylor	Expectancy Theory – Vroom	
	Administrative Theory – Fayol	Self-efficacy	
		Management by Objective – Drucker	
		Needs theories	
		Motivational theories	
		Qualifications and Personality	
		2 Factor Theory – Herzberg	
		Rewards/reinforcement Theory – Skinner	
		Pathfinder Theory	
		Cultural theories – Schein, Martin and Albert & Whetten	
Structural analysis level			
	Bureaucracy Model – Weber	Job Design	Loose-coupled organizations – Weick
	Administrative Theory – Fayol	Job Characteristics – Hackman & Oldham	External Environment Factors and Organizational Structures – Mintzberg
Organizational learning level			Organizational Learning – March & Olsen
			The Learning Organization – Argyris & Senge

1.4 Chronological outline of organizational theories

Personally, I have often needed an outline of the chronological development in organizational theories. Not least because there are so many applicable theories which solve part of the organization's task, but there is no single theory which explains the entire area of analysis and development of organizations. I have not found it earlier, and therefore, I have made a chronological outline containing significant contributions to organiza-tional theory over the past 100 years. See figure 1.4.

Figure 1.4: Significant organizational theories

2 Focus on task performance and structure

The greatest contributions to organizational theory have been collected and called "focus on task performance and structure". In terms of time, these contributions were made in connection with the build-up of the industrial society and the great industrial groups, which created a need for theories about the management of many people gathered around industrial tasks. The large industrial groups were characterized by being instrumental collectives designed to achieve specific objectives with a strongly formalized culture. The development resulted in organizational theories with normative[6] rules for structuring of work, where the organizations were instrumental, or machines were constructed for the purpose of reaching a determined objective.

In the following, we will review four different theoretical contributions, which are central to the understanding of organizations that focus on task performance and structure. In the rational perspective, we also call these contributions theoretical schools:

- Taylor – Scientific Management
- Fayol – Administrative Theory
- Weber – Bureaucracy and Organizational Structure
- Simon – Administrative Behavior

Although the schools differ, they share the perception that a formalized structure is prescribed behavior for the staff's common behavior. This rational approach is based on:

- Transparency to enable consequences of organizational choices to be assessed
- Adjustability for the attainment of maximum production
- Need for the possibility of replacing parts of the organization and avoid key staff
- Need to reduce infighting in order to maintain achieved positions
- Top-down management and control
- Professional and rational behavior without disruptive emotional relationships

2.1 Scientific Management – F.W. Taylor

Scientific Management originated in the beginning of the 20th century, and Frederick W. Taylor[7] was the primary contributor. Scientific Management was based on an idea of systematization where attempts were made to enhance the efficiency of procedures to best effect via scientific analyses and experiments. Taylor believed that it was possible to prescribe the processes that resulted in maximum output with a minimum input of energy and resources. Thus, Taylor's starting point was the individual work process, which had considerable consequences throughout the system. The structure had to be adapted to the focus that was put on work processes, and in doing so; the manager lost his governing role as he was subjected to scientifically calculated solutions. Therefore, it was necessary to establish a staff of specialists who were capable of determining the optimum work processes. Since the employee and his handling of work processes was the starting point, Taylor's approach is categorized as a bottom up approach.

Scientific Management was quickly adopted by large mass-producing industrial companies. Henry Ford is the most outstanding example of what is characterized as the 'industrial revolution'. From studies of time and carefully determined educational skills, cars were now constructed by mass production in fixed, machine-like procedures, which created a new ism – Fordism.

Hence, Scientific Management has had a decisive and long impact on the industrial practice and on the theoretical ideas of organizations in general. Later on, the theory was criticized by both employees and managers as scientific time studies disregarded their own common sense and judgment. As a result of this resistance and the spread of other views of humanity, Scientific Management is no longer prevalent as a managerial ideology. However, it still functions as a guideline for technical procedures, not only in the industrial sector, but also in the service sector.

2.2 Administrative Theory – H. Fayol

Around the same time as Taylor, Henri Fayol[8] developed another approach within the rational perspective, which inverts the focus of Scientific Management. Now, administrative processes rather than technical processes were rationalized. The administrative principles in the form of the management's hierarchical pyramid structure were to function as the basis of the part of the organization that involved activities, i.e. a top down approach.

Although Fayol's thoughts appeared at the beginning of this century, they were not widespread outside France until 1949 when his studies were translated. Several different theoretical contributions to this administrative approach are concerned with two overall principles, viz. coordination and specialization – which have more specific underlying demands:

Coordination: Hierarchical pyramid
- All employees are accountable to one superior only.
- A superior can only have the number of subordinates which he or she can manage (limited 'span of control')
- Routine work must be performed by subordinates so that the superior can attend to special tasks.

Specialization: Distribution of activities in working groups
- Formation of homogeneous groups according to:
- Purpose (Marketing or development department)
- Process (Typing, punching out beer bottle caps)
- Customer (Large, medium and small customers)
- Geography (Different service according to country or region)

Figure 2.1: Coordination and specialization

Thus, coordination is based on a hierarchical pyramid structure in which the members of the organization are linked to each other, and there must be clarity in the administrative structure. Specialization, on the other hand, is concerned with ways of grouping the organization's activities most effectively in separate entities or departments. This is referred to as the principle of departmentalization where homogeneous or related activities are grouped in one entity. As it appears from both coordination and specialization, they express a high degree of formalization, which is one of the principal themes of the rational perspective.

Fayol and others were pioneers in the creation of administrative theory, and therefore, they were later subjected to severe criticism for over-simplifying administrative conditions. The main critic was Herbert Simon who will be discussed below.

2.3 Bureaucracy Model – M. Weber

Max Weber is described as the father of sociology, and he has made great efforts to elucidate conditions in Western civilization. He developed an understanding of bureaucracy. Bureaucracy is fundamental as it represents a basic pattern which exists in many variants.

Weber is different from Taylor and Fayol in that he has a broader approach to organizations as he includes the social and historical perspective. He believes that the understanding of organizations and their structure can be found in the historical context, and he develops a normative ideal for bureaucracy, which is reflected in his view of e.g. the public employee. According to Weber, the public employee must act as if the superior's interests were his own and thus stay in his bureaucratically assigned role[9]. Bureaucracy must consist of neutral professional public employees so that the organizational hierarchy can function as smoothly and effectively as possible. Weber established a number of criteria for bureaucracy:

According to Weber, bureaucracy is:
"A specific administrative structure, which is based on a legal and rule-oriented authority" (Scott, 1998: 48)
…and has the following characteristics:
Established distribution of work between the members of the organization

- An administrative hierarchy
- A rule-oriented system, which describes the performance of the work
- Separation of personal possessions and rights for the office
- Selection of staff according to technical qualifications
- Employment involves a career

Figure 2.2: Weber's ideal bureaucracy

When these criteria have been fulfilled, the organization can be described as the bureaucratic ideal type.

Additional to the emphasis on the hierarchical aspect of obedience, Weber perceives goal-rational action as the optimum form of behavior. Acting goal-rationally is an ideal approach, which considers goals, means and side effects. These three factors must be weighed in relation to each other; means in relation to goals, goals in relation to side effects, and finally, different possible goals in relation to each other. In doing so, factors of emotion and value are not included in decision-making but are underlying rationality perceptions with a lower degree of rationality. The fascination with goal-rational action is also expressed in Weber's different perceptions of authority:

- *Traditional authority*. Based on historically created legitimacy where authority is hereditary and based on dependant subordinates.
- *Legal, rule-oriented authority*. The bureaucratic type of authority, based on normative rules for career, hierarchy etc.
- *Charismatic authority*. The personal authority, based on a type of 'seduction' and hence, the devotion of supporters.

Weber's thoughts are based on demands on the individual employee from an assumption that the individual employee cannot escape the apparatus in which he is fastened. The philosophy is that the professional public employee is linked to his position with his entire material and ideal existence, and hence, the permanent nature of bureaucracies arises:

> The individual public employee cannot escape the apparatus in which he is fastened. Contrary to the notabilities (elite persons) whose honor position or secondary position is administration, the professional public employee is linked to his position with his entire material and ideal existence. In most cases, he only functions as one single, specialized part of a mechanism working restlessly, which prescribes him a march route, which is fixed in everything that is important. Entrusted with specialized tasks, this mechanism cannot ordinarily be actuated or stopped by him. This can only happen when it is ordered from the top management.
>
> Furthermore, those who are managed can neither do without a bureaucratic management instrument, which actually exists, nor replace it, as this instrument depends on education and specialization and on the employee's readiness to handle rehearsed single functions, which are mastered to perfection, and which are joined in a well-planned synthesis. If he discontinues his work, or it is inhibited by force, the consequence will be chaos, and it is difficult for those who are managed to improvise a replacement for mastering this chaos. This applies just as strongly to public and private administration. To a greater extent, the material fate of the masses depend on still more bureaucratically arranged private capitalistic organizations to function continuously as they should, and thus, the possibility of disengaging them becomes increasingly utopian.

Figure 2.3: The permanent nature of bureaucracy

Max Weber considers the formal structure as a tool for reaching different goals. This perception is still the hypothesis of many structural analyses, both for practitioners and scientists. The simplified hypothesis may be arranged in the following way:

Strategy → Formal structure → Activities and implementation → Result

Figure 2.4: Structure as a link between strategy and implementation

In a chain like this, the formal structure will assume a very central position. Its job is to translate the strategy for the organizational level. If the management makes serious mistakes win this translation, it may be difficult to reach the goals set by the management.

Weber works in great detail with causes for establishing hierarchical structures, and among the main causes, he emphasizes:

1. **Hierarchy is caused by size.** The spontaneous tendency to cooperate and coordinate, which is found in small systems (family and other small groups), fails when a larger number of people must work together. Even though the tasks are not very complicated, a vertical segregation of duties will develop. Implementers, who distribute tasks, regulate, coordinate, reward and punish, will occur
2. **Hierarchy is caused by complexity.** This thesis may be called the specialization thesis. When the tasks and/or the technique are complex, a vertical segregation of duties will develop. The complexity will require expertise, planning, coordination and control. Specialists will constitute an important part of the hierarchy technocracy.
3. **Hierarchy is caused by internal and external conflicts.** Organizations in an environment, which is characterized by competition and conflict, need a centre for decision-making, which can make quick decisions and put them into practice. Furthermore, there will always be a need for a hierarchy, which can solve internal conflicts concerning objectives and means.
4. **Hierarchy is caused by people's need for management.** Spontaneous coordination will always be vulnerable, but managers create stability around goals and means in organizations. Abstract programs are rarely inspiring, but people can identify with managers. Today, this thesis can be found in part of the literature about management and culture. *Good managers create strong cultures.*
5. **Hierarchy is caused by class struggle.** The production facility will always be the main stage for class struggles, which may take many shapes. A struggle over the right to manage and distribute work takes place. Through mechanizing, automation and planning, the staff's control of the work is reduced. This transfers power resources from the horizontal work process to the vertical structures.

Figure 2.5: Five theses on causes for hierarchy

2.4 Organizational structure

On the basis of Weber's thoughts about organizational structure as a link between the company's strategy and implementation of action plans, the following models for organizational structures will be discussed:

- Simple structure
- Hierarchical system
- Functional organization
- Product organization
- Matrix organization

At the end of this section, advantages and disadvantages of the models will be assessed.

2.4.1 Simple structure

The simplest type of hierarchy is found in small companies where the owner participates in the work. Coordination takes place spontaneously; there are no levels between the owners and the employee(s). Many employers want top managers who are assigned certain contact and supervision tasks and serve as substitutes for their employers during vacation and sickness. This type is called *the simple structure*[10].

2.4.2 Hierarchical organization

When the organization grows bigger, a hierarchical system will develop as shown in the figure below. The hierarchy may serve many different purposes in the organization, but often, importance is attached to authority and the right to make certain types of decisions. Earlier, when analyzing hierarchies, inspiration was derived from military systems, hence the concepts of line and staff, which appear in many organizational analyses. Line is referred to as a chain of command in military terminology.

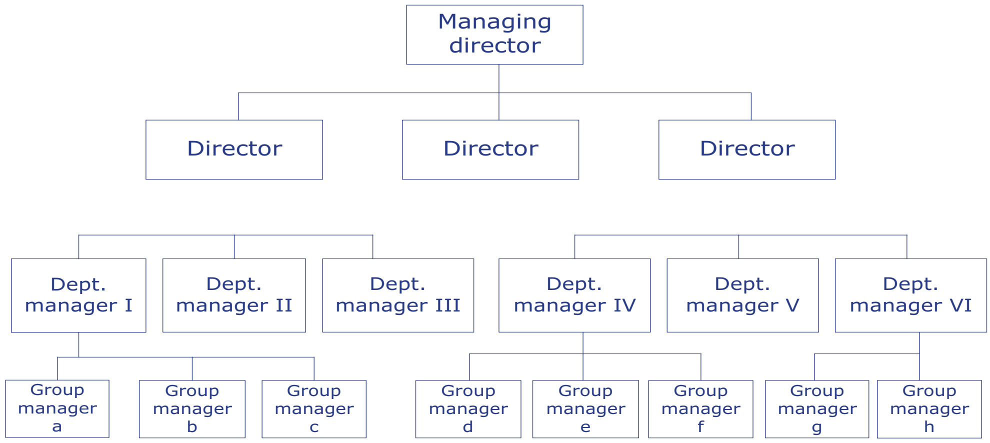

Figure 2.6: Hierarchical organization

2.4.3 Functional organization

The functional organization has some obvious advantages, but it also has large disadvantages. The expertise in the organization is centralized and enabled to develop further. This will also involve a kind of cultural homogeneity: People have the same academic background, they use the same technical models, and they perform tasks within the same function. All these factors are seemingly fine, but the problem is that the different professional groups distinguish themselves, distance themselves from each other, do not understand each other and easily come into conflicts with each other.

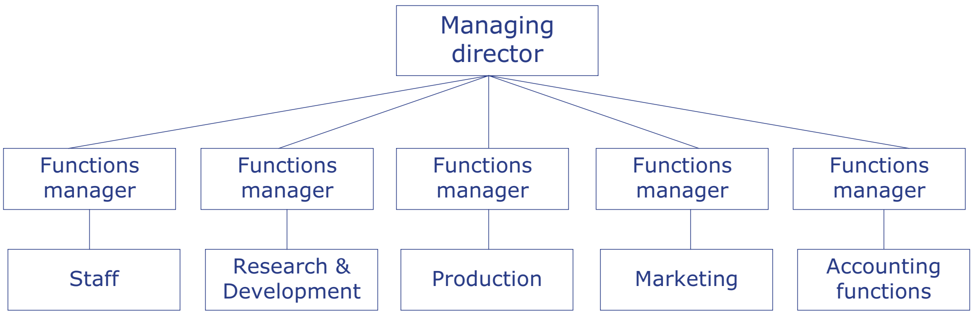

Figure 2.7: Functional organization

2.4.4 Product organization

Product organization is a significant form of organization today. It is particularly useful in organizations with clearly separated product groups or services. Quick changes in competitive conditions and technology cause great advantages for this organizational form in preference to functional organization[11]. The advantages of product organization are that the specialists in the organization are able to focus on one specific product group and make quick decisions. Also, the final result will also be much clearer than in functional organization where responsibilities are often volatilized.

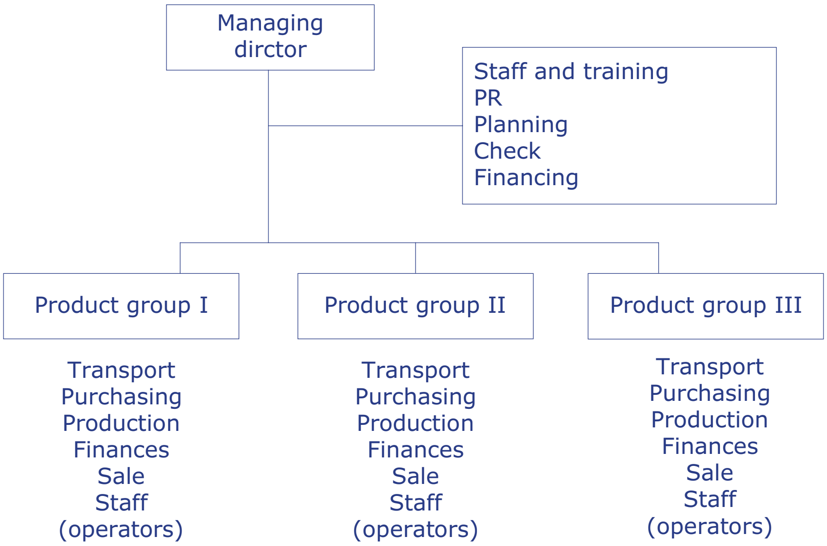

Figure 2.8: Product organization

The above mentioned organizational forms will experience difficulties if they are faced with extensive and complex tasks, which depend on cooperation across functions and divisions. These may be development tasks or demanding non-recurring operations.

In order to handle such a task, many organizations have experimented with different structural solutions, which include setting up groups or project groups across the established structure (basic organization). The language use in these solutions is a bit hesitant. There are three types of organizations; ad hoc organizations, project organizations or matrix organizations. It is not a matter of making repairs on an organization but of developing a double-acting organization in which large parts of the organization are prepared to live with crossing lines.

2.4.5 Matrix organization

The matrix principle or matrix organization may be referred to as a theoretical model which can be realized in different ways. The principles of the matrix organization are shown in the figure below with the functions; logistics, production and sale and the three products 1, 2 and 3. Note that only functions that directly influence logistics, production and sale are included in the figure, while other functions such as accounting are not included.

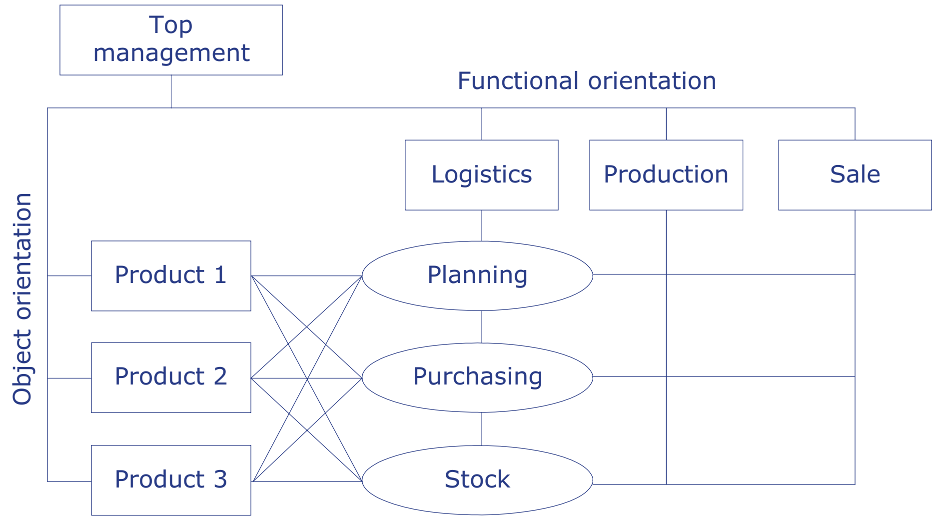

Figure 2.9: Examples of matrix organization

Example of matrix organization

Many industrial companies decide to improve their competitiveness through intensive focus on the business processes logistics, quality and costs. Companies, which want to improve their performance, often establish a taskforce, which typically consists of staff analysts. In doing so, a conflict of interest may arise between top management's auxiliary arm and the rest of the organization. The consequence is that change projects lack support and ownership and therefore must be forced through. Several companies acknowledge that the individual entities cannot go any further in these areas without sub optimizing, and this may be recommended in preference to working according to matrix organization.

Demands on organizing

The company can continue working by establishing an LQC group (logistics, quality and costs), whose job is to initiate analyses, start projects and implement these primarily within the areas; logistics, quality and costs. Each main area points out middle managers for the groups who have competences in logistics, quality and costs. This matrix principle structure secures the group in-depth knowledge of all parts of the organization. In this way, the matrix organization becomes the pioneer in an organizational development which aims at better competitiveness.

Each member of the group should in principle be able to spend an agreed percentage of his working time on LQC work. The LQC group should share responsibility for choosing and initiating projects and for establishing working groups for the individual subprojects. In this organizational form, a project should not be initiated without having a sponsor, i.e. (at least) one manager who has announced that he will carry the project through the company's management team. In doing so, it is possible to ensure interaction with the budget holders and make sure that projects and expenses do not suddenly get out of control.

Four challenges

To begin with, the concept of a matrix organization sounds good and right, but it is not easy to make a matrix organization work. The greatest challenges in this type of matrix organization are assessed to be:

- Shared starting point
- Shared image of the task
- Progress
- Communication and involvement

In order to ensure a shared starting point and shared understanding and responsibility, it is recommended to hold a number of meetings for the entire team. However, middle managers typically have a number of operational tasks which require their presence, and that may make it difficult to gather the entire team.

Creating a shared image of the idea of the task is another challenge. Different academic backgrounds and subcultures make it necessary to devote great efforts to teambuilding.

A third challenge is to make progress in the process. The group must become good at brainstorming and at locating significant problem areas. Also, the group must learn to transform this into concrete projects and ensure that someone heads the project. A possible pitfall is that the LQC group turns into a discussion club, which does not show results. We recommend having focus on project management and personal responsibility.

A fourth challenge is to prepare project descriptions which can be communicated to all parts of the organization, i.e. even the man on the shop floor. This is necessary as one of the LQC group's purposes is to create involvement within the organization and to maintain this involvement.

Process experience
An important process experience is that matrix identity is also linked to physical identity. Good meeting rooms facilitate permanent affiliation to the matrix. There should be places where the matrix organization can store papers etc. so that each participant feels linked to a shared culture. It is recommended to create a reasonable relationship between messages from the management about the importance of the matrix organization, and the facilities made available.

The matrix organization may clash with the company's position structure and reward system, hence with the participants' prioritization of their own working time. Therefore, all members of the matrix organization must have the opportunity to make the agreed part of their working time available to the project. A possible pitfall is that members of the group may tend to give first priority to tasks in their own department as members are only educated and rewarded according to their performance in the individual departments.

Results
The LQC matrix can create the necessary subprojects, e.g. within logistics, quality and costs, and contribute to the company's competitiveness. The LQC matrix structure may also be a motive force to obtaining better business results and organizational development – implemented as part of the operation.

2.4.6 Advantages and disadvantages of structures

There are no perfect organizational forms and no completely correct solutions when it comes to structuring an organization. The figure below presents an outline of advantages and disadvantages of the reviewed forms of organizations.

- Functional organization
- Product organization
- Matrix organization

Organizational form	Advantages	Disadvantages
Function	1. Promotes members' professional identity and career paths 2. Easy to manage/administer 3. Allows maximum specialization within a field 4. Other departments have access to expertise	1. Creates large differences between departments 2. Requires more time for problem solving 3. Difficult to locate responsibility for results 4. Does not develop broadly oriented top managers
Product (services or area/region)	1. Simplifies coordination between functions 2. Enables significant growth without loss of control 3. Clarifies business performance responsibilities 4. Clarifies objectives for division and motivates divisional management 5. Moves decision-making authority closer to the problems	1. Duplication of efforts between departments 2. Reduces professional specialization 3. Promotes competition between divisions 4. Promotes sub-optimization
Matrix	1. Promotes coordination possibilities 2. Relieves top management of coordination tasks 3. Develops flexibility and quick reactions 4. Promotes financial use of human resources 5. Stimulates motivation Important for socializing and training of younger employees	1. Long break-in period 2. Generates many conflicts 3. Weakens professional identity 4. Large administrative costs

Figure 2.10: Advantages and disadvantages of different organizational forms

2.4.7 Differences between hierarchical and flat structure

In his book "Tear down the Pyramids"[12], Jan Carlsson focuses on advantages of flat organizations and direct communication throughout the organization. In doing so, attention is also focused on the employees under the individual manager; often referred to as "span of control" or a manager's control area. Several employees under one manager may contribute to a flatter structure and thereby fewer middle managers. This is illustrated by the figure below:

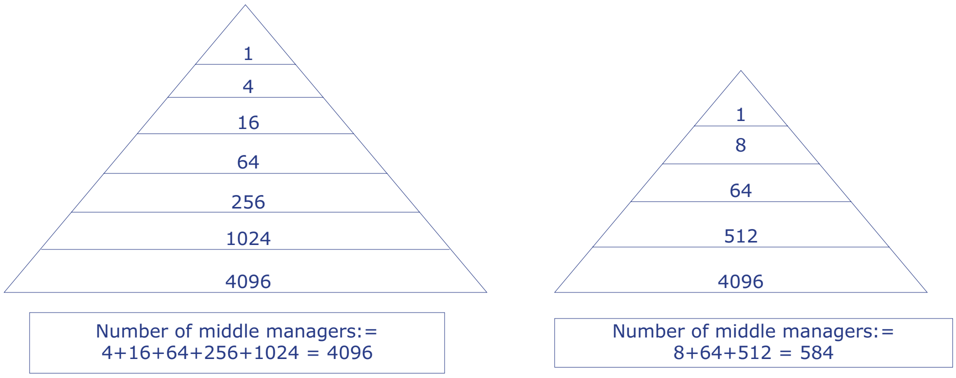

Figure 2.11: Number of employees in hierarchical and flat structures

In the example above, the number of middle managers is reduced from 1.364 to 584.

2.4.8 Mechanical and organic organizations

Mechanical systems are simple, dynamic systems with fixed movements like clockwork. Organizations cannot be considered machines because they are social systems in constant movement. In contrast, organizations must be considered a mechanism consisting of actions and interdependent parts. Organizations are no longer held together by formal structures and specific objectives, but rather by informal structures. Thus, the focus of attention is the actual behavioral structure and relations between the individual members of the organization.

In this connection, Burns & Stalker discuss mechanical and organic organizational forms characterized by the following features:

Criterion	Mechanical	Organic
Specialization	1. The organization's problems and tasks are broken down in specialized job functions	1. Importance is attached to expertise and experience as contributions to the solving of the organization's common tasks
General orientation	2. Individual tasks are structured and performed on own technical terms without special regard to the entire organization.	2. Individual tasks are considered in a realistic perspective and linked to the total situation of the organization
Coordination	3. Coordination of tasks takes place on each hierarchical level through the immediate superior	3. The tasks of the individual are adjusted an redefined continuously through interaction with others
Rights and obligations	4. Accurate definitions of rights, obligations and technical methods linked with each work role	4. Responsibility is not a question of a limited area of rights, obligations, duties and methods
Responsibility	5. Responsibility means rights, obligations and technical methods linked to a functional position	5. Development of responsibility as general commitment to the organization, independent of technical definitions
Control	6. Control, authority and communication are hierarchically structured	6. Control, authority and communication are developed in a network structure
Information centre	7. The hierarchy is supported by centralizing information about ongoing problems at the top of the hierarchy	7. Management is not perceived as omniscient. Knowledge is located throughout the entire network. Knowledge positions become centers of authority
Direction of communication	8. Tendency to vertical interaction between employees, i.e. between superiors and subordinates	8. More horizontal than vertical communication in the organization as a whole
Instructions	9. Tendency for tasks and work behavior to be controlled by superiors	9. Communication consists of information and guidance rather than instructions and decisions
Loyalty	10. Importance is attached to loyalty to the organization and dutifulness toward superiors as a condition for membership	10. Obligation to the organization's tasks and technical progress and expansion are assessed higher than loyalty
Relations outside the organization	11. Greater importance and prestige are attached to knowledge, experience and skills of (local) internal nature than to more general expertise	11. importance and prestige are linked to the employees' connection and expertise in relation to industrial, technical and commercial environments outside the organization

Figure 2.12: Two organizational forms

Joan Woodward was particularly concerned with the question of how an organization's production technology can influence the organizational form. Technology is perceived as part of the organization's external environment or context as something the organization is forced to adapt to. This assumption is problematic. In connection with studies made by a number of industrial companies in different sectors, Woodward developed a variable called technological complexity. It may be divided into three fields:

1. Unit production (one or few products according to special order, e.g. advanced instruments)
2. Mass production (e.g. automotive industry)
3. Continuous process production (e.g. chemical industry, oil refineries)

Woodward showed that during unit production, the organizational form was characterized by small working groups with independent responsibility for performing the work. The foremen had high technical skills and worked closely with the workers. The organization was centered on the skills that were present in the production departments, and the administrative structure was relatively small compared to the two other types of technology. Woodward characterizes this organizational form as organic in the same sense as Burns & Stalker.

Woodward discovered the strongest contrast to this organizational form in mass production, which required a strongly formalized organizational form. Work was carried out by unskilled workers. It was routine and often checked down to the very last detail by a comprehensive administrative superstructure. Woodward describes the organizational form as bureaucratic: Emphasis on job and position descriptions, much written communication, clear chains of command, strong separation of line and staff and great importance attached to planning. She found three important conflict generating factors in this organizational form:

1. Stress loads in the physical production between the technical system and the workers' social system,
2. Stress loads between lower and higher levels in the management hierarchy in which the lower levels were oriented towards immediate production problems while the higher levels were occupied with long-term problems,
3. Stress loads between line and staff; between decision-making authority and expertise.

In a comment on Woodward's studies, Mintzberg (1979) asserts that management in mass producing industry becomes obsessed with control as it assumes that the unskilled workers must be supervised and pressured in order to carry out their work. This control mania reproduces itself from the top throughout the entire organization, causing unfortunate consequences for all employees.

Woodward found that conditions were different in the process industry where production was automated, and where relatively few workers were involved. Here, rules and standards were built into the technical productive apparatus itself. This caused large parts of the most burdening work to disappear, and thus, so do the causes of many frictions and conflicts. This organizational form becomes less bureaucratic and more flexible and organic.

Woodward's studies have become a more recent classic in organizational theory, and it has inspired a number of studies of the relationship between technical systems organizational forms. However, it has also been sharply criticized on several points; it has been claimed that the technological complexity scale is too coarse, and that it conceals many significant variations in production conditions. A central controversial point has been the question of possibilities of improvements of working environments in the mass producing industry. Woodward has a rather pessimistic view of the possibilities of real reforms. Other scholars have claimed that it is not necessary to put up with the very unfortunate consequences of mass production (isolation, alienation, attrition, turnover and conflicts), and that there are several possibilities of improvements: Line production can be changed, and management conditions and power structure can be democratized. In the Nordic countries, a number of experiments have been performed in these areas.

2.5 Theory of Administrative Behavior – H. Simon

Herbert Simon has attempted to clarify the above mentioned characteristics of the rational perspective – goal specificity and formalization – and explain their connection to rational behavior (1976). He moves in an individual-psychological level in that he criticizes the individual understanding which lies in e.g. Taylor's studies. It is a matter of studies of organizations from the macro level. This conforms to the historical development in the use of analysis levels where the social-psychological level was the one used most frequently in early organizational research. Simon's criticism of Taylor's studies means a clash with the 'Economic Man', who Simon makes more human by stating that even though the individual seeks his own interests, he is not always aware of his basic interests.

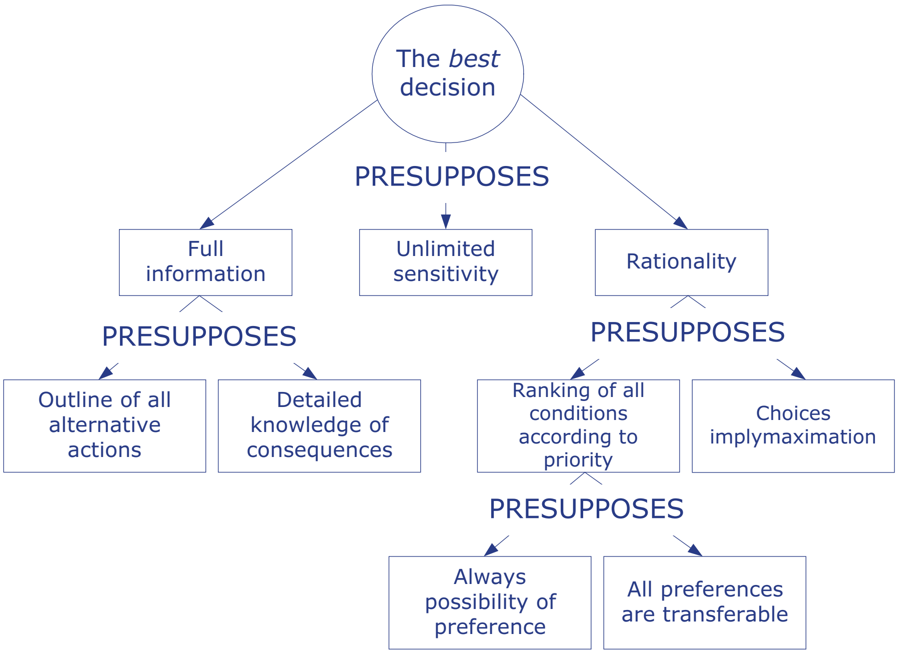

Figure 2.13: Economic Man

Therefore, the individual no longer experiences complete rational action but only limited rational action. In the figure below, the two individual views are specified.

Economic Man (Homo economicus)	• Clear and constant objectives • Full knowledge/information • Optimize utility value	Rational action
Administrative Man (Homo organisans)	• objectives are more unclear a the individual lacks ability to prioritize • Limited knowledge • Not optimize but satisfy	Limited rational action

Figure 2.14: Individual view: Economic Man and Administrative Man

Simon emphasizes that it is easy to criticize the rational model for its lack of realism. The problem is not to find points to object to in the model, but to proceed in the understanding of what happens in organizations when decisions are made. Simon points out that organizational theory will crumble if certain ideas of rationality are not maintained. Obviously, the classical model breaks down, both when we want to research decision behavior, and when we want to make decisions in practice. The problem is serious: How is it possible to reconstruct ideas of rationality and to develop empirical theory on rational behavior?

The behavioral patterns that is characteristic for Simon is the behavioral model which he designs and terms "The Administrative Man" in contrast to "The Economic Man".

The main characteristics can be summarized from the figure below with the stages of the decision model:

1. When we study a person's choices of actions, we must always use the person's reference frame as a starting point. Rationality should be perceived as linked to a specific reference frame. The person who is to make a decision will always have a simplified model of the situation which exists. The model is called the situational definition or situational understanding, cf. problem recognition and problem definition in figure 2.14.
2. The elements of situational understanding are not taken for granted in the analysis; they will be the result of a number of psychological and sociological processes. We must also consider the activities of the decision maker and others in the situation. Thus, the decision maker will often be active in relation to his external environment, and he will search for a limited number of alternative actions, and/or a little more knowledge about the consequences of different alternatives.
3. Individuals' and organizations' decision processes are oriented towards discovering and choosing between what may be called satisfactory alternatives. Only in clear exceptional cases, the decision will be oriented towards optimization. Discovering and choosing a satisfactory alternative is called 'to satisfy'. What is interesting in this connection is to examine how people and organizations set certain standards, and how they raise and lower their standards. A standard reflects a certain aspiration level (e.g. when it comes to market shares, profit, growth etc.)
4. Since the administrative person is satisfied with limited knowledge of the situations that he must consider; he is also capable of making decisions by means of relatively simple rules of thumb, which do not make impossible demands on overview and knowledge.

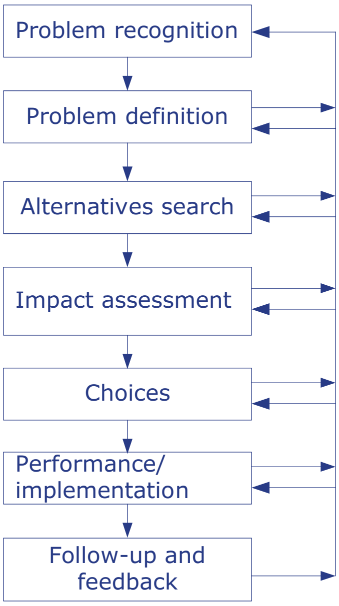

Figure 2.15: Stages of decision model/problem solving mode

The only way to simplify the conditions for the individual members is to allow their work to steer towards some delimited objectives. Simon believes that objectives only affect the individual member if they are significant in his daily conduct. In this way, it becomes the organization's role to delimit the objectives that are significant to the individual member. The objectives support the decision, which is based on two interacting premises:

- *Value premises* – assumptions about which solution is preferable
- *Factual premises* – deal with the observable world, and how it works.

Members at the top of the hierarchy typically make use of the value-related component when making decisions, whereas members situated lower in the hierarchy tend to base their decisions on the factual component. Based on these characteristics, what March and Simon call 'objective-mean-chains' occur, in which overall objectives, via consideration with focus on ways and solutions, are divided into a number of sub objectives:

Set overall objectives (often based on value premises)
"We must be effective!"

↓

Overall objectives are analyzed, and means for objective achievement are provided
"How can we be effective – e.g. by making sure that machines do not break down"

↓

These means become objectives and thereby sub objectives which are analyzed again…
"To avoid machines breaking down, all employees who use the machine must be trained in operating it correctly"

The chain stops when all members have an objective, which is part of their behavior and can thereby simplify decisions for everybody.

Figure 2.16: Objective-mean-chains

This process creates an objectives hierarchy with fewer objectives to support the overall objective. The created sub objectives reduce the need for information, and a stable framework is created for the decision of the individual employee. Thus, it is a matter of administrative regulation of behavior via reduction of the individual's decision opportunity in choice situations via setting of objectives on several levels. As mentioned, this is called limited rationality and again includes the two key elements in the rational system – the existence of specific objectives and a formalized structure.

2.6 Team organization

In future companies and organizations, customer service, competence development, job satisfaction and financial results are closely connected – closer than ever. Companies will experience even greater challenges in terms of creating learning among employees and promoting a feeling of ownership in relation to the work. Team organization is a structure and working method that complies with these needs and challenges. In 2001, West[13] discovered that team organization is one of the most widespread organizational structures and working methods. In American companies with more than 100 employees, approximately 80% use team organization.

Thus, many companies need to move away from a traditional, hierarchical organization and in stead move towards becoming a team based organization. First, we will define a team:

A team is a small number of people with complementary abilities who mutually have committed themselves to a common work objective with a work approach that they will hold each other responsible for[14]

This perception of teams may be applied in many contexts, e.g. bicycle teams in Tour de France, jet fighters flying together, and a herd of geese also flying in V-formation[15]. A common feature of these and companies is the desire for a structure and working method that are effective in terms of better results, increased job responsibility and satisfaction, increased customer satisfaction and improved communication.

Like bicycle teams in Tour de France, companies and organizations face questions such as:

- What is the manager's role in relation to the team?
- Which degree of management can the managers exercise?
- Which tools can the managers use to establish and further develop effective teams?[16]

We will now focus on team organization and the role of the team manager in order to propose how a company may build a team based structure, and how a manager can work in relation to his team. Introductorily, we will briefly outline different typical team based organizational forms in order to indicate how a team structure may look[17], and how management may be carried out in relation to a team. We distinguish between management *of* teams and co-management *in* teams – practical tools which a team manager can implement in different positions.

We will conclude by presenting a larger case, which in details describes a manager's considerations and disposals in connection with the establishment and development of a team.

2.6.1 Typical team based organizations

In this section, we will outline three organizational charts which illustrate different levels in team based organizations. This will show differences between expert teams and cross-functional teams and clarify the structures surrounding a team.

Teams may be either specialist or cross-functional. An expert team is a team of e.g.:

- Sales consultants with a common cost objective. The members have complementary competences
- A team of home helpers who perform the same tasks in relation to caring and help for the elderly

A cross-functional team is e.g. the operating team at a hospital, consisting of the surgeon, assisting doctors, nurses, anesthetist etc. The cross-functional team tends to contain the greatest potential for innovation and development[18]. However, at the same time, there is a large potential for conflicts in the cross-functional team, presumably because different academic backgrounds increase the dissimilarities in approaches to a given problem.

Structurally, a team typically consists of a team manager, who is not part of day-to-day operations and whose function is to compose and possibly change the team, assign tasks, help the team periodically, evaluate it and give feedback. The team manager typically carries the responsibility for 3–4 teams.

Furthermore, there will usually be a team coordinator who is part of the team and participates equally with the other members, while being in charge of the practical coordination of activities and information, notices for meetings etc. There are various ways of choosing the team coordinator; he may be chosen by the team manager, be elected internally in the team, or team members may take the job in turns. In some cases, the team manager and team coordinator is one person, who is part of the team. It may be difficult to make this structure successful as an active manager internally in the team will easily end up working against the very idea of team organizing: Giving the team authority by virtue of delegated responsibility and decision-making competence. Therefore, such a structure requires that the manager is capable of balancing delegation and establishment of fixed limits and direction of work; a balancing act that is of course not impossible. This structure is typically found in teams where the level of competence is so low in relation to cooperation, decision-making process etc. that it is necessary to have a strong, instructive manager within the team.

The following models, which show typical team based organizations, are based on the typical structure, which includes a superior, external team manager and a participating, internal team coordinator. In order to show the complexity that may exist in different levels of team organization, all the models will be based on a hospital, beginning with classical team organization and then approaching the structure from different angles.

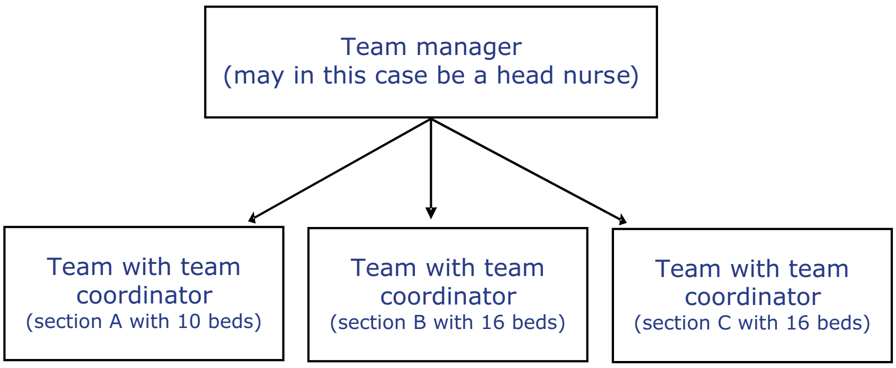

Figure 2.17: Classical team organization

Here, each team may consist of 12 nurses who share the tasks and report to the head nurse as their immediate superior. In the cancer unit, we find an organization that to some extent is based on expert teams, e.g. groups of specialist doctors (lung cancer, breast cancer, skin cancer etc.), ambulatory nurses and those responsible for chemotherapy. In expert team organization, a cross-functional team containing representatives from the different occupational groups is often established to deal with tasks that exceed the limits of the individual team's range of competence. In our example, this could be particularly complicated patient cases involving several wards.

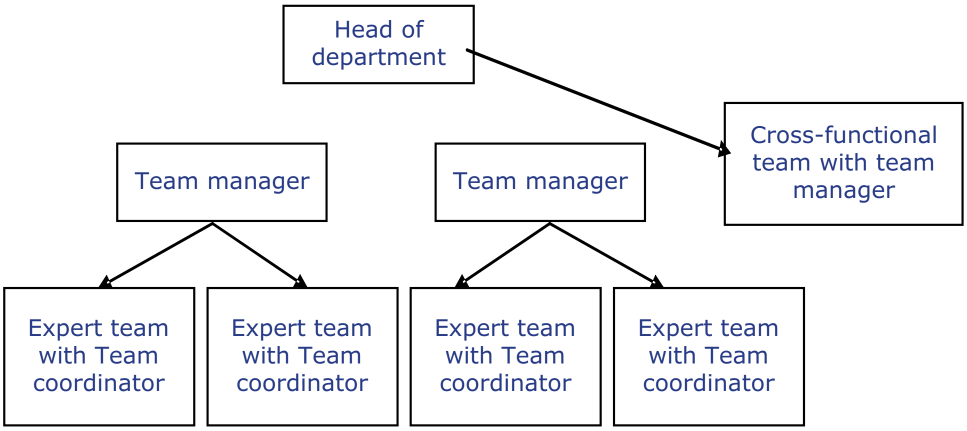

Figure 2.18: Expert team organization

Viewed from a different angle, a hospital ward in many cases works in cross-functional teams, e.g. when operating and making diagnoses. In a cross-functional team organization, it is often necessary to establish a cross-functional management team; the management teams' decisions will appear more legitimate to the individual occupational group when the group is represented within the team. An example which illustrates this very clearly is a ward at a hospital where the head nurse changed the staffing in the management team consisting of a managing consultant doctor and a head nurse, and in stead left it to the head nurse to manage the ward. The result was that several doctors resigned.

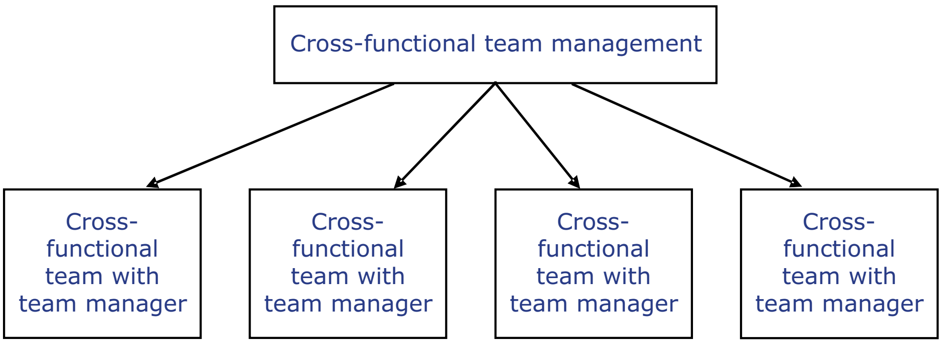

Figure 2.19: Cross-functional team organization

The models provide an overview of a possible structure of a team based organization and clarifies that there are different roles in relation to the team, depending on the context. When the team manager is part of a management team, the individual team can in principle take advantage of the entire management team rather than only reporting to their immediate superior. This is clearly an advantage because it allows flexibility, e.g. in decision-making when the immediate superior is unavailable. Furthermore, when several managers are familiar with the work areas and problems of the team, the quality of decisions made will be raised. However, there is also a potential damaging factor in this constellation in that the managers may cross each others' ranges of competence, and that will put the team in an ambiguous situation. Therefore, it is decisive to clarify the mutual dispersion of competences between managers in relation to the team.

Another significant consideration in connection with these two organizational forms is that both the team and the manager must change practice. If the manager continues to manage in 'the old-fashioned way', this will, in a systemic understanding, maintain the team in its original 'group practice'. Therefore, the building of new understanding and practice in team management are decisive. The following questions will often be helpful for the manager:

1. What are my rights and obligations as manager in relation to the team? What must I do? What can I do? What can I not do? What remains unclear and needs to be examined further?
2. What are the team's rights and obligations in relation to our customers/users? In relation to me as manager and in relation to other teams in the organization? What must the team do? What can it do? What can it not do? What remains unclear?

2.7 Pitfalls in focus on task performance and structure

'Organizational focus on task performance and structure' aims at a motive force of formalization and intensity of purpose to reach rational utilization of the organization's resources. The starting point is that the employees' scope is limited by positions, rules and procedures; hence the name rationality.

The pitfalls of organizational focus on task performance and structure are especially linked to lacking focus on informal structures and influence of the external environment:

- *Organizations without people*; it is assumed that employees act rationally on the basis of established structural conditions and rules and procedures. The rationality is assumed to arise from the structure and its systems, while the employees are dehumanized.
- *Power and control*; focus on task performance and structure causes it to be easier for managers to gain power and control over others beyond normative structures and principles.
- *Informal context is overlooked*; social, cultural and technical aspects are not included as an explanation of the organization's structure and function.
- *External factors are overlooked*; focus on internal conditions without including the influence of external factors.

2.8 Literature for chapter 2

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3 Focus on motivation

Motivational studies are a search for understanding of human nature. In recognition that the human element plays a significant role in organizations, this chapter will focus on structuring a theoretical reference frame for motivation. The purpose of the chapter is to understand past tense human behavior and to predict, change and influence future behavior in organizations.

Many researchers have contributed to an increased understanding of motivation and human behavior in organizations. In their research, David C. McClelland and John W. Atkinson[19] pointed to the connection between an employee's motivation and his performance. The figure below shows that the degree of motivation is at its highest when the probability of success is around 50%, i.e. there is a fifty-fifty percent chance of success and failure. The bell-shaped line also indicates that the strength of the motivation declines when the probability of success exceeds 50%. This is also the case when the probability of success is otherwise increasing. The researchers' conclusion is that employees are not motivated when the objective is difficult or almost unrealistic to reach, or when it is relatively easy to reach.

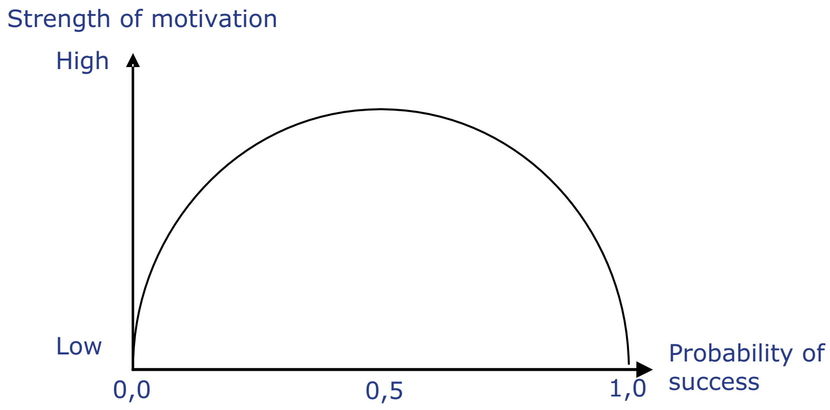

Figure 3.1: Motivation and the probability of success

This connection provides an explanation of motivation. Furthermore, human behavior and motivation are individual for each person and influenced by other conditions within the organization[20]. Thus, motivation may be very different from organization to organization. This is illustrated by the two examples of companies below. The surveys of the two companies' motivational factors were performed in 2005, so they are comparable in terms of time. The first example is an industrial company where 25 managers and key employees participated in the survey to determine the most important motivational factors to a person. Each employee was asked to prioritize three motivational factors, i.e. the conditions which motivated the person the most.

Figure 3.2: Motivational factors of employees in industrial company

It appears from the figure that the company's key employees are motivated by:

1. Challenging tasks
2. Open and honest communication with immediate manager
3. Credit for well performed work
4. Result-oriented culture
5. Influence

The most significant motivational factors for these people are challenges in terms of working across the country's culture and language, and professionally challenging tasks. Also, they expect the management style to be supporting and developing. The monetary award system of this company is based on five shared objectives for the 25 employees.

The second example is a commercial company where 28 manager and employees prioritized their most significant motivational factors. The figure below shows the result of the survey.

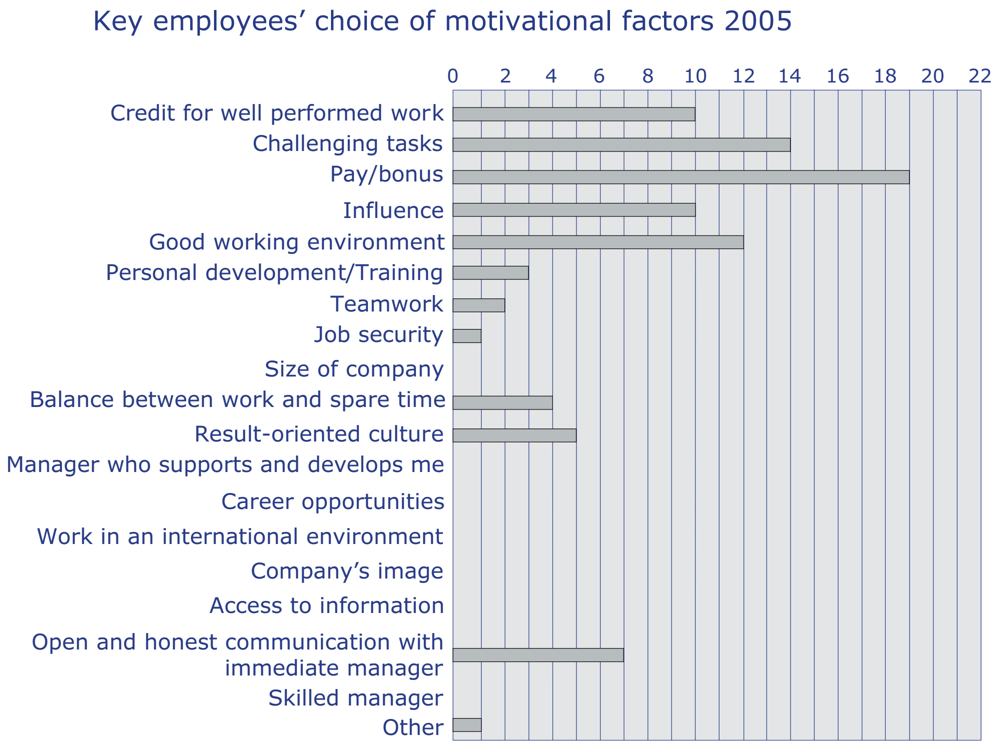

Figure 3.3: Motivational factors of employees in commercial company

The result is that the most important motivational factors are:

1. Pay/bonus
2. Challenging tasks
3. Good working environment
4. Credit for well performed work
5. Open and honest communication with immediate manager

Pay/bonus is the most important motivational factor in this commercial company where the culture is sales-oriented and underpinned by a result-oriented monetary award for the individual employee. At the same time, the employees of this company expect professionally challenging tasks and a good working environment.

The above indicates that motivation may be explained through many different conditions. We need a definition of concepts and a reference frame in which we can view these explanations in a context. There are various definitions of the concept of motivation. The following definitions are among the most recognized[21]:

Motivation is "the energy that a person expresses in connection with the work"[22]

"Motivation means an inner wish to make an effort"[23]

It may be appropriate to connect motivation with three common psychological processes so that there are three elements in the process of motivation:

- **Initiation:** Motivated behavior is typically initiated by a need or desire to achieve a specific thing or condition
- **Direction:** Personal objectives are typically directive for motivational behavior
- **Intensity:** Motivated behavior is typically aimed at the most favorable objectives rather than less favorable objectives

The result of this motivational process is the specific motivated behavior, which is typically characterized by four factors:

- **Focus:** Motivation creates focus on specific tasks, persons, subjects etc.
- **Effort:** Motivation creates energy and effort
- **Persistence:** The greater the motivation, the greater the perseverance
- **Task plan:** Motivation typically causes us to engage in making plans for ways to be successful when solving a given task.

The result of motivational behavior is performance. The connection between the three concepts is:

Motivation is a psychological condition, which affects a person's behavior. Performance relates to an external standard, which is typically formulated by others than the person himself.

The motivational process (initiation, direction, intensity) is influenced by a number of factors, some of which are mentioned in the figure below. Here, the factors are divided into two main groups: Individual conditions and job situation.

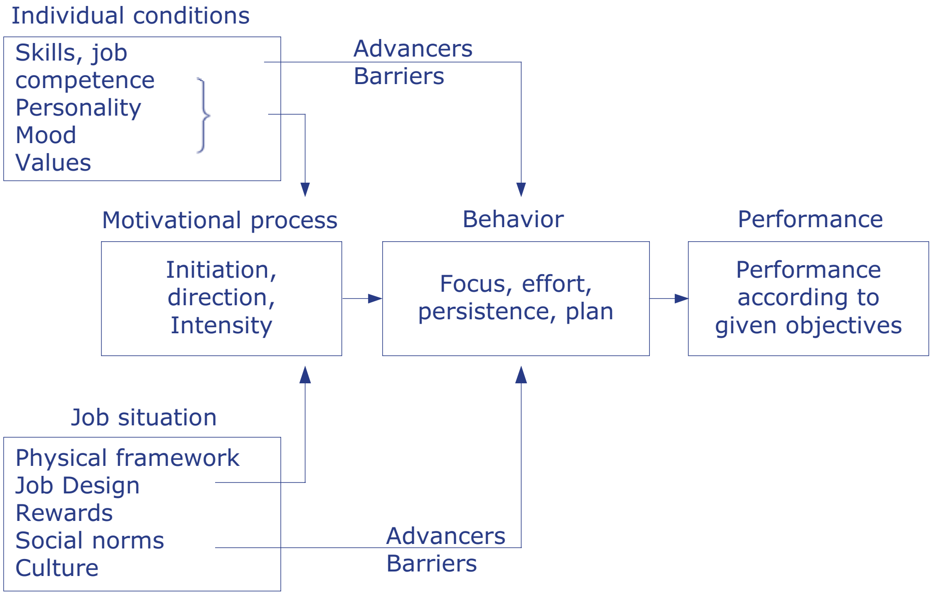

Figure 3.4: The motivational model's process, behavior and performance

As the figure indicates, the two sets of factors – individual conditions and job situation – can influence the motivational process (being motivated), and they may have direct independent influence on the actual behavior. For example, the organization's culture and values may create motivation, but the culture may also be a barrier to the development of motivation. Also, the personal desire to take on a given task may be inhibited by a lack of faith in own abilities.

Motivation is always reflected concurrently with the ability to perform the concrete tasks. Thus, high motivation is no guarantee for good performance.

3.1 Theoretical approaches to motivation

There are several theories on motivation, and no recognized theory can integrate these theories. The purpose of the model below is to collect some of the most important theories on motivation in one key model, which structures and systematizes the many aspects of motivation.

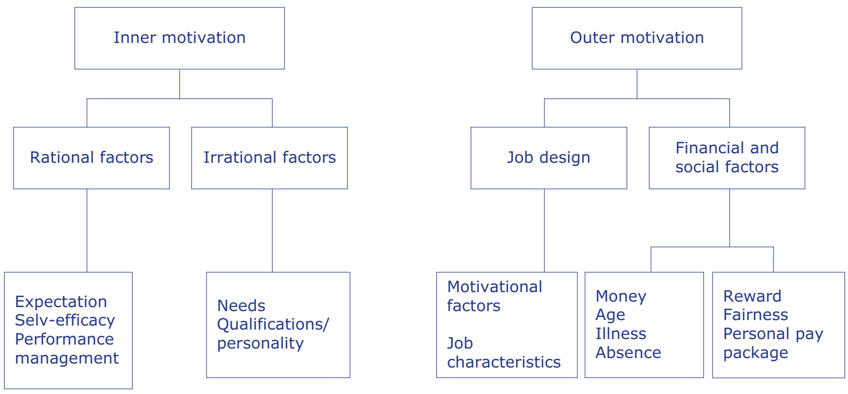

Figure 3.5: Outline of approaches to motivation

The model divides the theories into two main categories: Theories related to so-called inner motivation and theories related to outer motivation, thus motivation coming from the inside and outside, respectively. The theories are also connected, e.g. we will touch on the connection between expectation and fairness in the section which discusses fairness.

3.2 Inner motivation

This section concerns the motivation that comes from the inside and deals with both conscious and unconscious needs.

Theories on inner motivation may be divided into several groups:

Rational factors:

- Expectancy Theory
- Self-efficacy
- Management by Objectives

Irrational factors:

- Needs theories
- Maslow's needs theory
- C. Alderfer's needs theory
- D. McClelland's theory
- Qualifications/personality

They will be discussed in the above order.

3.3 Motivational theory based on rational factors

Among motivational theories, which are based on rational factors, the most recognized theories are:

- Expectancy Theory
- Self-efficacy
- Objectives

3.3.1 Expectancy Theory

The Expectancy Theory[24] attempts to explain and predict motivated behavior. It tries to answer the following question: What determines a person's readiness for motivated behavior?

The Expectancy Theory draws on thoughts from rational science, including the idea that human behavior is controlled by a desire for maximum use of a given behavior. Thus, a formula can be used to express the theory:

- Motivation = E × I × V (Motivation = Expectancy (E) times Instrumentality (I) times Valence (V). Motivation = Expectancy × Instrumentality × Valence)
- E = Expectancy, i.e. the relevant employee's expectations that his performance leads to the desired result, i.e. that the performance will be successful.
- I = Instrumentality, i.e. the personal assessment of the probability of different rewards as a consequence of successful task performance. Some rewards will in all probability occur while others have significantly smaller or very poor probability.
- V = Value, i.e. the value attached to these rewards by the employee concerned. Examples of rewards are promotion, higher pay, time off, credit etc. The factor V is the personal value of possible rewards and is often called Valence.

The above is a mathematic formula, and that means that if just one of the factors has very low value (e.g. if the expectations of success are very low, or the personal value of the possible rewards is very low, or the instrumentality of positive rewards is very low), the total motivation will be low as well.

According to the theory, motivation only exists if there is a certain concurrence between the probability of success, the expectation that there will be rewards and the value of these rewards to the employee concerned.

In short, motivation is controlled by the employee's faith in a positive connection between efforts, success and reward value.

Studies have proven that the Expectancy Theory is a quite reliable theory. However, its biggest problem is that is depends on man's ability to make rational choices (between behavior which results in high and low rewards respectively). However, only a minority of people is able to comprehend the exact connection between efforts, results and reward values, and therefore, the theory is not able to explain all differences in organizational behavior. It is generally difficult to predict the degree of success precisely or to know exactly which rewards are possible, or to make an accurate comparison of the value of different rewards.

The implications for the manager are:

- It is important that a reward for good performance has actual value for the employee. This may be decided by asking the employee what is valuable to him – e.g. during appraisal reviews.
- It must be possible to distinguish between success and failure. Clear success criteria should be established so that the parties agree on the criterion for successful results.
- It is important that the employee is able to assess his own competences realistically. Exaggerated self-efficacy creates motivation but hardly success, and exaggerated lack of self-efficacy reduces the motivation despite great probability of success.
- The reward system should be structured in a way that allows better performance to cause better rewards.
- Training and coaching are important managerial tasks for the purpose of creating the necessary self-efficacy.
- The employees' perception of the connection between effort and reward is often part of the so-called psychological contract which the employee makes with the company when hired. Here, the mutual expectations, which to a high degree will be essential for the employee's perception of possible rewards, are reconciled.

The psychological contract must be discussed continuously for the purpose of creating the necessary clarity and making necessary adjustments so that the contract conforms to the actual conditions.

3.3.2 Self-efficacy

The concept of self-efficacy's influence on motivation is relatively new within motivational research. Bandura (1989) defines self-efficacy as:

> *The faith in one's own ability to mobilize motivation, one's cognitive resources, and one's own ability to choose the right actions in relation to the specific expectations.*

A large part of the research in this area has concentrated on the so-called **Pygmalion/Golem** effect. In short, the Pygmalion effect refers to the notion that by communicating high expectations, it is possible to strengthen the self-efficacy and hereby improve performance. In contrast, the Golem effect refers to the notion that by communicating low expectations, self-efficacy and thereby performance is decreased.

There has been some discussion about whether self-efficacy is solely or broadly speaking a by-product of experience from earlier tasks and has no influence as such on motivational considerations about future tasks. Or in other words: Is self-efficacy solely a product of one's own considerations regarding the specific task, or is self-efficacy a product of one's experiences from previous, similar tasks?

Briefly stated, this means that the manager must communicate high expectations from the employee's performance and make sure that any unfounded fear of failing is discusses thoroughly. As mentioned in the section on Expectancy Theory, any negative expectations from own success will be destructive motivation.

Employees generally have quite good recognition of their own capability, but in connection with new tasks, it is especially important to maintain that existing competences constitute a strong foundation for success.

Coaching and appraisal interviews typically function as the dialogic room in which these expectations are expressed.

3.3.3 Management by Objectives

The theory of Management by Objectives (MBO) is based on the notion that most human behavior is based on unconscious choices of objectives and intentions. Action has a direction and a desired result.

Techniques for setting objectives are the practical use of a number of motivational theories – especially Expectancy Theory. The notion is that the objectives and the process of setting objectives itself may have a positive influence on motivation and thereby performance.

Objectives are effective as a motivational mechanism, and there are several explanations for that:

- Being obligated to fulfill an objective creates focus on objective-relevant activities and removes the attention from non-objective-relevant activities.
- Objectives create energy, and challenging objectives create greater effort than easy objectives do.
- Objectives create persistence. High objectives extend the effort, and tight deadlines increase the working pace.
- Objectives motivate the employees to use their knowledge and skills to reach the objective.
- The main motivating factor may not be the objectives per se, but rather the experience of their attractiveness, relevance and significance for the personal development and well-being.

In a sense, it may be argued that positive objectives benefit both the company and the employee in such a way that both parties' interests and intentions are taken into account.

From a company point of view, objectives must be broken down and composed in a way that allows the employees' behavior and performance to be held together in a balanced whole.

From an employee point of view, clear and accepted objectives generate better possibilities of independence and autonomy in the job, i.e. what in some connections is referred to as self-management.

These days, many companies are restructuring the internal allocation of tasks and responsibility. The consequences may be fewer layers of management, matrix or project structures, outsourcing and networking, and more decentralized management on all levels. This development causes an increased need for greater agreement about and accept and clarity of objectives. This does not necessarily lead to implementation of more measuring systems, but the development increases the need for internal communication and dialog.

Research indicates that:

- High and concrete objectives influence performance positively.
- Feedback is important when objectives are high and concrete
- Accepted objectives strengthen motivation and performance, which is connected with the fact that objectives, which are set jointly, are often a little more ambitious than objectives set by the manager alone.

As mentioned above, high objectives tend to increase performance. Furthermore, research indicates that objectives have a poor or even negative impact when it comes to complex or new tasks.

Therefore, **the conclusion** appears to be that more stringent and consistent performance management will have the greatest effect when the methods for reaching the objective are well-known and accepted.

With a view to forming and directing organizational behavior, objectives are important managerial tools. Generally, it is assumed that in order to have the full effect, objectives must comply with the following conditions:

Objectives must be SMART, i.e. they must be:

Specific
Measurable
Ambitious and Attractive
Realistic
Time related

If there is more than one objective, they must be non-conflicting and possible to prioritize.

The employee concerned must have the sufficient knowledge and skills to reach the objective. Furthermore, the objectives must be perceived as achievable. If they seem unrealistic, unachievable or too difficult, it creates fear and a very bad learning process. In these cases, it is preferable to aim at learning objectives rather than performance objectives.

The employee must be committed to the objective – especially if the objective is difficult. As mentioned above, the consequences of achieving an objective must be favorable for the employee, and he must have faith in his own ability to reach the objectives (Expectancy Theory). In this connection, it may be a good idea to make the objectives public, ensure that the manager expresses his confidence in success and secure that there is a clear connection to vision and strategies. Sometimes, financial incentives may also be helpful.

Feedback as to whether the process is on track is immensely significant. The committed employee will adjust his efforts or speed if he is running behind schedule.

High objectives for complex tasks must be used carefully. In some cases, it will be better to start with the necessary training. Another solution is to aim at sub objectives. A third solution is to aim at learning objectives as mentioned above.

Situational conditional barriers may prevent the achievement of objectives. It is the management's job to ensure that the employees have the necessary resources and to remove any barriers to achievement of set objectives.

It is important to formulate and communicate objectives. This may be done in writing in different internal papers, or orally, e.g. at staff meetings, and – especially – through annual/biannual appraisal interviews.

Setting objectives is an increasingly important management task, but the management must think carefully before getting caught up in the pervasive objectives euphoria. Few of the factors which are measured today can be mapped out, much less interpreted by means of simple measurements.

People tend to do the things, which are measurable, especially if a reward/punishment is linked to the achievement of set objectives. This is why objectives contribute to shaping and directing organizational behavior. There is much truth in the saying; what you get is what you measure, but it makes even greater demands on the validity and relevance of the measurement. One solution is to set both quantitative and qualitative objectives, and to set objectives for team behavior, which can be included in annual or biannual behavioral measurements in the team.

Objectives constrain and divide reality into what is measurable and what is not. There is good reason to consider the use of different measuring techniques carefully.

3.4 Motivational theory based on needs

Most needs theorists agree that needs are unobservable, internal forces, which create tension when objectives are not reached. People will try to reduce or remove this tension through action. Needs are considered motivating because the tension triggers attention, action and persistence.

3.4.1 Maslow's needs model

A. Maslow's needs model[25] is probably the most well-known and popular model on needs.

Maslow believed that human needs could be classified in a hierarchy of five basic needs:

- **Self-actualization needs**: Need to realize one's deepest creative and productive potential.
- **Esteem needs**: Need for self-esteem, self-respect and appreciation from others.
- **Social needs**: Need to socialize with other people, need for relationships based on emotions, need for friendships.
- **Safety needs**: Need for physical and psychological stability and safety.
- **Physiological needs**: Primary needs; water, food and a home.

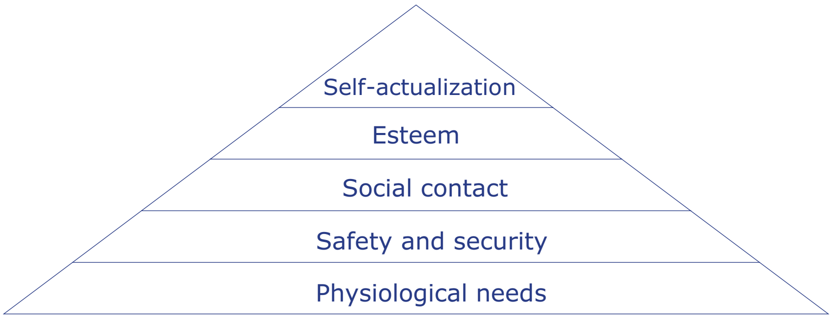

Figure 3.6: Maslow's pyramid of needs

The idea of the hierarchy is to show that needs on a given level must be satisfied before the needs on the next level become interesting. Or expressed in another way, the 'lowest' unsatisfied need will be the most dominant for human behavior.

Furthermore, only unsatisfied needs can function as motivation.

At a first glance, Maslow's Hierarchy of Needs seems appealing, but it is important to note that the model is only to a lesser degree supported by empirical research. However, there seems to be consensus that needs are arranged hierarchically.

Later needs models (cf. Alderfer) have modified Maslow's model by only operating with three basic levels. It has not been possible to document the progression in the hierarchy suggested by Maslow. On the contrary, doubts have been raised as to whether satisfied needs stop functioning as motivation, and several factors indicate that social needs, esteem needs and self-actualization needs can function as concurrent motivational factors.

Furthermore, Maslow's Hierarchy of Needs has been criticized from a cross-cultural perspective (see e.g. Hofstede). In some cultures, safety needs and social needs will exert significantly greater influence on motivation than self-actualization needs. There is in fact good reason to assume that the needs hierarchy is structured differently in different cultures.

However, it is important to keep in mind that Maslow imagined his needs theory as a humanist perspective on human motivation in general – not as a model which could form a basis for empirical testing.

The five basic needs per se set guidelines for the organization of both companies and jobs:

- **Self-actualization needs**: Autonomy, independence, responsibility, challenges, personal development.
- **Esteem needs**: Recognition, feedback, position, promotion.
- **Social needs**: Social contact, teambuilding, positive feedback, network.
- **Safety needs**: Psychological working environment, senior employees' policy, insurance scheme, pension scheme, employment contract, personnel policy.
- **Physiological needs**: Health insurance, pay, physical working environment etc.

Although the model is universal, it is important to keep in mind that employees' needs may be very different at different points of time, and that employees try to satisfy their needs either at work or in their spare time.

Needs are significant but differ in meaning. This points towards situation-specific use of Maslow's needs theory. The manager must base the motivating behavior on the employees' needs and not on his own needs or his own idea of what their needs are.

Research has shown that Maslow's model only has little prediction force, meaning that it can only predict the employees' behavior to a minor extent.

The model's greatest significance lies in the recognition and identification of individual needs.

3.4.2 Alderfer's needs theory

C. Alderfer's needs theory[26] is among other things an attempt to modify A. Maslow's needs model in the sense that the number of basic levels is reduced from five to three. These are:

- **G**rowth: Need for creative and productive development (corresponds with Maslow's self-actualization need)
- **R**elatedness: Need for meaningful interaction and relationships (corresponds with Maslow's social needs)
- **E**xistence: Basic survival needs (corresponds with Maslow's psychological needs and safety needs)

Hence the name 'the ERG model'.

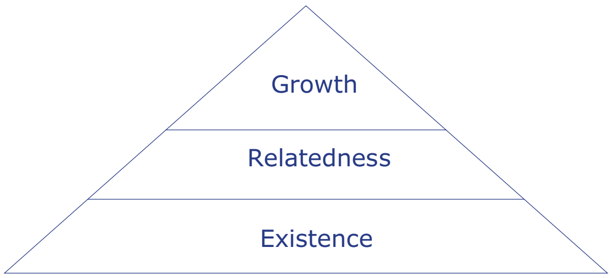

Figure 3.7: Alderfer's ERG theory

The model contains the same satisfaction progression as Maslow's model, but there is an additional element to the theory in that Alderfer believed that unsatisfied needs can make the person regress at a lower needs level, i.e. place even more emphasis on the satisfaction of needs placed lower in the hierarchy. A frustration progression.

The ERG model is supported by empirical studies to a higher degree than Maslow's model, and conceptually, it corresponds better with the way we generally express our needs. Therefore, the model may be better for interpreting how needs influence individual behavior.

Implications for management:

Alderfer's model encourages the following six diagnostic questions, which the manager must ask himself:

- What are the needs of the individual employee?
- What needs are satisfied?
- Based on the Hierarchy of Needs, what is the lowest unsatisfied need?
- Are there needs on a higher level, which are not satisfied?
- Has the employee increased his focus on lower needs out of frustration?
- How can unsatisfied needs be satisfied?

Furthermore, Alderfer believed that the importance of higher needs increases when they are satisfied. Self-actualization so to speak creates a need for self-actualization.

3.4.3 McClelland's motivational theory

D. McClelland's theory[27] uses the management group as a starting point, and he focuses on three meaningful needs, which he believe are culturally acquired and therefore possible to change through training.

He does not deal with progression and regression between needs (see A. Maslow and C. Alderfer) but with the needs/motives that have significant influence on productivity and efficiency in working life.

McClelland's three needs, which are often called the APA needs, are:

- **Achievement need**: Need to achieve high performance and to master difficult and complex tasks.
- **Power need**: Need to take responsibility, take charge, gain influence, and the willingness to make a difference. McClelland distinguishes between social power needs, i.e. the need to perform well for others and/or the entire company, and personal power needs, i.e. the need to create personal gain.
- **Affiliation need**: Need for social interaction and need to create and maintain friendships.

McClelland believes that all people have different composition of the three needs, but that one of the needs is usually dominating.

Like Maslow and Alderfer, McClelland has been criticized, but his theory is still among the most tested motivational theories, and especially the achievement need has formed the basis for a good deal of motivational research.

Implications for management:

People with a high achievement need tend to be very objective-oriented and aim at high, but not unrealistic objectives. They want to have influence on the solution to their own tasks, and they have a high energy level and work hard. They demand quick and concrete feedback and appreciate performance management and performance pay. Furthermore, they have a high approach level, i.e. they tend to be very proactive.

People with a high social power need should be placed in positions where they are able to practice legitimate, social control.

People with a high affiliation need seek closeness with others and generally want extensive interpersonal interaction. People with a low affiliation need do not have problems with working alone for longer periods of time.

McClelland found a common behavioral pattern among managers. For first line managers and middle managers, a combination of medium to high power need and low relations need seems to result in effective management. The higher the manager is placed in the hierarchy, the greater is the significance of having the ability to master interpersonal relations. At a high organizational level, the combination of high (social) power need and high relations need is probably the most optimum for effective management.

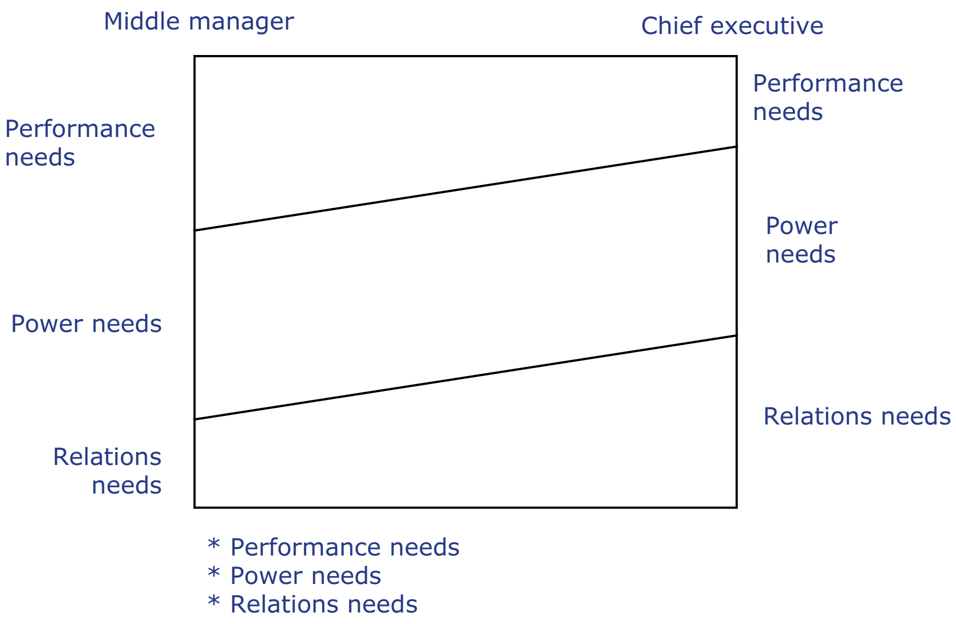

Figure 3.8: The manager's personal needs

McClelland's theory also depends very much on culture – and cannot as such be extended to Scandinavian conditions. It should also be remembered that the managerial role at all levels has changed a great deal since McClelland performed his studies.

3.5 Outer motivation

There are a number of recognized theories to help managers create motivated behavior by means of outer factors in relation to the employees:

- Job Design
- Herzberg's 2 Factor Hygiene and Motivation Theory
- Hackman & Oldham's Job Characteristics Model
- Reinforcement theory
- Social justice
- Organizational culture

These will be discussed in what follows (Organizational culture will be reviewed in chapter 4 together with the increased need for learning in organizations). Several of the theories are characterized by being general in their perception of outer motivational factors. This applies to e.g. Herzberg's 2 Factor Hygiene and Motivation Theory, which will be criticized when discussed.

3.5.1 Job Design

The link between Job Design, by which we understand the arrangement, design and contents of the job, and motivation and job satisfaction has not been given much attention in the research industry in the last decades despite that:

- Job Design has proven to play a great role in practical attempts to generate more satisfaction and greater effectiveness.
- A large part of many managers' jobs is to further develop existing Job Designs.
- The structure of the job has significant influence on the person who is to perform the job.
- Additional knowledge in this field may create insight into motivational relationships.

Here, we will present a few of the theories which set the trend in the 1970s. Both theories belong in the category 'Job Enrichment Approaches'.

3.5.2 Herzberg's 2 Factor Hygiene and Motivation theory

F. Herzberg's 2 Factor Hygiene and Motivation theory is an empirically founded theory about the factors that influence job satisfaction and thereby motivation. Herzberg's empirical studies are based on conditions in 11 American companies in the 1960s and should be read in that perspective.

According to Herzberg, job satisfaction is influenced by a number of job factors, which separately give the individual employee either more or less satisfaction, or more or less dissatisfaction. Through his studies, Herzberg discovered that employees do not evaluate the significance of the individual factors on one scale ranging from satisfied to dissatisfied, but rather on two separate scales: One that ranges from satisfied to dissatisfied, and one ranging from dissatisfied to satisfied. Therefore, job factors can be divided into two groups: One group of job factors which influences the degree of satisfaction (motivational factors), and one that influences the degree of dissatisfaction (maintenance factors).

Herzberg's division:

- *Satisfaction or motivational factors:*
  Performance
  Meaningful work
  Responsibility
  Influence
  Growth
  Advancement
  Recognition

Satisfied

Dissatisfied

- *Maintenance and hygiene factors:*
  Pay
  Job security
  Working conditions (physical and psychological)
  Interpersonal relations
  Supervision/management
  Benefits
  Personnel policies

Dissatisfied

Not dissatisfied

Figure 3.9: Herzberg's 2 Factor Hygiene and Motivation Theory

Note that the time perspective is unclear in Herzberg's 2 Factor Hygiene and Motivation theory. Other researchers point to the fact that in terms of time, basic pay has short motivational effect. However, Herzberg's 2 Factor Hygiene and Motivation theory does not distinguish between basic pay and performance-related pay. Conversely, many motivational factors have a long motivational effect, and Herzberg's theory does not consider this.

Implications for management:

According to Herzberg, the maintenance factors in this way contribute to removing dissatisfaction, but they cannot generate satisfaction (motivation). Only motivational factors can do that. Thus, motivation cannot be generated by ensuring extra good maintenance factors – including extra good pay and bonus conditions.

Both groups of job factors are important, and one group is not more important than the other. The factors are complementary but cannot replace each other in the long term. Herzberg believed that particularly good maintenance factors/working conditions generate increased effort in the short term, but merely move the expectancy level in the long term and thereby do not change the effort.

Studies show that fundamentally, there is some truth to this two-dimensional division, but the distinction between maintenance and motivational factors is not as clear as Herzberg assumed. Among several points of criticism, no studies have been able to ascertain that pay is solely a maintenance factor.

Therefore, the greatest merit of the theory lies in the confrontation with the one-dimensional thinking, i.e. that satisfaction and dissatisfaction are contrasts. The conclusion is that the different job factors have different significance for the motivation of the individual employee.

The weakness of the theory is that is does not take account of the fact that individuals have their own personal motivational structure, or that groups of employees have differentiated needs-orientation. In stead, the theory perceives employees' motivational factors as a general feature. Therefore, the theory is not applicable for e.g. the preparation of a recruitment strategy for employees, who are satisfied through a result-oriented reward system.

What is a good job – according to Herzberg?

In direct continuation of his motivational theory, Herzberg outlined the standards for a good job. The standards are included in his job enrichment model and consist of the following elements:

- Personal communication authority, i.e. possibility of communicating directly with the person one has a need to communicate with.
- Personal responsibility.
- Direct feedback from those who use one's work.
- Personal development, including the possibility of constantly learning something new.
- Allocation of own resources.
- Personal planning – on an annual, quarterly, monthly and basis and during meal and coffee breaks.
- Direct client relations, i.e. close cooperation with the people who use one's work.
- Personal specialization, i.e. the job allows for the opportunity to specialize in one or several areas.

3.5.3 Hackman & Oldham's Job Characteristic model

Hackman & Oldham developed Herzberg's theory further as they believed that it had a number of weaknesses. They wanted a more detailed understanding of how job characteristics are related to job satisfaction. They suggested five job characteristics which all have significant influence on the job owner psychological relation with the job:

- **Variety in competence requirements**: i.e. the job allows broad employment of the employees' collective skills.
- **Meaningful work**: i.e. to what extent the employee feels responsible for a meaningful entirety of the total job.
- **Covering stakeholders' needs**: i.e. to what extent the employee's work has a positive influence on the lifes and welfare of others.
- **Degrees of freedom**: i.e. the extent to which the results of the work function as feedback for the employee (not the manager's feedback).

To chart the individual job in relation to these five characteristics, Hackman & Oldham worked out a so-called Job Diagnostic Survey. This questionnaire has formed the basis of subsequent research.

As mentioned above, Job Design's influence on motivation and satisfaction is often charted through an employee satisfaction survey. However, in the practical implementation of Job Design theories, it is a problem that the employees adjust their attitudes, behavior and expectations to the social context. This happens through so-called social information. It means that the employee's feedback in the employee satisfaction surveys is not objective but socially based. In other words, the employee's perception of the job does not depend on 'objective' observations but is based on other's opinions and perceptions, which are systemized for the purpose of coordinating and making sense.

The social surroundings provide us with:

- Information about which dimensions in the job we should focus on in our characteristic of the job.
- Information about how we should weight the individual dimensions (is autonomy important or unimportant etc.)
- Information about how others weight the same dimensions.
- Information about positive and negative sides of the individual dimensions

Generally, research seems to show that:

- Perceptions of and attitudes to the job are influenced by social information.
- Employees actively compare their job with other people's jobs.
- The significance of social information for perceptions and attitudes seems to be smaller than significance of the job itself.
- Social information primarily influences attitudes, but objective job characteristics influence both attitudes and the actual behavior.

3.5.4 Skinner's Rewards/Reinforcement Theory

The basis for the Rewards/Reinforcement Theory is B.F. Skinner's belief that human behavior is controlled and maintained by conditions in the surroundings (operant conditioning).

Behavior may be random and influenced by experiments, but there is a tendency that behavior which is rewarded will be repeated – and that behavior, which is punished, will be avoided. This is called positive and negative reinforcement.

Thus, motivating becomes a question of identifying the current needs in order to be able to provide the proper rewards.

Apart from the earliest laboratory experiments with animals, the theory has mostly been tested on relatively simple organizational behavior such as quantitative outputs and absence due to illness. However, the theory has proven to be sufficient in predicting behavior in modern-day complex working life.

Requirements for effective reward systems:

- Rewards must be clearly defined and consistent with other rewards for comparable tasks or expertise.
- Employees must be informed about exactly what they will be rewarded for.
- Employees should not receive the same rewards because they do not perform identically.
- Rewards must cover the current needs of the employees
- Rewards must be distributed fairly.
- Rewards must at least correspond with rewards of competitors or comparable organizations.
- Rewards must be large enough to be personally satisfactory.
- Rewards must be able to satisfy the employees who deliver top performances.
- Rewards must be related to performance.
- Rewards must concur with the organizational context, i.e. values, management style, strategy and structure.

Modern reward systems such as 'personal pay packages' are systems that allow the individual employee to decide how much of the pay will be set aside for pension, car, vacation, health scheme etc. The motivational aspect is that the employee feel appreciated because he is given the opportunity to influence the composition of his pay package. In terms of motivation, performance is ascribed too much value when adjusted to the individual employee and his valence.

3.5.5 Pathfinder Theory

The Pathfinder Theory is closely connected to the Expectancy Theory, which states that organizational behavior is the result of a choice between various possible actions with different value for the person who chooses. The rational person will always choose the action which generates the greatest expected personal value.

Among other things, the expectations depend on the extent to which the employee assesses that 'the efforts bear fruit'. The Pathfinder Theory is a theory about how and on which conditions the manager can strengthen motivation by clarifying how the desired objective is reached easiest.

For the manager, it is about clarifying vague information and removing elements of uncertainty and organizational barriers.

The extent and character of help and interference are closely connected with the management's choice of management style, and the entire theory is closely connected with the theory on situational management.

3.5.6 Organizational justice

In recent years, the theme organizational justice has received a good deal of attention among researchers. It deals with people's perception of fair treatment, and a distinction is made between what is referred to here as distributive justice and procedural justice.

Distributive justice

A number of motivational theories are based on the assumption that the starting point of the individual person's choice of motivated or non-motivated behavior is the person's personal situation. This may be a needs situation or considerations concerning physical or psychological rewards. However, surveys show that people use both external and internal comparisons to a large extent when deciding what 'appropriate' behavior is.

It has been documented that the concrete behavior is determined by e.g. an assessment of whether there is a subjectively experienced connection between input and output. However, comparison between the person himself and comparable colleagues is another and perhaps more important comparison.

The fundamental idea of the theory on distributive justice is that people compare the relationship between input and output for themselves to the same relationship for other comparable persons, i.e. how do I perform, and what do I receive compared to what others perform and receive?

If a person assesses that the result of this comparison is not fair, the person will be motivated to create justice by changing the sizes of input and output either for himself, or for the persons who he has compared himself with. This may happen by e.g. reducing his input, or demanding higher pay or better conditions. It may furthermore happen by simply finding other people to compare with. Finally, lack of justice may result in the person quitting his job.

Thus, the theory presumes that the individual person is aware of and familiar with relevant input-output sizes for the colleagues he wants to compare himself to – e.g. knowledge about other's pay.

Surveys have primarily focused on comparing objective factors such as pay, but it is assumed that the actual comparison is based on both objectively measurable factors and more subjective assessments.

It must be added that the sensitivity to imbalances in distribution varies a great deal among employees.

Procedural justice

One thing is whether the benefits are fairly distributed; another is whether the distribution process per se is perceived as fair – i.e. whether a person has had the expected influence on the process, whether his opinions have been heard, whether the information has been sufficient etc.

Research indicates that the two types of justice can replace each other to a certain degree, i.e. that if the distribution seems fair, the process itself does not play as great a role, and conversely, if the process seems fair, then unsatisfactory distribution is acceptable to a certain extent.

When comparing the justice theories to the Expectancy Theory, there are three conditions which may generate motivation.

- Employees who experience fair reward systems
- Clarity between result and effort
- Correlation between result and reward

Implications for management

There seems to be no doubt that a comparison of what colleagues receive and perform plays a role in the perception of what is fair (and unfair).

It has been argued, although not proven, that persons, who feel that they are in reality being rewarded too much in relation to their effort, may be inclined to increase the effort to make it correspond better with the reward.

Some companies choose to hinder the possibility of comparison by e.g. keeping rewards secret. Other companies choose the opposite strategy – e.g. large parts of the public sector – so that it is relatively easy to compare. Arguments can be leveled both for and against both strategies.

As part of the distribution processes, the employees should be treated with the necessary dignity and respect and in a way that makes them feel that they receive the necessary information about the processes that affect them.

3.6 Motivation and money

We will now return to the question which both theorists and practitioners raise frequently: Can money function as motivation? As mentioned earlier, money is a complicated motivational factor, which is interconnected with other motivating factors and is therefore difficult to determine. Many publications on organizational theory refer to Lindahl's classical study of "What Do Workers Want From Their Jobs[28]" – see the figure below. In this study, both employees and their immediate superior were asked to prioritize the employees' top ten working conditions. The figure shows the considerable differences between the answers; the employees give priority to credit for performed work while the managers think that the employees give highest priority to money.

What do Workers want from Their Jobs,
Results from US study

	Supervisors	Workers
Good working conditions	4	9
To know the details of things	10	2
Considerate discipline	7	10
Credit	8	1
Loyalty from manager	6	8
Good salary	1	5
Promotion	3	7
Understanding of personal problems	9	3
Job security	2	4
Interesting work	5	6

1 = most important, 10 = least important

Figure 3.10: What do Workers want from their Jobs?

Buschardt, Toso og Schnake[29] pointed out that money is one of the strongest motivational factors, and that its use must be closely linked to the values of the individual employee. Money and values can be linked together by using the expectancy theories as mentioned above. The writers suggest three points for consideration:

1. Net priority to money. The individual employee must give high 'net' priority to money so that the positive effects of more money outweigh the disadvantages of long and demanding working weeks.
2. Direct linkage between money and performance. The individual employee must experience a clear connection between performance and money; increased performance generates a reward and the other way around.
3. Direct linkage between effort and performance. The individual employee must experience a clear connection between effort and result.

More recent studies indicate that money as a motivational factor is prioritized differently depending on the job category. The figure below shows an outline of five surveys of five different job categories' prioritization of wishes for the job, including prioritization of money in relation to other factors.

Motivational factors	Plant managers	Truck drivers	Social and healthcare assistants	Doctors	Nurses
Promotion	3	5			
Independent job			1	1	
Attentive manager					3
Corporate philosophy	1				
Fringe benefits	5				6
Improved communication with immediate superior					2
Job status				2	
Money	2	1	3	3	1
More responsibility	4				
Non-isolation		2			
Teamwork with colleagues	6				
Recognition for work					4
Working hours and plan		3	2		
Working environment		4		4	5

Figure 3.11: Motivation among plant managers, truck drivers, social and healthcare assistants, doctors and nurses.
1 = most important, 6 = least important

Note that the only motivational factor that is included in all five job categories is money, and it is on the top 3 list of all employees. Among truck drivers and nurses, money is the most important motivational factor of all. Among social and healthcare assistants and doctors, independent work is the most important motivational factor. Finally, the most important motivational factor among plant managers is corporate philosophy.

3.7 Motivation and absence due to illness

Generally, companies spend a lot of money on absence due to illness, e.g. Danish companies spend more than DKK 20 billion on employees' illness every year. Therefore, there is a need for more knowledge about the correlations between management, motivation and absence due to illness.

Recent research indicates that managers' motivating skills influence the amount of absence due to illness in the organization. The German researcher, Bertolt Stein, has done research on illness absence on the German labor market and concludes that the general perception of the problem should be reversed. Companies often use control and punishment to reduce illness absence. Far most companies treat symptoms when reacting to much illness absence, e.g. by inviting the employees for interviews and asking for a medical statement. In doing so, many employees feel that suspicion is thrown at them and that they have no influence.

Managers' lacking ability to motivate the employees is the best explanation for much absence due to illness. Therefore, managers need new tools to be able to change the absence. Bertolt Stein concluded that these factors are decisive when managers want to change the motivation of employees.

1. *Avoid throwing suspicion on employees*. If the employee comes to work after one day of illness, avoid throwing suspicion on the person by using negative communication.
2. *Influence on working days*. Give employees influence on their working days so that it is meaningful for them to be at work.
3. *Manageable tasks.* Make sure that the employees can manage the tasks they are given so that they do not feel any unnecessary pressure.
4. *Transparency.* Make sure that the organization is transparent so that the individual employee can see which role he plays, and why his work is important.

These factors again depend on the context. In a German steel processing company, the management reduced the illness absence from 12 per cent to 4.5 per cent, e.g. by offering the employees the possibility of calling in sick without having to hand in a medical statement. In this way, the employees could stay home for just one day in stead than 3–4 days, which medical statements often show.

3.8 Motivation and age

In Northern Europe, the average age in the workforce is increasing, and the number of older people is increasing while the number of younger people is declining. To this should be added the long list of political measures to raise the age at retirement. This situation causes a number of problems, one of them being the question of what consequences this development has on companies' efficiency. One consequence will probably be more focus on, and a changed attitude to, employment, retention and motivation of older employees.

Consequences of adult development

It is a general assumption that adult development means gradually reduced abilities, but this assumption is too simple. Adult development is typically connected with the following four processes:

- Loss of intelligence. Certain intelligence theories indicate a gradual loss of cognitive abilities (Gf factor), including especially memory capacity, the ability to think abstractly, attention and ability to communicate new knowledge. It may be argued that although this is the case, it is hardly a problem as only a minority of employees uses their full intelligence capacity in a normal working situation. However, it must be assumed that as age progresses, more resources (e.g. working hours) are required for the same amount of cognitive resources.
- Growth of intelligence. The same intelligence theories indicate that common knowledge, job specific experience, life experience, the ability of linguistic understanding and vocabulary (Gc factor) increase with age; abilities which typically only take up a very small place in intelligence tests – if they take up any place at all. Research indicates that many older people compensate for their loss of cognitive abilities by choosing jobs or objectives or self-regulating strategies to optimize the use of their existing knowledge and experience. In other words, adult development may cause employees to pursue jobs/tasks, which attach importance to common knowledge and job experience rather than cognitive abilities.
- Reorganization. The theory is that the individual's objectives of social interaction change with age, i.e. a changed orientation in terms of time from 'the time I have lived' to 'the time I have left'. In early adulthood, people seek social interaction because of information value and the potential positive consequences for their future career. For older people – those who focus on 'the time I have left' – this motive is mitigated. In stead, they focus on more emotional support and identity support. This shift often causes restructuring in the use of emotionally regulated strategies (e.g. larger inclination to avoid conflicts, more frequent suppression of emotions etc.)
- Readjustment. A number of behavior motives are readjusted with age. Thus, there seems to be a shift in the significance of certain traits. Extrovert behavior, neurotic behavior or openness to new experiences seem to be less prevailing with age. Thus, on average, older employees will be less active, less nervous and anxious, less open to trying new ideas and less career-oriented. Conversely, the average level of responsibility and companionableness increases. Another readjustment is the tendency for the middle-age employee, in contrast to younger and older employees, to react more positively to management strategies that emphasize cooperation rather than competition.

Naturally, human development with age is individual. Lievegood illustrated human development for adults in this way:

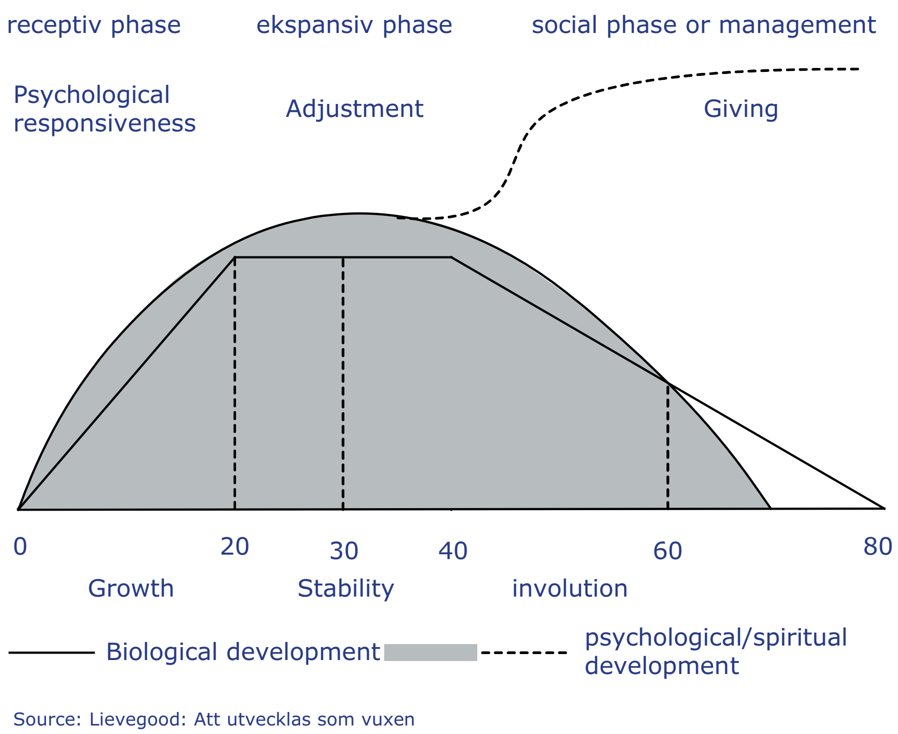

Figure 3.12: Adult human development

The figure shows that the biological development declines after the age of 40. There are then two fundamental development trends for the psychological-spiritual development:

- To follow the declining biological development
- To follow a giving social phase or management phase.

Lievegood explains that the work with the giving/rewarding management phase is initiated at the age of 35 with a distinct shift to management tasks at the age of 49.

Implications for management

The above means that management practice which attempts to increase job effectiveness will succeed or fail depending on the extent to which the job requires well-developed cognitive abilities. Jobs which require good cognitive abilities will increasingly be perceived as difficult, the older the person is. The older employee, who wants to maintain a high performance level in such a job, will probably try to compensate by working more. This behavior or process may be supported emotionally but presumably only in the short run and presumably only with the effect that the decline in performance does not occur as quickly as in other instances. The increasing experience of 'lacking abilities' will in the longer run take over and have bigger emotional effect through loss of self-efficacy and self-image.

Conversely, employees in jobs that require knowledge and job and life experience will experience increasing motivation as their abilities are increasingly significant to the work and thereby influence their self-efficacy and self-image.

Age-related motives and interest influence the perceived value of effort and performance. As age increases, focus is increasingly put on identity and self-image, and the significance of the original motivational factors (challenging objectives, bonus schemes etc.) changes in line with the employees' changes needs.

3.6 Pitfalls in focus on motivation

A number of pitfalls are connected to focus on motivation and the theories comprising it:

No motivational theory can stand alone

We have presented a number of theories on factors which create motivated behavior. None of these theories can be regarded as universal. On the contrary, put together, they provide a useful set of tools consisting of perspectives, models and concrete advice. The individual theories have their own strengths depending on the concrete motivational situation.

Motivational theories are complementary

The best way to secure high motivation is to view the motivational theories as complementary. Or reversed: The theories are not mutually exclusive. They just have different approaches to the subject.

Find the missing theory

It is your task as manager to diagnose the concrete motivational situation in order to find out which theory you may have overlooked.

You must know – not think

The biggest mistake you can make in the attempt to motivate your employees is to base your management style and your standards on your own values and perceptions of motivation.

Dialogue, dialogue and dialogue

Motivated behavior is based on a complex set of internal and external factors, and the combination is different from person to person and changes for each person over time. Ideally, your motivational task should therefore be individualized. The qualification for choosing the right motivation strategy is open and close dialogue with the concerned employees.

All employees are complex human beings

The final motivation for adults is the need to maintain and develop their ego perception and self-esteem. We act in ways that correlate with the way in which we see ourselves; we avoid things which do not fit into the way we see ourselves. We strive to feel good about ourselves, and we avoid situations which make us feel bad about ourselves. Each employee is a complex human being, who may react in different ways, and who constantly tries to shape situations to make them appear subjectively sensible.

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www.lederne.org.

4 Focus on adjustments to the external environment

On the basis of previous chapters' focus on 'task performance and structure' and 'behavior and motivation', we will now explain the possibilities of combining these with the need for theories which open the organization towards its surroundings. These combined theories with emphasis on adjustment to the external environment represent the most recent organizational theories and are therefore very relevant to the understanding of organizations today and in the future. Not least because the need for The Learning Organization stands out clearly.

Let us consider an example[30] from the millennium change:

On 15 March 2000, a smaller Danish company surprises by announcing that it has just been sold. At the same time, the company takes the leadership position as the largest single business sale ever in Denmark. Giga A/S has been sold to Intel for USD 1,250 billion. The principal shareholder NKT A/S and a number of other shareholders, including Dansk Erhvervsinvestering, are encouraged by a successful ownership of an IT company. Through various incentive programs, the purchase price also implies that the approximately 130 employees at Giga and the managing director, Finn Helmer, can share approximately DKK 1.7 billion.

Eight years earlier, Giga was a company with six employees and great financial problems. However, the scope of the problems was not clear until Finn Helmer reviewed the budgets and the cash position on his first day at work on 1 February 1992. The cash budget looked fine and was in balance – at least on paper. The budgets were based on a number of customers' purchases, and Finn Helmer called the first customer and in his own words used this introduction:

"I can see that you need this amount of components, but I have not received your order yet. Could you please forward it to me?"

– after which the customer pointed out that they did not need to buy yet and therefore was not familiar with the order. Then, Finn Helmer had to tell Giga's chairman that the prospects of a profitable business in the short term were poor. The state of affairs was that it was not possible to pay salaries the first months, the company owed DKK 3 million, the loss for the next 12 months would be between approximately DKK 3.5 and 4 million, and the sales would correspond with the size of the loss! The information to the employees was the same, and they were also told not to expect a salary increase in the next two years and to expect considerable overtime work. At the same time, all financial disposals exceeding DKK 100 had to be certified personally by Finn Helmer. In return, Finn Helmer promised his employees that they would now work as a team, and that

"This will be fun!"
This example shows how complicated the connection between an organization and its surroundings can be. It also shows the organizational possibilities of acknowledging and developing this connection.

We apply organizational theories with an open perspective as a name for theories that emphasize the need for a closer linkage between an organization and its surroundings characterized by mutual dependence. In this connection, according to Scott[31], an organization may be perceived as:

> *A system of mutually dependent activities that chains together varying coalitions of participants. The organization depends on its surrounding environment, which has a fundamental influence on the organization.*

The open perspective has its starting point in systems theory and cybernetics, and perceives organizations as complex, social systems, which are neither mechanic nor organic, but rather loose-coupled systems. It is to be viewed in contrast to the tight coupling of the formal structure and motivational theories' thoughts on flexible couplings within a relatively fixed structure. In loose-coupled organizations, the individual organizational parts are able to act autonomously with adaptability in changing environments.

When opening up to the external environment, the complexity in the connections between organization, group and individual increases. The individual view is now expanded from the more obeying and consensus-seeking group to a number of individuals with many interests. The individual has ambiguous interests, which are difficult to predict. This creates a more complex image of the power in the organization in which the individuals have greater opportunities for development within a common cultural framework.

In this chapter, the most significant contributors will be reviewed with focus on motivation and adjustment to the external environment:

- Weick – Organizational model
- March and Olsen – Organizational Learning
- Argyris and Olsen – The Learning Organization
- Schein, Martin and Albert & Whetten – Cultural theory

In addition, the contribution from Lawrence, Lorsch and Galbraith concerning rational adjustment to the external environment with the Contingency theory[32] will be reviewed.

4.1 Organizational model with loose couplings – K. Weick

The main viewpoint in Weick's organizational model is that the management should be aware that the external environment is ambiguous and exists on the basis of the observer's viewpoint. The individual employee must be confident and reflect on his own behavior and actions. This awareness of creating one's own external environment is thereby more important than an attempt to understand and specify an external environment which managers and employees would never fully understand anyway. In this way, considerations about common sense become significant – more significant than what is true or false.

In future organizations which are characterized by rapid technological development, it will be impossible to fully understand and follow the technological development. Thus, the organization itself must design its understanding of the world, and then shape and act accordingly.

Weick has explained the necessity of loose couplings as one of the central characteristics of open organizational forms. His viewpoint is that differentiated adjustment is required in relation to different situations. This is the only way for the organization to survive and develop in a complex and contrasting world.

Weick therefore proposes a combination of:

- A loose and independent organizational form which allows independent decisions and actions.
- A dependency built into the organizational form as a coupling to the common whole.

The concepts have the expedience that the organization attains interaction with its surroundings for exchange of vital resources, and at the same time, the coupling creates an organizational identity by separating the organization from its surroundings.

Together with Orton, Weick has produced this interpretation of the concept of loose couplings:

	Elements with distinct characteristics	Elements without distinct characteristics
High degree of interaction between elements	Loose-coupled system	Tight-coupled system
Low degree of interaction between elements	Decoupled system	Non-system

Figure 4.1: Loose-coupled organizations

This interpretation of loose-coupled systems presupposes a high degree of interaction between the organizational units. The character of the systems gives each organizational unit the possibility of preserving its distinctive character. These loose-coupled systems may take many different shapes, and Orton and Weick[33] themselves set out these seven forms of loose-coupled systems:

- Between individuals
- Between departments/groups
- Between hierarchical levels
- Between organization and external environment
- Between activities
- Between ideas
- Between intentions and actions

The list may be used to analyze and assess which type of loose couplings is crucial to the individual organization, and should therefore not be tighter.

4.2 Organizational Learning – J.G. March and J. Olsen

In line with Weick, March and Olsen are advocates of loose-coupled organizations and base their recommendation on a viewpoint of Organizational Learning. In the book "Ambiguity and Choice in Organizations[34]", they critically question the preconditions of a complete learning cycle between the organization and its external environment. They believe that the surroundings are structured in a way that is so complex that it is difficult to compare yesterday's experiences with situations we face today and in the future. Decision-making processes are said to be more context-dependent and dependent on who is involved.

For example, consider a university as an organization with a large degree of learning complexity. The organization is a collection of loose couplings between individuals, institutes, management and external stakeholders, who are all undergoing a learning process. Therefore, it is difficult to create a linear and transparent learning process. Couplings in the form of principles for flexible learning and international publishing are examples of dependency and common identity for the employees of the organization.

Today, learning is no longer linked to results; rather it is included in organizational processes and routines[35], which are created by the organization's employees and their interpretations. March and Olsen attach the greatest importance to the role of the individual in its understanding of the learning process. Organizations are perceived as collective anarchies in which the rational behavior of the individuals collides and is mixed in organizational processes. The relations lack clarity, and this contributes to creating an incomplete learning process. This is caused by e.g. the loose couplings, by which learning can no longer be checked or controlled due to the complex structure.

4.3 The Learning Organization – C. Argyris and P. Senge

The thoughts of March and Olsen may be extended to include the concept of "The Learning Organization". The individual is still the starting point, but the coupling to the organizational level is clarified by Chris Argyris and Peter Senge:

Adaptation must happen so quickly that traditional, planned development is not fast enough. The entire organization must contribute to developing new products, structures and processes. The company must be structured and managed in a way that allows the employees to constantly form new ideas based on surroundings, which are collected, tested and implemented. The Learning Organization is able to do this.

Figure 4.2: Characteristics of The Learning Organization

Argyris argues that an organization and its employees can learn to learn. The organization can set up systems which secure the assessment of the sustainability of the assumption that controls the organization. According to Argyris, this process includes two levels, which he calls:

- *Single Loop Learning*. The organization learns from consequences of previous actions and secures that the same mistakes are not made again. Is often compared to a thermostat, which can regulate heat according to a certain temperature in the room.
- *Double Loop Learning*. In this process, the system is intelligent and considers what works and what does not. All parts of the organization think independently based on the assumption that all employees are different and have different interpretations of a given situation. These different interpretations can all help the organization move in a new direction.

The connection between Single Loop Learning and Double Loop Learning is illustrated in the figure below. The challenges in Double Loop Learning are e.g. that the basic assumptions and thereby customary surroundings are broken down while there is extra focus on the individual employee. This makes even greater demands on the management's responsibility and commitment.

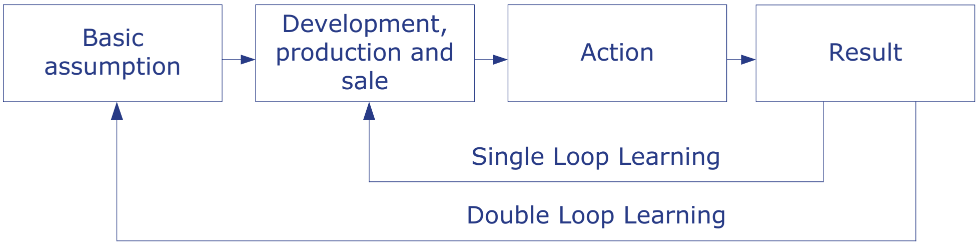

Figure 4.3: Single Loop Learning and Double Loop Learning

Peter Senge has developed Argyris' model further with regard to the manager's influence on the development which learning is part of. Senge argues that the manager is responsible for building an organization in which the employees are constantly developing by learning innovations which can be used to shape their own future. Senge's thoughts are based on the view of humanity that man is born to learn, and that this attitude must characterize The Learning Organization. Senge's point is that in order for the individual to develop, there must be room to play with thoughts – including thoughts that are not streamlined – and the management must create this framework for The Learning Organization.

Senge argues for the importance of creative tension[36], where the vision for a better future is combined with an assessment of the current status, which describes the current situation in a credible way. Without a vision for the future, it is not possible to create the creative tension which is necessary to form a framework for The Learning Organization. The significance of the vision as a framework for The Learning Organization must not be underestimated, and thus, the vision must live up to a number of quality requirements[37].

In summary, to Argyris and Senge, The Learning Organization is an organization in which learning processes take place in all parts of the organization. In order for this to be possible, old norms must be changed, and new systems must be set up. Argyris and Senge call these systems Single and Double Loop Learning. These systems collect ideas and ensure that the basic assumptions within the organizations are questioned.

The Learning Organization makes new demands on the manager. Senge characterizes these roles as designer, teacher and servants. The manager is recommended to:

- Design the organization so that it can handle the changes
- Teach the employees how the new organization looks and what it means for the individual employee
- Serve the employees with good advice and guidance in stead of managing them.

4.4 Organizational culture

Culture has become a key concept in our search for new ways to organize when the objective is an efficient and meaningful organization. There are many contributors to this relatively wide approach to organization. We will focus on two basic views of organizational culture:

- *Culture for attainment of competitive advantages*; this thinking stems from Edgar Schein and is based on a managerial normative approach where culture is perceived as one of the manager's parameters in the organization of the company.
- *The organization is the culture*; this thinking stems from Joanne Martin who bases her thinking on a fragmented thinking without consensus about one culture, and thereby, the management cannot control the culture.

4.4.1 Culture as an integral part of the organization – Schein

Schein perceives culture as a whole which keeps the organization together. Culture is an integral part of the organization which all employees agree on, is and defined as:

> *Culture is that pattern of basic assumptions that a given group has created, found or developed during a learning process owing to problems with external adaptation and internal integration.*

This means that the organization must be able to adjust to its external environment in order to survive and further develop, and at the same time be able to integrate the applied methods and working patterns internally in the organization.

Schein operates with a tripartition of organizational culture with basic assumptions, values and artifacts, which are often presented as an iceberg, see the figure below.

The three parts of organizational culture may be explained in this way:

- *Basic assumptions* are the culture's underlying level of convictions, which are shared by the members of the organization. The basic assumptions define the organization's self-image and its view on its surroundings. The assumptions are taken for granted and are described as the truth, which makes them difficult to change. One assumption may be that each employee in an office has a desk, which has a fixed position.
- *Values* are opinions and norms, which define what the organization presumes is important, e.g. freedom and democracy. Values are the basis for assessing what is right and wrong. The individual is more conscious of its values than of its basic assumptions, but still, the values do not appear completely clearly in the awareness of the organization.
- *Artifacts* are the visible and tangible symbols for the values in the basic assumptions, and they are visible evidence of the cultural core of the organization. Artifacts may be a large office with large furniture for the top manager. This is a clear symbol of power distance.

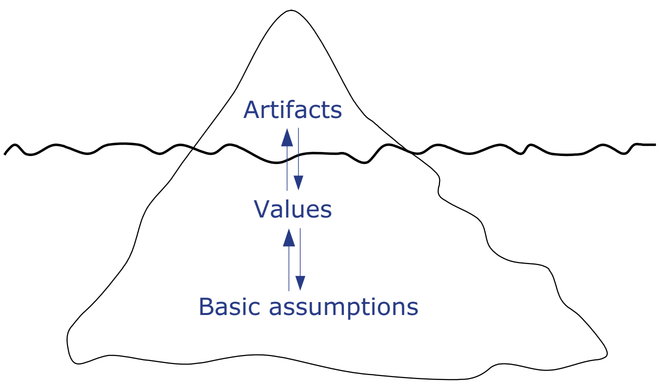

Figure 4.4: Schein's tripartite organizational culture

According to Schein, the organization can create its own culture through external adaptation and internal integration. External adaptation is created through the organization's vision, mission, objectives and strategy. For further information, see "Strategy in Successful Companies". Internal integration is the process during which a common language is defined, reward systems are set up, and status relations are clarified. This common language constitutes a common culture, which everybody works from.

4.4.2 The fragmented organizational culture – Martin

Joanne Martin's differentiation perspective is a counterpart to this perception of organizational culture. Her studies of culture are based on subcultures in which ambiguity and differentiation are in focus, based on the assumption that consensus about the organization's basic assumptions and values cannot exist. The organization is forced to choose between contrasts. The weakness is that the organization must always select and deselect solutions among a number of contrasts.

In the fragmentation perspective, Martin focuses on a perception that organizational culture may be inconsistent, ambiguous and constantly changing. This ambiguity is hereby accepted, and it is not possible for the management to control the culture. Conversely, a more varied culture in the organization is beneficial for the organization as a whole. The organization becomes a social structure, created by the individual employee. Individuals view the organization and its surroundings from their own perspective and interpret the artifacts differently.

4.4.3 The identity of the organization – Albert & Whetten

With Martin's observations of the fragmented organization in mind, it may be difficult to control employees' compliance with specific organizational objectives. With this fragmented organizational perception, the identity of the organization became an increasingly applied concept. An organization's identity is the core that continuously controls the employees' actions. The identity influences the way the employee makes decisions and acts in given situations.

Two of the most active persons within the development of a company's identity are Albert & Whetten, who define identity this way:

*Organizational identity is what the employees in an organization understand, feel and think about their organization.
The identity is a collective understanding of what the clear values and characteristics of the organization are.*

Identity contributes to separating the organization's employees from 'the others', which contributes to create calmness and stability internally in the organization. Conversely, it may be argued that if a core is too firm, the organization will loose its possibility to keep pace with development and changing according to market and competitors.

When we treat identity as a part of organizational culture, we must also make it clear that culture and identity are used differently in theory and in practice. In our representation, the concepts may be grouped this way, when we include the concept of image:

- *Organizational culture* is the basic assumptions, values and artifacts in the organization.
- *Identity* is the members' self-image based on culture.
- *Image* is the external environment's perception of the organization (includes both culture and identity)

4.5 Rational adjustment with the Contingency theory – Lawrence and Lorsch

This theory focuses on the organizational structure's dependence on the surroundings, and its main hypothesis is:

Those organizations having an internal structure that matches the demands from the surroundings best have the best chance to survive.

Lawrence and Lorsch emphasize that the organization must match its surroundings on two levels:

- Each organizational unit must be adjusted to the surroundings they relate to
- The differentiation in the organization as a whole must express the surroundings it operates in.

These are the exact thoughts that lie in the previously mentioned need for organizations with loose couplings and the opportunities of improved adjustment possibilities.

Based on a survey of ten industrial companies, Lawrence and Lorsch designed the model with two variables: Differentiation and integration. Differentiation was defined as appearance and development of differences or variations like e.g. differences in intellectual and emotional orientations between managing employees. Integration means coordination and harmonization.

The ten industrial companies were selected from different external environment criteria. Six of the companies belonged to the plastics industry with 'dynamic and heterogeneous surroundings', while the last four companies belonged to two other industries with 'stabile and homogeneous surroundings'.

An important conclusion in Lawrence and Lorsch's survey was that the most efficient organizations in the plastics industry had developed coordination and conflict-solving systems, which ensured that the company was not weakened on differentiation – neither from acute nor long-tem problems. These coordination systems were developed around research, production and sale.

4.6 External Environment Factors and Five Organizational Forms – Mintzberg

Lawrence and Lorsch inspired Henry Mintzberg to develop a theory on the connection between organiza-tional forms and external environment factors. Mintzberg is a situational theorist, which means that he focuses on the connection between a number of specific external environmental factors and organizational forms and any organizational problems as a result hereof. Mintzberg works from four external environment variables:

- *Stability*. The external environment is described on the stabile-dynamic scale measured on sudden changes in customer preferences, technological development, and political intervention.
- *Complexity*. Measurement is made on a single-complex scale, which is concerned with requirements for the necessary resources of the company.
- *Market heterogeneity*. This variable is described on the homogeneous-heterogeneous scale and may be applied on customers, products and geographies.
- *Hostility*. The external environment is described on friendly-hostile scale as a reflection of the degree to which competition and conflicts occur.

Based on literature, Minzberg designed five organizational forms: The simple structure, machine bureaucracy, expert bureaucracy, adhocracy and the divisionalized form. Mintzberg combined two of his main variables for surroundings with the organizational forms, as shown in the figure below.

	Stabil external environment	Dynamic external environment
	Expert bureaucracy	Adhocracy
Complex external environment	Decentralized bureaucratic - coordination by standardization of professional capacity, e.g. hospitals and schools	Decentralized organic coordination by mutual adjustment e.g.R&D departments/companies
	Machine bureaucracy	Simple structure
Simple external environment	Centralized bureaucratic coordination by standard processes, e.g. mass producing Industry	Centralized organic coordination by direct control, e.g. handicraft

Figur 4.5: Organizational Forms and External Environment Factors

The divisionalized form most often occurs during development of the machine bureaucracy or during integration of different machine bureaucracies.

4.7 Pitfalls in focus on adjustment to the external environment

Overall, the theories on the organization's adjustment to the external environment are necessary. The theories are characterized by a very high level of abstraction, which provides the opportunity for many different contributions within the open perspective. This was illustrated above by the review of the Contingency Theory, which has a very deterministic approach and the surroundings as the only determining factor when designing the organization's structure and functions. This deterministic approach is not comparable with Weick's loose-coupled organization forms, or with Argyris and Senge's thoughts on The Learning Organization. These transversal comparisons do not make sense and are left out here. We can establish that the abstraction level of the theories is so high that very different contributions gain momentum – helped along by system theory.

4.8 Litteratur til kapitel 4

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5 Management

The successful leader must be a good diagnostician and has to be inquisitive.

Edgar Schein

In other words, according to Schein, managers must be capable of diagnosing a situation. However, good diagnostic skills are not enough as managers must also adapt their management style to the requirements of the environment surrounding them. If the employees are distinct, the manager has to treat them accordingly.

The above shows that the concepts of management and competence of management contain many elements. In this chapter, we will review the most important elements of the task of management based on diagnoses of organizations, as mentioned in previous chapters. This chapter will include the following elements of management:

- Leadership is both management and leadership – Kouzes and Posner and others
- Continuum of Management Behavior – Tannenbaum-Schmidt
- Situation-specific Management – Hersey & Blanchard
- Value-based Leadership – Verner C. Petersen
- Leading Change – John Kotter
- Appreciative Inquiry – David Cooperriders

5.1 Management is both management and leadership – Kouzes and Posner

We need to clarify the most important concepts within management in order to view organizational theory broadly.

'Leadership' is understood as: *Influence on other people – regardless of reason*.

Leadership may be expressed by e.g.:

- Managing others
- Creating visions
- Creating a united approach
- Saying "take personal responsibility"
- Saying "turn off the mobile phone at home"

'Management' is understood as *the creation of results together with and through people*.

Management may be expressed by e.g.:

- Setting short-term objectives
- Creating internal efficiency
- Managing activities
- Reducing costs
- Controlling IT

In the following, the term *leader* will be used for a person who practices leadership, while the term *manager* will be used for a person who practices management. Finally, the term *leader* will be used for a person who practices both leadership and management.

We may put organizational theory in perspective by following the former American professor and present advisor John Kotter's[38] presentation of the two concepts as opposites. In his research and consulting, John Kotter discussed management with many managers from the business community, and based on this, he outlined the differences between the two concepts in the figure below:

		Management: Weak	Management: Strong
Leadership	Strong	Too few	Way too few
	Weak	Too many	Way too many

Figure 5.1: Prevalence of leadership and management among managers

Our educations are focused on management, and thus, many people are qualified within this area. Since we can also prove that organizations are not managed by leadership *or* management, but rather by leadership *and* management, a need to strengthen leadership occurs. The manager who masters both has the greatest opportunities of meeting the requirements of the organization and its external environment – not least when change is the keyword in the organization.

Fundamentally, the difference is that leaders use people and change as a starting point and do the right things, while managers, who want to do the right things, use structure and systems as their starting point.

This means that leaders' strengths are:

- Showing direction of action: Establishing a vision and strategies as to how customers, owners and employees are serviced the best way possible
- Balanced communication: Communicating the vision and the strategies so that the employees understand and accept them.
- Motivation and inspiration: Filling the employees with energy so that they are able to make the vision a reality in spite of resistance, obstacles and internal bureaucracy.

In other words, leaders focus on visions, objectives and people, and they have a relatively wide horizon in terms of adjustment and change. Leadership is based on the fulfillment of requirements and expectations from customers, owners, society, employees and other interested parties.

Conversely, the strengths of managers are:

- Planning and budgeting: Determining procedures, timetables and the finances necessary to achieve new objectives.
- Organizing and job appointments: Determining which jobs are needed to implement plans, and filling these positions by delegating.
- Control and problem solving: Managing and comparing results with plans, and budgeting, discovering deviations, planning and organizing solutions.

The manager focuses on tasks and results, and the time horizon is relatively short and is most often based on the situation here and now. The good manager is able to turn complex problems into simple and clear ways to finding solutions by means of schedules and budgets. It is a matter of planning and control. In short, it is about management.

Good management requires good leadership and good management. The good manager is thereby both a good leader and a good manager. He sets vision and objectives, and also plans and organizes how to reach the objectives. With leadership, the organization does not experience over-control where initiatives are stifled, and innovation is difficult. With management, the organization will not be out of control in the longer term.

		Management	
		Weak	Strong
Leadership	Strong	Out of control	Development
	Weak	Chaos	Over-control

Figure 5.2: Consequences of strong and weak leadership and management

Thus, the management is required to master both leadership and management as a necessary precondition for surviving and developing the company.

5.1.1 Characteristics of practicing leadership

In what follows, five characteristics of the concept leadership will be reviewed:

1. Challenging the process
2. Encouraging a shared vision
3. Making others act
4. Preparing the way
5. Appealing to the heart

The descriptions are based on Kouzes and Posner's[39] efforts to provide the individual leader with the opportunity to put his knowledge about leadership into concrete practice in everyday life.

Challenging the process

Challenges enable extraordinary results to be created. Leaders are characterized by seeking challenges so that they can test their abilities as problem solvers. They are open to new ways of improving the organization and take up the process of change.

Leaders realize that innovation does not come from the leader alone but is often acknowledged by listening. Leaders are responsive to advice and guidance from customers and employees.

Leaders challenge processes and involve themselves in finding opportunities for change and growth, and innovation and improvement. They do so through experiments and by actively using personal qualities as result-orientation and calculated acceptance of risk.

Encouraging a shared vision

The road from the present condition to a desired condition may be demanding through a number of unknown and uncertain situations. The vision of an attractive future is a leader's magnetic course, which adds meaning to everyday life in the organization. A leader knows that a vision, which is only the leader's own, does not create change and movement. The means of realizing the vision is the leader's strong belief that people who cooperate make a difference.

Leaders encourage a shared vision and involve themselves in communicating the future as a favorable opportunity. This is done by involving all the employees in a shared vision which appeals to values, interests, hopes and dreams.

Making others act

Leaders know that they cannot run the company alone. They aim for good employees to achieve good performance in the organization. Leaders influence organizations with an atmosphere of mutual respect in teams who feel responsible to the results of the organization.

Leaders who make others act commit themselves to promoting and encouraging shared objectives and building trust. They do so by sharing information and knowledge, giving the employees authority, making them visible, and increasing their responsibility.

Preparing the way

A leader sets out a good example for others and has clarified his personal values. Preparing the way for others and targeting the effort requires the development of a connection between own values and the values of the organization.

Leaders who prepare the way commit themselves to taking the lead as a good example for others by acting according to expressed values. They continuously plan small victories, which cause a feeling of progress and increased commitment.

Appealing to the heart

Leaders expect great results from themselves and others. In return, they provide clear guidelines, recognition, personal attention and meaningful feedback. They make everyone feel like winners by communicating what the individual employee and the team have accomplished. Results are celebrated after a successful job so that hard work is combined with fun in a way that reinforces the two.

Leaders who appeal to the heart give the individual employee credit for his contribution to the success of the organization and appreciate results in front of all employees – openly and often.

5.2 Continuum of Leadership Behavior – Tannenbaum-Schmidt

Leadership occurs when a person tries to influence another person's or group's way of behaving – regardless of the cause. Every time a person tries to influence another person's behavior, this person becomes a potential leader, but the person whose behavior is attempted changed becomes a potential recipient (irrespective of whether this person is the chief, a colleague, a friend, a group or…). Leadership style is not about how leaders think they behave but about how their recipients perceive the leaders' behavior.

A style of leadership may be efficient or inefficient, depending on the situation. Leadership skills are therefore about:

- making a diagnosis in the specific situation (analyzing the situation)
- adjusting
- communicating to the recipients

In other words, it is about the leadership in relation to the situation. Robert Tannenbaum and Warren H. Schmidt[40] were some of the first to make use of the situational approach to leadership. In their proposal, the leader chooses from seven possible continuums of leadership behavior, depending on the situation and the relations between the leader and the employees, as illustrated in the figure below:

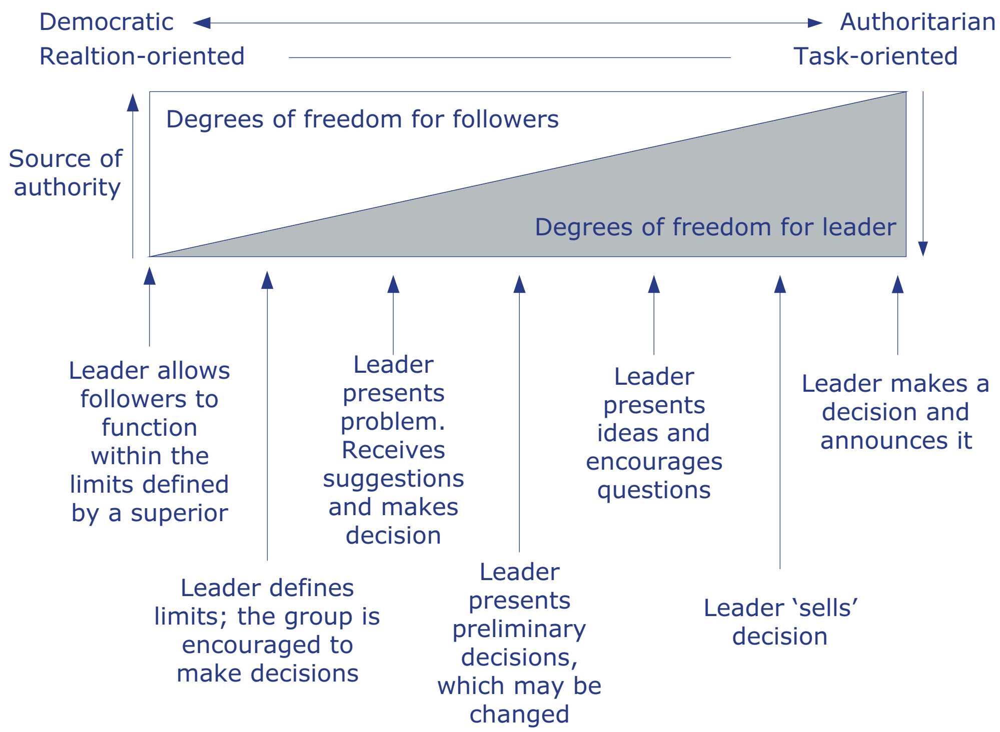

Figure 5.3: Tannenbaum-Schmidt: Continuums of Leadership Behavior

As shown by the figure, the dimensions in the continuums of leadership behavior constitute:

- democratic or relation-based behavior
- authoritarian or task-related behavior[41]

Task-oriented behavior is often perceived as authoritarian leadership behavior from the viewpoint that the leader tells the employee 'what needs to be done' and 'how to do it'. This leadership behavior is based on the view of humanity called Theory X in which the leader perceives the employees as independent and lazy. Similarly, relation-based leadership behavior is often perceived as democratic leadership behavior from a view of humanity called Theory Y where employees contribute independently and creatively to task performance. The consequence is that there are two completely different leadership continuums: One that is entirely authoritarian and one that is entirely democratic.

The Tannenbaum-Schmidt model shows that a number of different leadership continuums exist between the two extremes. Viewed from the authoritarian leadership continuum, the 'middle types' mean that:

- the leader 'sells' his decision to the employees
- the leader presents his idea and encourages questions
- the leader presents a preliminary decision, which may be changed.

Viewed from the democratic leadership continuum, the 'middle types' mean that:

- the leader defines limits and asks the group to make decisions
- the leader presents the problem, receives suggestions and makes a decision
- the leader presents a preliminary decision, which may be changed.

Note that the Tannenbaum-Schmidt model has excluded the 'Laissez-faire' leadership continuum where employees are free to do whatever they want. According to Tannenbaum-Schmit, it is not a leadership continuum when each employee is free to do what he pleases without the influence of the leadership or other employees.

5.3 Model for Situational Leadership – Hersey and Blanchard

Situational Leadership is an employee development model with the long-term objective of helping the employees to do their best through efficient leadership. Situational Leadership is based on a relation between the employee's level of development in connection with the specific task and the leadership style applied by the leader. This connection is illustrated in the figure below. The figure constitutes four cells, which represent different leadership styles: S1: Instructing, S2: Selling, S3: Supporting and S4: Delegating.

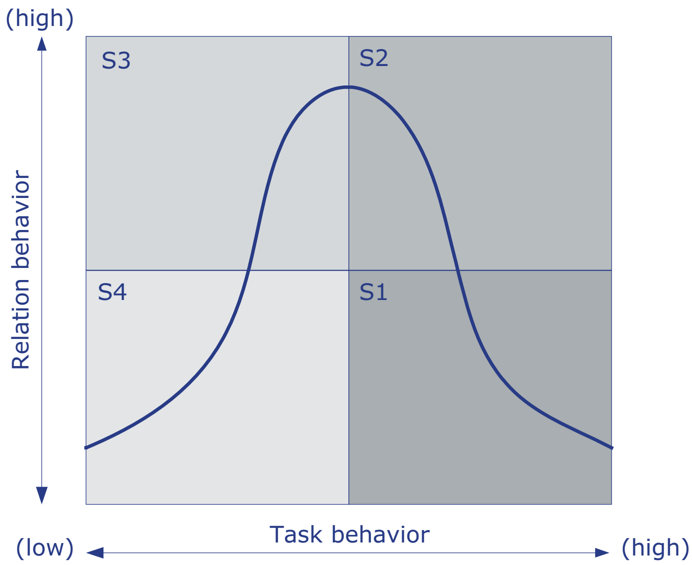

Figure 5.4: Model for Situational Leadership – Hersey and Blanchard

By 'task behavior' or 'instructing behavior[42]' is meant the extent to which the leader participates in defining roles, i.e. communicating what to do, how, when and where to do it and whether one or more persons should do it.

- Setting objectives
- Organizing
- Fixing time limits
- Planning
- Controlling
- One-way communication

By 'relation behavior' or 'supporting behavior' is meant the extent to which the leader participates in two-way communication, listens, promote correct behavior, and provide socio-emotional support:

- Supports
- Communicates
- Promotes interaction
- Listens actively
- Gives feedback

The objective of Situational Leadership is to apply a leadership style that matches the individual employee's level of development at each stage *in connection with a specific objective or a specific task*. In doing so, the leader becomes capable of instructing and supporting in accordance with the needs of the individual employee so that the employee is able to develop through the stages R1–R4. It is recommended that the leadership style is changed concurrently with the employee's changing levels of development.

The concept of 'the best leadership style' does not exist as the level of development differs from employee to employee, from objective to objective, and from task to task.

The leader's task hereby becomes to diagnose the situation, including specifically the employees' readiness to perform the relevant task. The figure below provides an outline of the degrees of readiness or levels of development that the model for Situational Leadership works with. These levels of readiness or development cover the competence and commitment of the employee, and are described in the model as follows:

Level of readiness or development[43] R1: Not qualified and unwilling or insecure, covers the following employee characteristics:

- Hopeful
- Inexperienced
- Curious
- Lacks skills
- Optimistic
- Eager
- Enthusiastic
- Does not perform the task at an acceptable level
- Fears the task
- Does not complete the task
- Questions the task
- Avoids the task or passes the buck
- Is on the defensive or feels insecure

Level of readiness or development R2: Not qualified but willing or confident, covers the following employee characteristics:

- Overwhelmed
- Confused
- Demotivated
- Demoralized
- Frustrated
- Discouraged
- Nervous or heated
- Interested and responsive
- Shows moderate skills
- Responsive to input
- Attentive
- Enthusiastic
- New task, no experience

High	Medium		Low
R4	R3	R2	R1
Qualified and willing or confident	Qualified but unwilling or insecure	Not qualified but willing or confident	Not qualified and unwilling or insecure

Figure 5.5: The recipient's level of readiness or development

Level of readiness or development R3: Qualified but unwilling or insecure, covers the following employee characteristics:

- Self-critical
- Guarded
- Doubtful
- Qualified
- Contributing
- Insecure
- Hesitant
- Has shown knowledge and abilities
- Seems hesitant in relation to finishing the task or taking the next step
- Is timid, overwhelmed and confused
- Seems reluctant if asked to do something alone
- Requests frequent feedback

Finally, the level of readiness or development R4: Qualified and willing or secure, covers the following employee characteristics:

- Deservedly confident
- Always competent
- Inspired
- Specialist
- Independent
- Self-confident
- Keeps the manager informed of the progress of the task
- Is capable of acting independently
- Is result-oriented
- Shares both good and bad news
- Make efficient decisions about tasks
- Has high standard in his work
- Uses experience

The level or readiness or development shows the employee's competence and commitment in the specific situation, and not general human being characteristics.

The leader can choose a leadership style based on a diagnosis of the employee's level of readiness or development. In the bell-shaped figure of situational leadership above, we saw the two fundamental parts of leadership style: Task-oriented and instructing behavior on one side, and result-oriented and supporting behavior on the other side.

The instructing leadership style focuses on 'what and how', and the leader gives regular feedback about results. This instructing behavior develops the employees' competences.

The supporting leadership style focuses on creating a positive attitude to the task by listening and promoting independent problem solving.

When these two forms of behavior are combined, the four leadership styles, which are described in the figure below, occur.

	Low degree of instructing leadership style	High degree of instructing leadership style
	S3: Supporting style	S2: Selling style
Degree of supporting management style with relation-based behavior	- Asks - Reassures - Cooperates - Encourages independent - Appreciates	- Studies - Explains - Convinces - Encourages - Commends
	S4: Delegating style	S1: Instructing style
	- Shows confidence - Is open - Confirms - Gives competence (authorization) - Creates self-efficacy - Challenges	- Specifies - Plans - Informs - Instructs - Checks - Gives feedback

Figure 5.6: Four management styles in Situational Leadership

The employees go through the four stages of development in connection with the task of becoming self-managing. The factor which generates a change in leadership style is the employee's performance, which is the common objective for leader and employee.

5.4 Value-based Leadership – Fairholm

According to Fairholm, Value-based Leadership is based on a set of basic values consisting of a number of isolated values, which are all characterized by being special to the employees of the company. Therefore, it is said that the basic values are based on some fundamental or meaningful values, which the company wants to adhere to. The basic values are subsequently the foundation of the company, which provides the opportunity to perform Value-based Leadership.

A number of isolated values
→ create the basic values
→ that constitutes the foundation for value-based leadership
→ which creates strategic advantages

Values are something individual persons appreciate and want to guard. Therefore, they are highly prioritized and perceived as an important part of life. Values reflect the objectives we set as individuals and should be considered ultimate objectives, which cannot be questioned.

Values may be identified and expressed as a answers to the following questions:

- What is important for me?
- How would I like to be treated and treat others?

A comparison is often made between values and the heart's significance for an organism – particularly in cases where the values become the 'nerve' in people's behavior and thereby becomes significant to how we behave in certain situations.

A good explanation for the concept of values may be:

Values can be defined as fundamental standards or characteristics which according to their nature are valuable or worth pursuing. Values are sources of energy, because they give people the strength to take action. Values are based on deep feelings which are often difficult to change.[44]

When an organization develops and specifies its values, it often further develops the personal values. An extensive dialog and exchange of personal perceptions of the values often makes it possible to select the values that all employees believe are significant and worth preserving for the organization.

Values can often be identified through the following question:

- What do we want to characterize us as an organization?

In this way, the values illustrate the concern which organization and its stakeholders have for each other, e.g. customers, investors and environment. The basic values also illustrate the operations that the company and the employees wish, or do not wish, to make, just as they probably also illustrate what the company wishes to hold on to – even in a competitive situation.

In a quickly changing world where we only have to think about technological development, strongly increasing globalization and changes in societal and social conditions, we as social individuals need fixed points, which do not change despite the many other rapid changes surrounding us.

In this connection, values as a common foundation have a purpose which at the same time makes all employees capable of acting quickly and situation-specifically. They do not need to check administrative procedures but can act from the shared values which are embedded in each employee's own view of values and may popularly be translated into acting from 'common sense'.

The values, or the common focal points, have now been identified, and the basic values then constitute the basis of the common work in a given work area.

At the same time, the basic values have become a communication tool for the surroundings, e.g. customers and cooperators, about what the company stands for, and what can be expected from the company and its employees.

We may define the basic values as:

A company's basic values are a set of values, which the employees of the company agree to and which express what the organization stands for, and what should be leading their activities.

Since the basic values now emanate from the employees' own values, the employees will also experience a strong feeling of connection with the organization as the degree of identification with the basic values is very high.

Some of the demands we must make on the basic values are that:

- They are a general frame of reference for management and employees
- Everybody participates and feels that they 'own' the basic values
- They are based on a 'round of dialog' in the organization, preferably including other stakeholders.
- The general themes exceed internal as well as external functions or limits
- They clearly present the company's distinctive features and values
- They provide a possibility for individual persons to 'model' or interpret the values
- They are inspiring and motivating.

Since the values are a part of all the employees and are expected to be deeply embedded in the company, it is now possible to remove the ‘autopilot’ in terms of manuals, working procedures and a long list of rules as to how to do and not to do things.

At the same time, this allows Value-based Leadership to be implemented and practiced, and this means that the leadership style is based on great confidence in the individual employee, who is delegated responsibility and authorities. In return, the employee’s actions are expected to be characterized by ‘common sense’ based on the shared basic values. Also, the employee is expected to take responsibility and show initiative.

Value-based Leadership may furthermore be described as an internal organizational form, which consistently start from the demands made by its surroundings – both internal and external stakeholders – and which may include requirements for closeness with customers, quality consulting, flexibility in terms of working hours and workplace, capacity for change and local decision-making authority.

Rules control almost by definition has its limitations, especially where changes occur frequently and on short notice, and in situations where the work seems complex and requires individual and possibly creative solutions. Furthermore, quality control may often be inhibited by the ‘inspector’s’ lacking insight into and knowledge about the specific situation. Additionally, control requires the ‘inspector’ to have a concentration of power, which is weakened in e.g. decentralized organizations.

Value-based Leadership is also a recognition that the demands made in companies cannot be fulfilled by means of traditional rule-based management and control, but by having confidence that the employees are capable of making the right decisions. Also, Value-based Leadership is recognition and understanding of the possibilities provided by the resources and qualifications of the individual employee. The individual employee attains a job situation in which personal responsibility is delegated and great emphasize is placed on personal values, while the guiding point for the entire company becomes the shared basic values, which all employees support.

5.4.1 Bureaucratic Leadership and Value-based Leadership – Verner C. Petersen

Verner C. Petersen has made a schedule of general organizational characteristics of Bureaucratic and Rule-based Leadership and the characteristics of Value-based Leadership. What characterizes Verner C. Petersen’s thoughts and ideas about Value-based Leadership is generally a positive view of humanity, which is based on great confidence and faith in the individual person’s multifarious qualities and ability to act on the basis of fundamental healthy values.

Organizations characterized by:	Modern bureaucratic leadership (paper leadership)	Value-based Leadership (leadership with attitude)
Leader's role	Planner, opponent, supervisor, decision maker	Value creator, inspirator, trainer and ultimately decision maker.
Employee position	Wheel in the machinery	Employee
Type of influence	Plans, rules, agreements	Objectives, values
Employee objectives	Security	Meaning
Insight/meaning	Poor	Meaningful and with insight
Organizing and structure	Structured and limited, predictable, precise	Fluid and overlapping, open, ambiguous
Development perspective	Static, fragmented	Dynamic, holistic
Review	Rule-based	Value-based
Problem solving and decision making	Rational, explicit and rule and method-based	Based on explicit knowledge, silent knowledge and values
Handling of ethical problems	Based on rules and guidelines	Based on values
Responsibility	Rule-based	Personal
Quality perception	Norms, standards, ISO 9000 etc.	Extensive, includes invisible aspects, e.g. quality and attitude.

Figure 5.7: Modern Bureaucratic Leadership versus Value-based Leadership

Increasing motivation also becomes a significant element when working with Value-based Leadership as this leadership style fulfills the motivational factors known from Herzberg's motivational theory of maintenance or motivational factors, or Maslow's Hierarchy of Needs.

The basic values as the basis of Value-based Leadership also implies that we move upwards in Abraham Maslow's Hierarchy of Needs. In relation to Scientific Management and Human Resource Management, this may be illustrated as follows[45]:

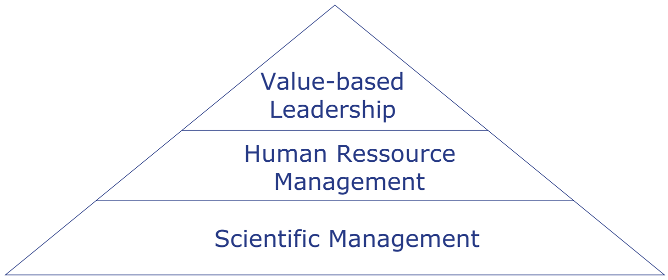

Figure 5.8: Value-based Leadership, Human Resource and Scientific Management

Scientific Management is management through rules and instructions. Motivation is generated through punishment and rewards.

Human Resource Management manages through planning, framework setting and behavior regulation. Motivation is generated through inspiration and recognition.

Value-based Leadership manages through exemplary behavior and cultural influence. Motivation is generated through delegation and self-responsibility.

5.5 Leading Change – John Kotter

With his book "Leading Change", John P. Kotter[46] pointed to a number of errors frequently made by organizations when trying to develop and change. The power of a vision is underestimated and communicated insufficiently. Kotter's books and articles generated great interest for two reasons: First, managers read the list of typical errors and admitted that this was a good suggestion for why they had achieved less than they hoped. The errors include:

- Managers accept too much self-satisfaction
- Managers fail to create a strong, governing coalition
- Managers underestimate the power of having a vision
- The vision is not communicated sufficiently
- Obstacles are allowed to block the new vision
- Managers fail to create short-term gains
- The victory is celebrated before the battle is won
- Managers fail to embed the changes in the organization

The consequences are that:

- New strategies are not properly implemented
- Takeovers do not generate the expected synergy
- Re-engineering takes too long and costs too much
- Reductions do not get costs in check
- Quality programs do not generate the expected results.

The errors are not unavoidable, but with the proper attention and competence, they can be reduced, and some can be avoided.

The key lies in understanding; why organizations resist necessary change, what lies in the multi-step process which may overcome destructive dullness, and how the leadership, which is required to complete the process in a socially sound way, contains more than good management.

The management must lead the company's change and establish an understanding of the changes that are necessary. Furthermore, the management must be capable of communicating the vision, strategy and values to all employees in a way that makes them feel that they own the task and are able to operationalize. The external communication also characterizes a real interest in considering stakeholders' need for information and understanding of the rhythm of the company.

Today's resistance to change is in many cases the result of the time in which present employees and managers grew up. There was less global competition, slower changing working environment and more stability. "If it ain't broke don't fix it".

Challenges are different today. The economy is globalized, and this creates greater risk and more possibilities, and companies are forced to improve in order to survive. Technological development, international economic integration, saturation of domestic markets, and the collapse of worldwide communism are some of the things caused by globalization.

If change is to succeed, an efficient method must be applied. It must be able to change strategies, rearrange processes or improve quality – properly.

The eight steps to create successful change are:

1. Establishment of a perception of necessity
2. Creation of a governing coalition
3. Development of a vision and strategy
4. Communication about vision of change
5. Strengthening of employees' skills to act
6. Generation of short-term gains
7. Consolidation of results and production of even more change
8. Institutionalization of new ways of working in the culture.

The first four steps contribute to 'defrosting a frozen status quo'. Steps 5–7 introduce a number of new methods, and step 8 integrates the changes in the corporate culture and contributes to maintaining them.

The order is important, but it is possible to work on several steps at the same time. If some steps are skipped, there is great probability that change will not be successful. If the order is changed, the change is not structured and developed in a natural way. The process will seem artificial, forced or mechanistic, and it will not generate the progress which is necessary to overcome the incredibly strong forces.

According to Kotter, successful change is 70–90% leadership and only 10–30% management[47]. Many organizations do not have much leadership for historical reasons, and almost everybody perceives the problem as managing change.

Change is like a journey. Some journeys are long and others are short. A common feature for all journeys is that they begin with the first step. Managers' and employees' self-satisfaction often prevent the first step of the change process, and thereby it prevents the change from being initiated. The sources of self-satisfaction are e.g. unconcerned management, man's ability to deny, culture, lacking performance feedback from external sources, internal evaluation systems, organizational structure, low standards of performance, too many visible resources, and the absence of a large, visible crisis.

In order to strengthen the understanding of necessity, it is recommended to:

- Eliminate overt excesses (company car etc.)
- Set objectives so high that they can only be achieved if the organization does not do what it usually does.
- Stop measuring smaller units
- Send more data of customer satisfaction and financial performance to more employees
- Insist that employees talk with unsatisfied customers and suppliers regularly
- Use consultants to obtain more relevant data and honest discussions at management meetings
- Report honest discussions about the company's problems in speeches and magazines
- Generate a crisis
- Bombard the employees with information about future possibilities.

The abovementioned points are to be used in companies with problems, but how can you make the employees support change when things are going well? Perhaps by informing the employees about new competitors, smaller marked shares, new markets, technology etc. to make it easier for them to understand why change is necessary.

Have a good journey! For further information about implementation of changes, see "Strategy in Successful Companies[48]", chapter 9.

5.6 Appreciative Inquiry – Cooperriders

An efficient way of creating changes and a desire for change is Appreciative Inquiry (AI). The theory is based on man's ability to learn from success and recognize that we have succeeded. We try to understand and learn from these situations. Appreciative Inquiry is an organization development theory, which is based on the basic assumption that there are success stories in all companies and all employees, and in these success stories, there is great potential for development. Also, it assumes that development always happens on the basis of experiences, and that using the most positive experiences as a starting point facilitates development. The challenge lies in making these experiences visible and active in the organization. A third assumption is that we cannot separate studies and changes. Initiating a study also means initiating the process of change.

The method consists of four stages:

- Discovery – success stories
- Dream – dreams about the future
- Design – shared ambitions
- Destiny – actions

These four stages are connected. It is possible to skip stages and repeat them according to the needs that occur during the process. Each stage has its own function and contents.

Focus on what works in the organization

When studying the successes of the organization and the individual employee, it becomes clear when and how the organization and the employees perform best and not least what makes a success a success. In this way, it is possible to develop the organization further – on the basis of success rather than problems. Once the successes have been studied carefully, it is time to find out in which direction the organization should move in order to create the desired future.

By letting the individual employee formulate his own successes and wishes, and studying these successes and wishes together, it is possible to gain insight into the total resources of the organization. The common resources and images of where the organization is going is a strong tool in creating and developing a collective organization. The method is simply about focusing on what works and understanding this before further developing what is also possible. Working with development this way increases the chance of development not only being about finding temporary solutions to existing problems. In stead, it gives the opportunity to dream of 'the best' and develop according to wishes in stead of problems.

It began in the mid 70s with David Cooperrider's[49] observation that when he left an organization after a team day or a longer period of time, the organization had become an expert in dealing with the problems it faced. It is of course fine to know which problems need to be solved, but he did not think that this knowledge alone generated the energy or enthusiasm that was needed to create change which continued in an atmosphere of possibilities. On the contrary, he often experienced that an organization was discouraged because it became immeasurable to solve all these problems. He went home and complained to his wife, who was an artist. She told him that in the world of art; people work with a concept called 'The appreciative eye', which is about working from a basic assumption that there is always something beautiful in a work of art.

Cooperrider thought about it and how it might be used in his work with organizations. Slowly, he started looking for things that worked well in the organizations he worked with, and he soon discovered that when he left the organization after a feature day, the energy was differently positive. The positive energy was created during the process during which an organization discovered and recognized what worked well, and why, and then translated this awareness into development and problem solving.

5.6.1 The basic assumptions of the theory

Usually, we are good at detecting what does not work, and therefore, it requires hard work to reverse the mental models and bring up basic assumptions and focus on successes in stead. Basic assumptions are a significant concept in the understanding of AI.

A basic assumption is a statement or a rule which explains what a group generally thinks. It explains correlations in the group's choices and behavior and is usually not visible to or commented on by the members of the group. It is developed and exists by being handed down to new members of the group, who accept them without reflecting on them.

Basic assumptions are fine in some situations, but a restrain in others. For example, it is fine to continue living with a basic assumption that you should not put your hand on a hotplate, while other basic assumptions are immensely important to test, e.g. basic assumptions about what is possible and not possible in an organization. In these cases, it is important to check regularly if the basic assumption is still true. What newly educated or hired person with lots of good ideas for development has not tried being stopped working by the sentence: "It is no good, we already tried it".

The theory is based on the eight basic assumptions shown in the figure below.

1. In every society and organization, some things work.
2. What we focus on becomes our reality.
3. The reality is created currently, and there are several realities.
4. The way questions are asked in an organization or a group influences the group.
5. The employees feel more secure moving into the future (the unknown) if they bring parts of the past (the known).
6. If you are to bring something from the past, it must be the best from the past (or what works).
7. It is important to appreciate diversity.
8. The language we use creates our reality.

Figure 5.9: Basic assumptions as foundation for the method

Appreciate Inquiry distances itself from the traditional approach to organizational change, which focuses is on what is wrong and does not work. The traditional approach to organizational change causes us to find problems because we are looking for them, and it is focused on learning from our mistakes and not on shared positive experiences. The theoretical foundation of Appreciative Inquiry, on the other hand, is based on a constructivist approach where the world is appointed through our perception of it. This means that we create our world as we see it. Seen from this perspective, there is nothing inherently real or true in any form of special construction, and all social relationships are arbitrary constructions. Viewed from an Appreciative Inquiry perspective, the ability to create new and better organizations or social relationships is only limited by our imagination and collective will. This constructivist viewpoint is based on the assumption that language is our only fundamental building block for the shared social construction of the world. British Airways is one example; the subject of baggage loss was rephrased to Exceptional Arrival Experience. This way, the employees were trained in speaking a positive language in stead of a negative one.

5.6.2 The four stages of the AI method

As mentioned earlier, the method consists of four inter-connected stages. It is possible to skip stages and repeat them according to the needs that occur during the process. The four stages are; success stories, dreams about the future, shared ambitions, and action.

Discovery – success stories

The purpose of this stage is to discover and appreciate the best parts of focusing on peaks of efficiency in the organization; the time where people experience the organization as the most alive and efficient. You attempt to understand unique factors (e.g. in management, relations, technology, nuclear processes, structures, values, learning processes, external relations, planning methods etc.) which make these peaks possible. In this process, it is important to intentionally avoid analyzing lacks or problems and in stead systematically search for and learn from even the smallest successes. In the discovery stage, people share stories about exceptional accomplishments, discuss the most important factors in their organization, and based on these aspects of the history of their organization, they deliberately consider what they appreciate the most and want to bring into the future.

During this stage, people become aware of the organization's history as positive possibilities in stead of statically problematic, exaggeratedly romanticized or forgotten events. Vital and hopeful ideas about organizations often, if not always, occur from the stories that emanate from organizations at their best.

Dream – dreams about the future

The dream stage involves challenging downtime by imagining a more valuable and vital future. It is particularly important to imagine potentials, results and objectives, which may contribute to the organization's vision and justification for existing. The dream stage is both factual as it emanates from the organization's history; and creating as it attempts to broaden the potentials of the organization.

An aspect which distinguishes AI from other methods of vision and planning is that the images of the future emanate from verified examples from the positive part of the past; possibilities which cannot be resisted because they are based on extraordinary moments from an organization's history. Sometimes, these examples are results of comparable studies of other organizations. In both cases, the stories about positive experiences are used, just like an artist uses his materials, to create a portrait of possibilities. If a painter did not have the colors red, green, blue and yellow, his paintings would be rather 'grey' and limited. So are many visions or restructuring programs if they make the mistake of not noticing the history of the organization.

The dream stage is the time where key stakeholders tell their stories about the organization's past together with stories from their personal lives in relation to the organization. As the different stories about the organization's history are shared and illuminated, new historical stories emerge; one that engages the involved parties to a great extent, like a good mysterious short story engages a reader. Once the participants become energetically involved in recreating the organization's positive stories, they give life to its positive future.

During the dream stage, the organization's stakeholders engage in a conversation about possibilities for the organization's position and potential in the world. This dialog produces images and stories about the future of the organization. For many of the organization's stakeholders, it is the first time they are invited to think great thoughts and create great opportunities for their organization. The process is positive and vital, both personally and for the organization.

Design – shared ambitions

The purpose of the design stage is to create the organization's social structure and staging by designing provocative statements, which contain the organization's dream of continued activities so that everything about the organization reflects and corresponds to the dream, which is the greatest potential of the organization.

In order to build an organization, we must decide whether to include leadership, strategy, structure, human resources, management tools, customer relations and culture or not.

As the provocative statements are designed, the desired qualities within the organization and its life are expressed.

After deciding whether to have cooperating leadership, it is necessary to describe the quality of the organization's life and the relations and inter-relations which are wanted as parts of the cooperating leadership.

The design stage involves a collective construction of positive images of the organization's future in the form of provocative statements based on the chosen social architecture.

Destiny – actions

This stage involves the realization of the new images of the future. It is a time of continuous learning, adjustment and improvisations, and the motivating force and the potential for renewal are extremely high at this point of the process.

Due to the shared positive images of the future, everyone is invited to unite their interaction and to create the future together. The stakeholders are invited to planning and obligation sessions during the action stage. Individual persons and groups discuss what they can and will contribute to realize the organization's dream, which was made visible in the provocative statements. The net of relations makes everyone feel an obligation to ensuring that the activities continue.

The key to maintaining the motivating force is to incorporate 'the appreciative eye' in all the organization's systems, procedures and working methods, e.g. rewording the names of departments or changing the customer interview methods, appraisal review systems, performance management systems, merger and integration methods, training programs for leadership, change initiatives etc.

Working with AI may have far-reaching consequences. In order to realize the provocative statements, it is often necessary to recreate the processes and systems of the organization and discard everything that is not working.

5.7 Lean Management

Toyota Motor Company rethought the production and logistics system with regard to values such as customer value and waste. With time, the principles came to permeate the entire company from product development on one end to service and administration on the other end. Lean Management was developed, and the results are described in the book "The Machine That Changed the World – The Story of Lean Production"[50].

The line of thinking in Lean Management is to identify and remove all the activities that do not create value for the customers, e.g. waste. Lean Management creates a culture which always aims at performing better and securing the competences and tools that support the vision about the lean organization.

In Scandinavia, this management style has gained momentum in both industrial companies and service companies, and thereby both in the private and public sector. If we consider an organization which produces administration and service tasks, a lean diagnosis may look this way:

- *Subject specialist organization*; the organization consists of qualified employees who in turns participate in the work process. There is high subject specialization and low overall thinking.
- *Low quality and large use of resources for error correction*; the primary focus is on the final quality, and this means poor focus on the quality in the handover between employees in the process. Tasks are returned internally for error correction.
- *Piles of outstanding tasks*; there are waiting lists, and many tasks are waiting to be handled in the processes. This causes additional work with reminders and changed plans.
- *Many interruptions in the processes*; the customers – both internal and external – are *in* the process and not at the end of the process. The employees must handle interruptions in their work.
- *Insufficient planning*; planning takes place from case to case, and there is a notion that the number of matters arising cannot be predicted and thereby not planned.
- *Lacking process responsibility*; individual processes rather than the entire process are managed.
- *Many transfers of responsibility*; complex processes often create many transfers of responsibility and thereby long turnaround time.

Implementation of Lean Management in an organization is often compared to building a house. In both cases, it is about starting the right place. Lean Management starts with building the foundation, which consists of five steps:

- Understanding the customers and organizing the tasks.
- Taking over management and measuring
- Creating visibility
- Trusting standards
- Clarifying the responsibility

Then, one side of the house is built, which in Lean Management corresponds with creating flow. Flow is about speeding up the processes by reducing turnaround time and waiting time. After doing this, Lean Management is about preventing errors, which are the most essential sources of lacking efficiency and customer satisfaction.

Step 8 in the process is the continuous improvements within the organization, i.e. the contents of the house. The continuous improvement process takes place in the middle of the house, within the framework.

The last and ninth step is the result in the form of creating additional value for the customers and with a lower consumption of resources.

5.8 Pitfalls in management approaches

There are a number of pitfalls in management and the theory which comprises it:

Perception is everything

The biggest error you can make is to base your management style and your standards on your own values and perceptions. Management is about the employees' perception of the chosen management style.

No management theory can stand alone

We have presented a number of theories on what the management can do to create motivated behavior. Together, they provide a useful set of tools consisting of perspectives, models and concrete advice. The individual theories each have strengths depending on the specific situation.

Management theories supplement each other

The best way to secure good management is to perceive the theories as complementary. Or conversely: The theories do not exclude each other. They just have different approaches to management.

Find the lacking theory

It is your task as manager to diagnose the concrete situation to discover which management theory you may have overlooked.

5.9 Literature for chapter 5

Dall, Mads Ole and Solveig Hansen, Frydenlund. Slip anerkendelsen løs! A book about Appreciative Inquiry.

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6 Endnotes

1. Scott, Richard W.: Rational, Natural and Open Systems, 1998.
2. Discussed in chapter 3 concerning motivation.
3. Discussed in chapter 4 concerning adjustment to the surrounding environment.
4. Original title: Strategi i Vindervirksomheder. Lægaard & Vest: Strategi i vindervirksomheder, JP Bøger, 2005
5. Scott, Richard W.: Rational, Natural and Open Systems, 1998.
6. When taking the normative approach, emphasis is placed on preparation of principles and methods for design and development of organizations. In the normative approach, a distinction is made between the structural approach, in which the best organization is required, and the procedural approach, in which organizations are studied in order to understand the organizational logic in preference to setting out normative rules.
7. Taylor, Frederick W., The Principles of Scientific Management, New York: Harper, 1911.
8. Fayol, Henri, Industrial and General Administration. Paris: Dunod, 1925.
9. Weber, Max, Makt og byråkrati. Oslo: Gyldendal norsk forlag, 1971.
10. See Mintzberg, 1983.
11. For further information, see Child 1984.
12. Original title: ”Riv pyramiderne ned”. Carlsson, Jan: Riv Pyramiderne ned, 1984.
13. West, M.: Teamwork – metoder til effektivt samarbejde, Dansk Psykologisk Forlag, 2001.
14. See Katzenbach and Smith, The Vision of Teams, p. 45.
15. For more information, see Vest&Lægaard: Strategi i vindervirksomheder, p. 337.
16. This is supported by a number of studies, e.g. Mohrman, Cohan & Mohrman, 1995, and West, 2001.
17. If a person has experience in working with team organizations, this section may be skipped.
18. This is related to the fact that, through use of several perspectives o nits tasks and challenges, the team offers a greater repertoire of actions in relation to concrete situations.
19. For further information, see e.g. J. Sterling-Livingston: Pygmalion in Management, Harvard Business Review, September-October 1988.
20. or further information, see e.g. Strategi i vindervirksomheder, kapitel 4 about internal strategy factors.
21. Maintained by the theorists Hersey, Blanchard and Johnson (2001), and by practitioners such as Steen A. Jensen, chief consultant, the Organization of managerial and executive staff.
22. Pinder, 1998.
23. Sayles, 1978.
24. Primarily based on V. Vroom (1964): Work and Motivation, Wiley & Sons, and L.Porter and E.Lawler III (1968): Managerial Attitudes and Performance. For Psychological contract see Denise M. Rousseau.
25. Based on Maslow, A.: Motivation and Personality, Harper & Row, 1954.
26. Alderfer, C.: Existence, relatedness, an growth: Human needs in organizational settings, Free Press, 1972
27. Based on McClelland D.: The Achieving Society, Princeton, N.J. and the newer McClelland, D. (1987): Human Motivation, Cambridgre University Press, 1961.
28. Lawrence Lindahl: ”What makes a Good Job”, Personnel, Januar 1949.
29. Stephen C. Buschardt, R. Toso og M.E. Schnake: ”Can money Motivate?”, i Motivation of Personnel, New York 1986.

30. To read the entire case, see "Strategi i vindervirksomheder" by Jørgen Lægaard og Mikael Vest, JP 2005.
31. Scott: Rational, Natural, and Open Systems, 1998.
32. Simon's Administrative Theory has later been modified together with James G. March with emphasis on changing environments and recommendations for satisfying rather than optimizing. For further information, see Simon & March: Organizations, 1958.
33. For further information, see Orton og Weick, 1990, p. 217.
34. March & Olsen: Ambuiguity and Choice in Organizations, 1976.
35. For further information, see Nelson og Winther, 1982.
36. See Senge, 1990, page 9.
37. For further information about these requirements, see Strategi I vindervirksomheder, Lægaard and Vest, chapter 6.
38. Kotter, J.: Leading Change, 1999.
39. J.M. Kouzes og B.Z. Posner: The Leadership Challenge, 1987.
40. Tannenbaum, R. & W. Schmidt: How to choose a Leadership Pattern, Harvard Business Review, May-June 1973.
41. These dimensions were originally developed in the so-called Ohio studies. For further information, see Hersey, Blanchard og Johnson, 2001.
42. Ken Blanchard applies the concepts instructing behavior and supporting behavior in the so-called SLII.
43. Ken Blanchard applies the term 'level of development' in SLII.
44. Scott, Cinthia. D. m.fl. "Visioner, mål og værdier", p. 29.
45. For further information, see "Strategi i vindervirksomheder, chapter 6 on strategic advantages of Value-based Leadership.
46. Kotter, John P.: Leading Change. Almost right after the publication of the article "Management of change" in Harvard Business Review in 1995, Kotter's article became number one on the list of the thousands of reprints sold by the publication.
47. Kotter defines the concepts as follows: Management is a collection of processes, which is able to keep a system of people and technology running without significant problems. Leadership defines the future, makes the employees support the vision, and inspire them to realize it despite the obstacles.
48. Lægaard og Vest, Strategy in Successful Companies, J.P. Bøger, 2005. Original title: Strategi i vindervirksomheder
49. He developing organizations at Case Western Reserve University, Taos, New Mexico.
50. Womack, J.P., D.T. Jones & D. Roos: "The Machine That Changed the World – The Story of Lean Production", HarperPerennial 1991.