Organization Theory/Structure and Design
**Prof. Zillur Rahman**
Department of Management Studies
Indian Institute of Technology, Roorkee

Lecture - 23
Power Control – III

Welcome to this course on Organization Theory Structure and Design. Now, we will start with module 23rd. Now, you see that this module 23 is the last module in this topic on power-control and it is also the last module in the part 2 of this course, that is the determinants of organizational structure. So, with this module we will wrap up the discussion on power control.

Now, let us see what are the things that will be covered in this module.

(Refer Slide Time: 01:07)
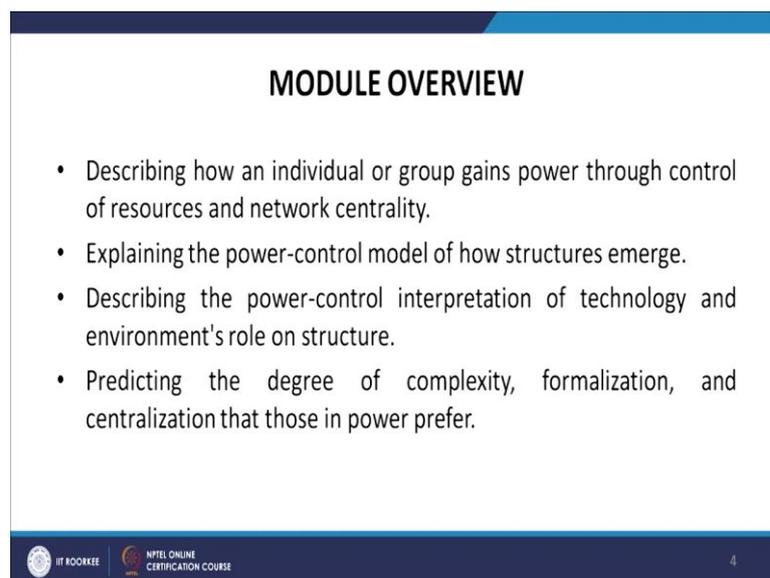
So, we will start with describing how an individual or group gains power through control of resources and network centrality. We will explain the power-control model of how structures emerge. Then we will describe the power-control interpretation of technology and environment's role on structure. And, thereafter predicting the degree of complexity, formalization and centralization for those in power prefer.

(Refer Slide Time: 01:46)
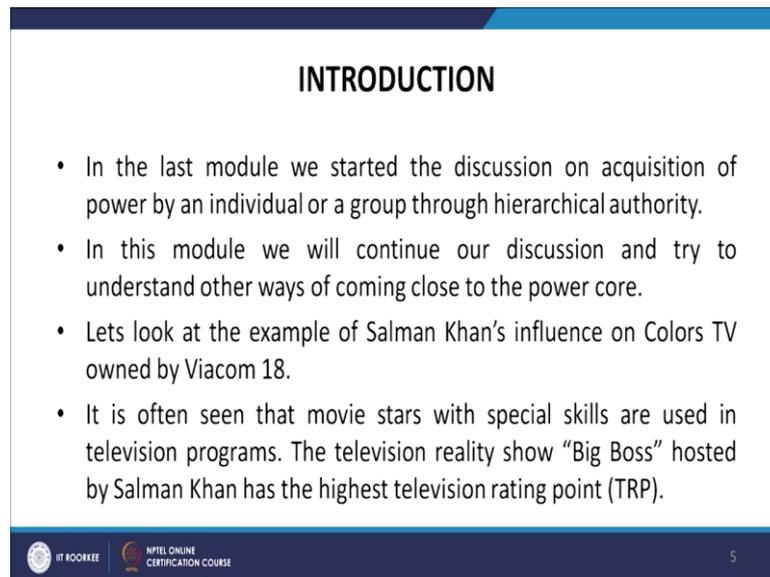
So, to start with, in the last module we started the discussion on acquisition of power by an individual or a group through hierarchical authority. In this module, we will continue our discussion and try to understand other ways of coming close to the power core. Let us look at the example of Salman Khan's influence on Colors TV owned by Viacom 18.

It is often seen that movie stars with special skills are used in television programs. The television reality show Big Boss hosted by Salman Khan has the highest television rating points which are in short called as TRPs.

(Refer Slide Time: 02:18)
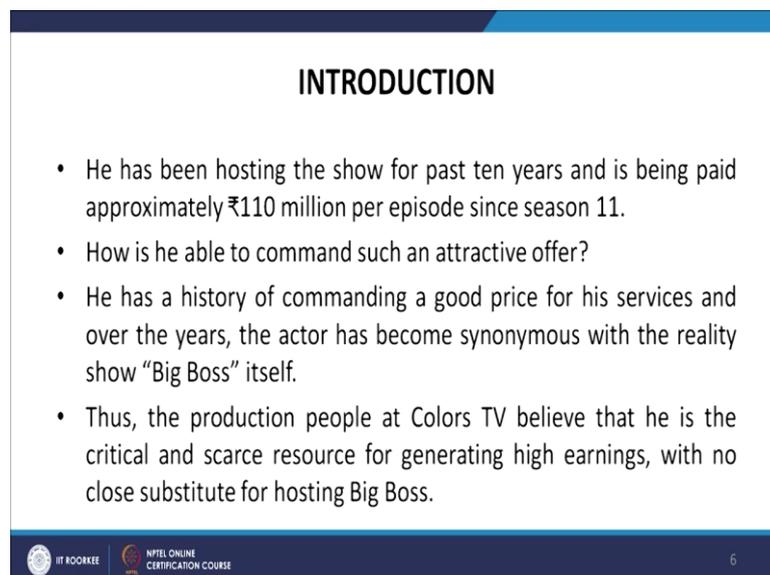
He has been hosting the show for the past ten years and he is being paid approximately rupees 110 million per episode since season 11. How is he able to command such an attractive offer? He has a history of commanding a good price for his services and over the years, the actor has become synonymous with the reality show Big Boss itself.

Thus, the production people at Colors TV believe that he is the critical and scarce resource for generating high earnings, with no close substitute for hosting Big Boss.

(Refer Slide Time: 03:03)
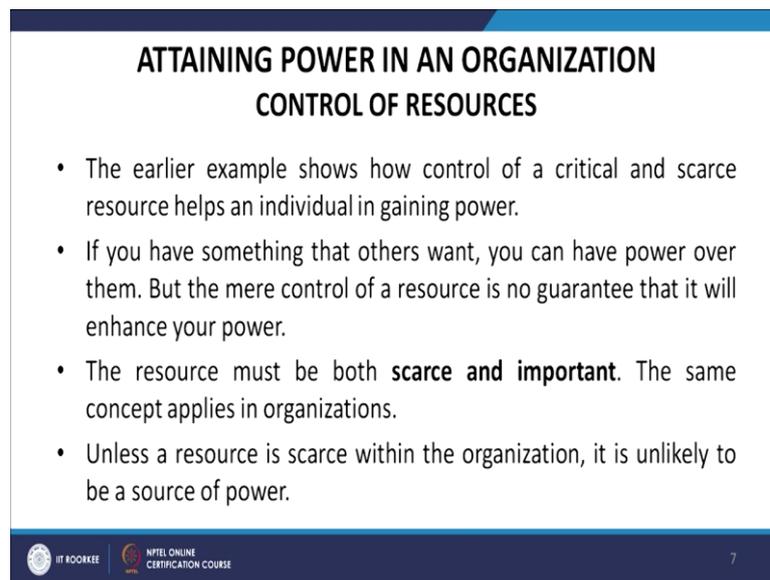
Now, let us look at this topic of attaining power in an organization by way of control of resources. The early example shows how control of a critical and scarce resource helps an individual in gaining power. If you have something that others want, you can have power over them. But, the mere control of a resource is no guarantee that it will enhance your power.

The resource must be both scarce and important. The same concept applies in organizations. So, keep in mind that for a resource to be of competitive advantage, it should be scarce and important. Unless a resource is scarce within the organization, it is unlikely to be a source of power.

(Refer Slide Time: 04:23)
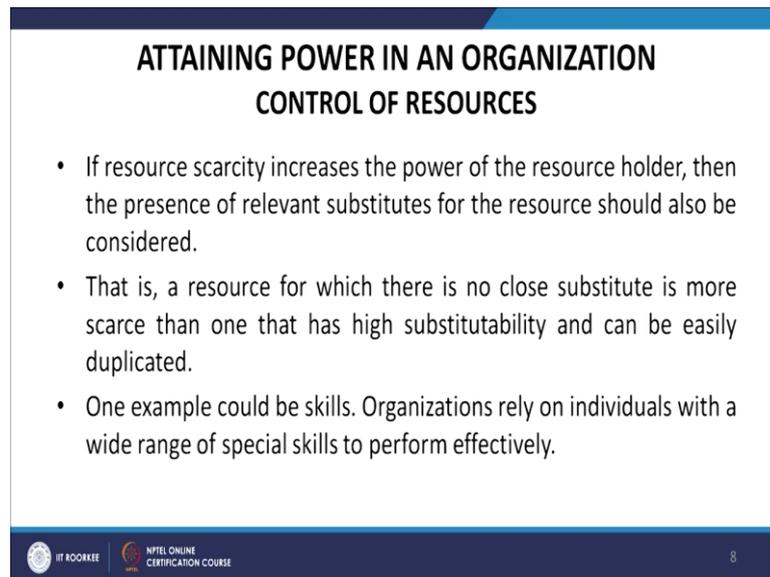
If resource scarcity increases the power of the resource holder, then the presence of relevant substitutes for the resource should also be considered. That is, a resource for which there is no close substitute is more scarce than one that has high substitutability and can be easily duplicated.

One example could be skills. Organizations rely on individuals with a wide range of special skills to perform effectively.

(Refer Slide Time: 04:34)
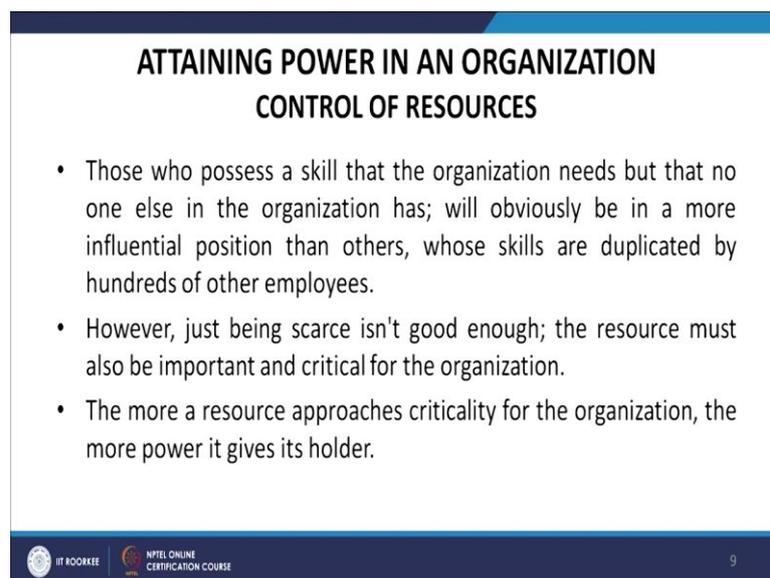
Those who possess a skill that the organization needs, but that no one else in the organization has; will obviously, be in a more influential position than others, whose skills are duplicated by hundreds of other employees. However, just being scarce is not good enough; the resource must also be important and critical for this organization.

So, one resource may be important and critical for organization while another resource may be critical and important for another organization. So, the more a resource approaches criticality for the organization, the more power it gives its holder.

(Refer Slide Time: 05:46)

In organizations, control and access to information can be a key source of power as long as the information is scarce and important. To illustrate, let us see how control of information can explain one – why expertise often leads to power? – Two, why many employees go to considerable extremes to cloud what they do in a shroud of secrecy?

Expert knowledge or the possession of special skills is a powerful source of influence, especially in a technologically oriented society.

(Refer Slide Time: 06:10)
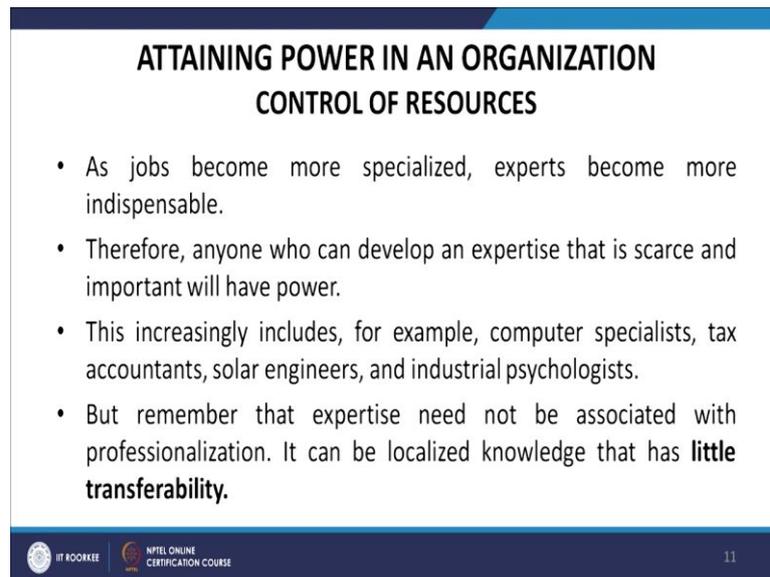

As jobs becomes more specialized, experts become more indispensable. Therefore, anyone who can develop an expertise that is scarce and important will obviously, have power.

This increasingly includes, for example, computer specialists, tax accountants, solar engineers, and industrial psychologists. But remember that expertise need not be associated with professionalization. It can be localized knowledge that has little transferability.

(Refer Slide Time: 06:47)
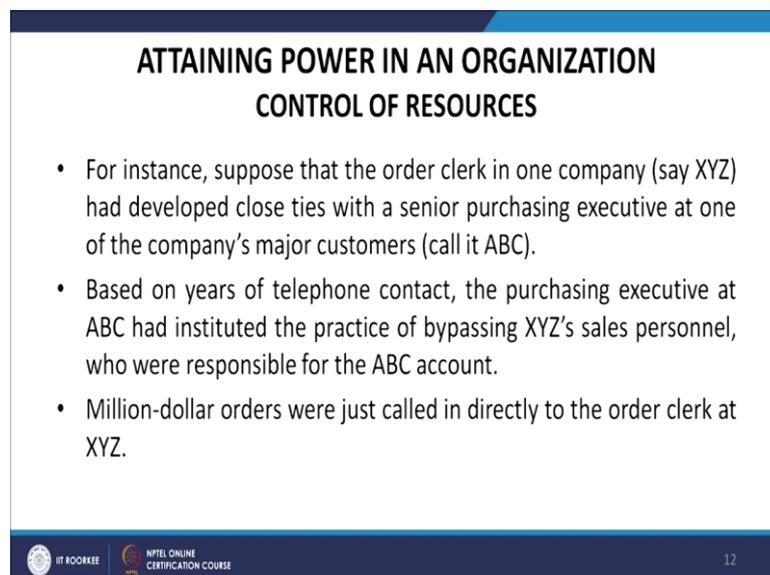
For instance, suppose that the order clerk in one company, so let us call that company as XYZ company, has developed close ties with the senior purchasing executive at one of the company's major customers and let us call that major customer as ABC.

So, based on years of telephonic contact, the purchasing executive at ABC has instituted the practice of bypassing XYZ's sales personnel who were responsible for the ABC account. Million-dollar orders were just called indirectly to the order clerk at XYZ.

(Refer Slide Time: 07:25)
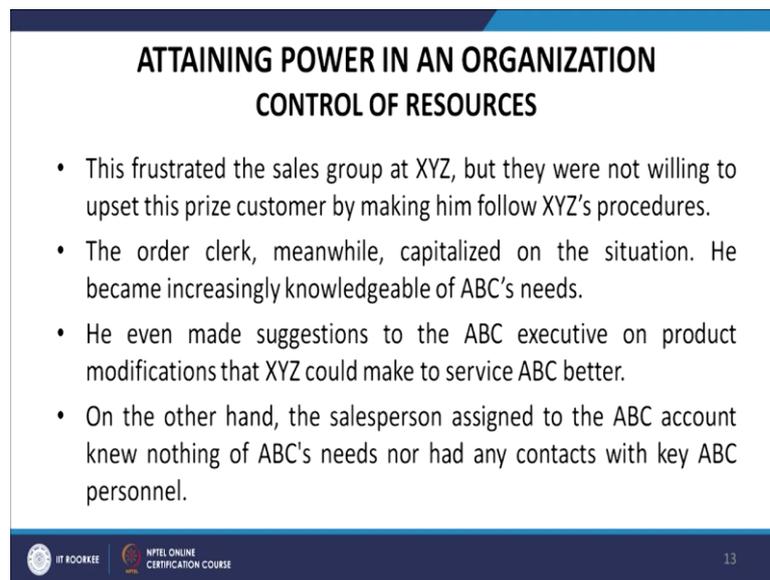
This frustrated the sales group at XYZ, but they were not willing to upset this prize customer by making him follow XYZ's procedures. The order clerk, meanwhile, capitalized on the situation. He became increasingly knowledgeable of ABC's needs.

He even made suggestions to ABC executive on product modification that XYZ could make to service ABC better. On the other hand, the salesperson assigned to the ABC account knew nothing of ABC's needs nor had any contact with key ABC personnel.

(Refer Slide Time: 08:04)

The result was that this order clerk had become a very powerful figure at XYZ. No one, particularly in the sales department, dared to upset him. When he wanted a few extra weeks of vacation, he got them with no questions asked. When he suggested his new son-in-law for a vacancy in the product design department, the application went through easily.

An offer was made in record time, with noticeable expediting coming from a senior manager in the sales department.

(Refer Slide Time: 09:03)

Scarce and important information such as the information about needs of a key customer that we had talked about in our example can be a power source. Secrecy or the limitation of access to information is used by individuals and groups within the organization to enhance and maintain influence.

The information used to make the decision may be kept secret. If others do not know what information went into making a decision, the decision maker can always say that those who did not like the final decisions were not privy to all the facts.

(Refer Slide Time: 09:22)
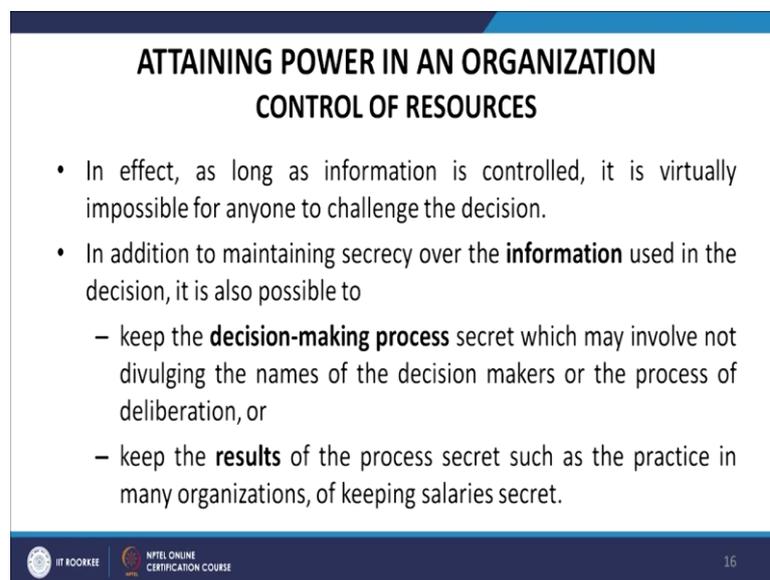
In effect, as long as information is controlled, it is virtually impossible for anyone to challenge the decision.

In addition to maintaining secrecy over the information used in the decision, it is also possible to – one keep the decision-making process secret which may involve not divulging the names of the decision makers or the process of deliberations, or – to keep the results of the process secret such as the practice in many organizations, of keeping salaries secret.

In this context, behavior such as destroying the procedure manuals that describe how your job is done, refusing to train people in your job or to show others exactly what you do, creating a specialized language and terminology that inhibits others from

understanding your job or generating or operating in secrecy, so that the tasks you perform will appear more complex and difficult are ways to ensure sustained power.

(Refer Slide Time: 10:32)
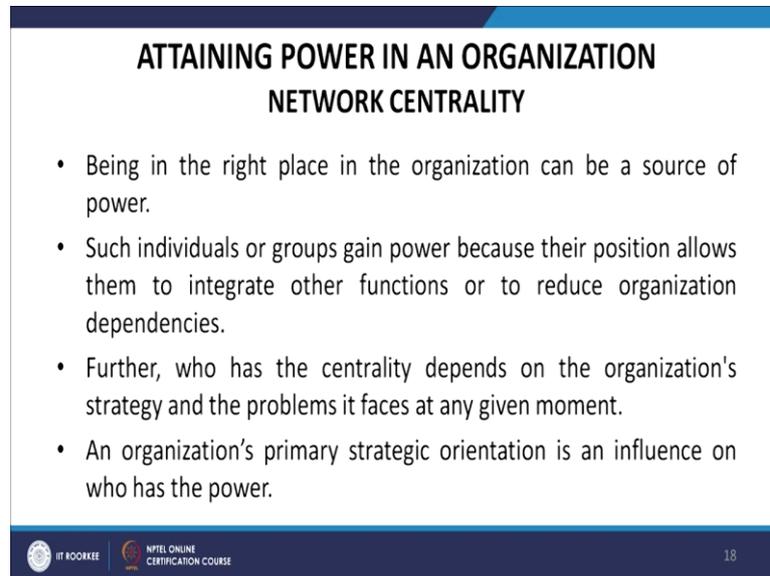
ATTAINING POWER IN AN ORGANIZATION
NETWORK CENTRALITY

- Being in the right place in the organization can be a source of power.
- Such individuals or groups gain power because their position allows them to integrate other functions or to reduce organization dependencies.
- Further, who has the centrality depends on the organization's strategy and the problems it faces at any given moment.
- An organization's primary strategic orientation is an influence on who has the power.

Now, the next point that we will talk about in attaining power in an organization is network centrality. Being in the right place in the organization can be a source of power. Such individuals or groups gain power because their position allows them to integrate other functions or to reduce organization dependencies.

Further, who has the centrality depends on the organization's strategy and the problem it faces at any given moment. An organization's primary strategic orientation is an influence on who has the power.

(Refer Slide Time: 11:12)

Functional departments within an organization take on different degrees of importance related to the strategy the organization is pursuing and the critical problems that arise. In an organization that is market oriented – like Procter and Gamble – marketing personnel will be more powerful than, say, accountants or research and development people.

Similarly, in organizations that rely heavily on financial data – such as banks and brokerage firms – accounting personnel would be prominent. Further when the organization face critical financial or control problems accountings concerns becomes the major concern of the entire organization.

Not surprisingly, when the financial crisis diminishes and when an organization is financially healthy, the accounting function is less critical to the immediate needs of the organization and thus less powerful.

(Refer Slide Time: 12:15)
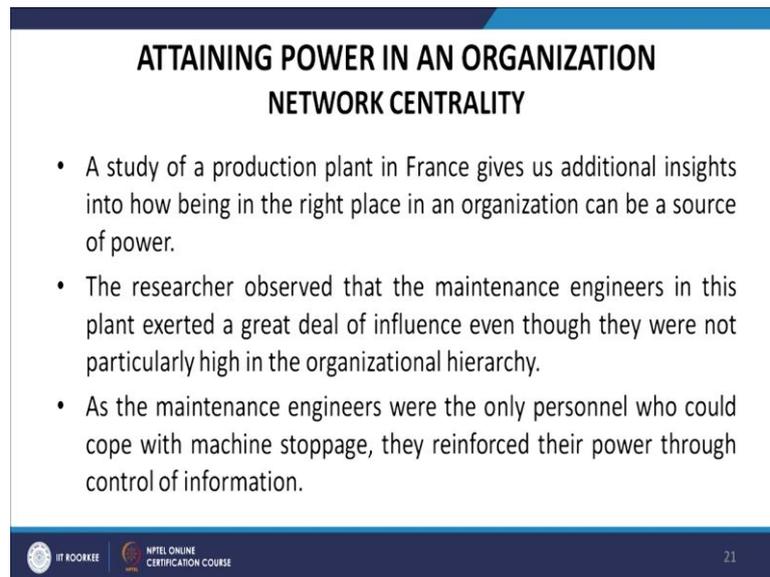
A study of a production plant in France gives us additional insights into how being in the right place in an organization can be a source of power. The researcher observed that the maintenance engineers in this plant exerted a great deal of influence even though they were not particularly high in the organizational hierarchy.

As the maintenance engineers were the only personnel who could cope with machine stoppage, they reinforced their power through control of information.

(Refer Slide Time: 12:51)
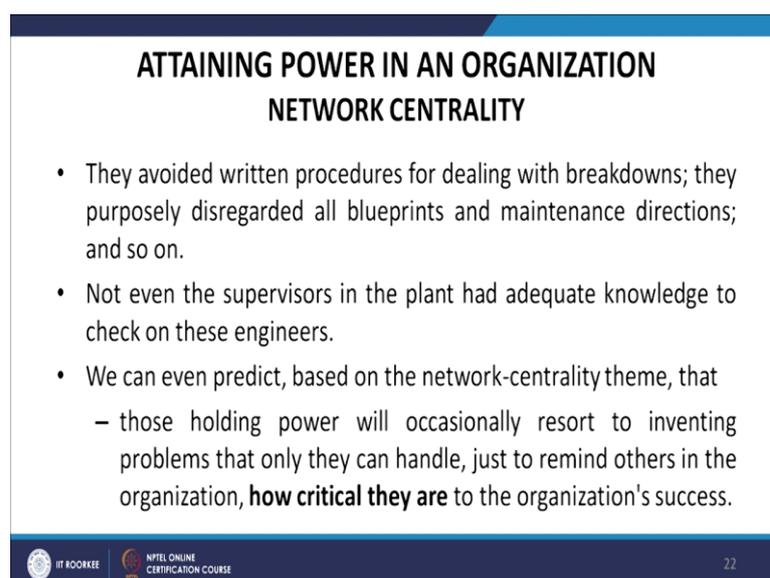
They avoided written procedures for dealing with breakdowns; they purposely disregarded all blueprints and maintenance directions; and so on. Not even the supervisors in the plant had adequate knowledge to check on these engineers.

We can even predict, based on the network-centrality theme, that – those holding power will occasionally resort to inventing problems that only they can handle, just to remind others in the organization, how critical they are to the organization's success.

(Refer Slide Time: 13:43)
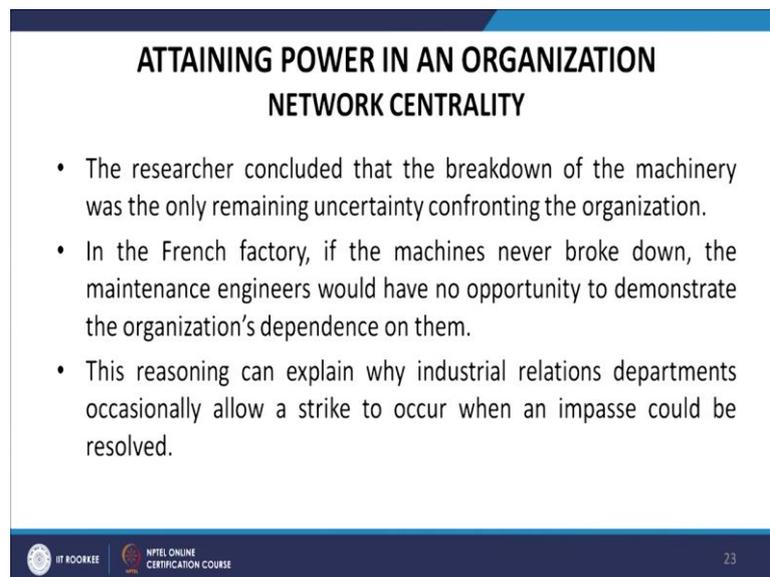
The researcher concluded that the breakdown of the machinery was the only remaining uncertainty confronting the organization. In the French factory, if the machines never break down, the maintenance engineers would have no opportunity to demonstrate the organizations dependence on them.

This reasoning can explain why industrial relations department occasionally allow a strike to occur when an impasse could be resolved.

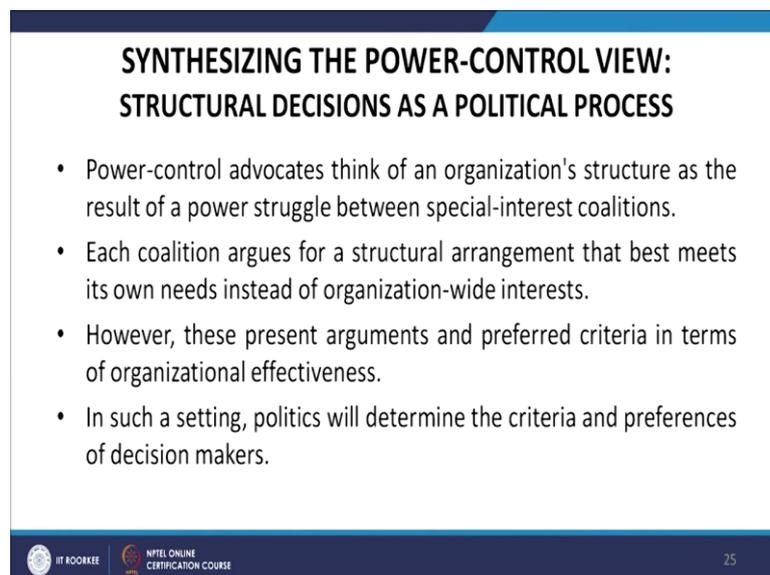Now, we will talk about how to synthesize the power-control view. According to the power-control thesis described in earlier modules: – an organizations structure, at any given time is to a large extent the result of those in power selecting a structure that will, to the maximum degree possible, maintain and enhance their control.

The power-control perspective does not ignore the impact of size, technology, or other contingency variables. Rather, it treats them as constraints that must be met in what is otherwise a political process.

Now, let us look at the structural decision at the political process within this hypothesis of synthesizing the power-control view. Power-control advocates think of an organization's structure as the result of a power struggle between special-interest coalitions.

Each coalition argues for a structural arrangement that best meets its own needs instead of organization-wide interests. However, these present arguments and preferred criteria in terms of organizational effectiveness. In such a setting, politics will determine the criteria and preferences of decision makers.

(Refer Slide Time: 15:24)

Politics refers to efforts of organizational members to mobilize support for or against policies, rules, goals, and other decisions in which the outcome will have some effect on them.

Politics, therefore, is essentially the exercise of power. However, why is the structural decision a political one? – The answer is that the choice of any structure will automatically favor some coalitions and disadvantage others. A coalition's location in a structure will determine its ability to exercise influence on numerous decisions in which it has a stake.
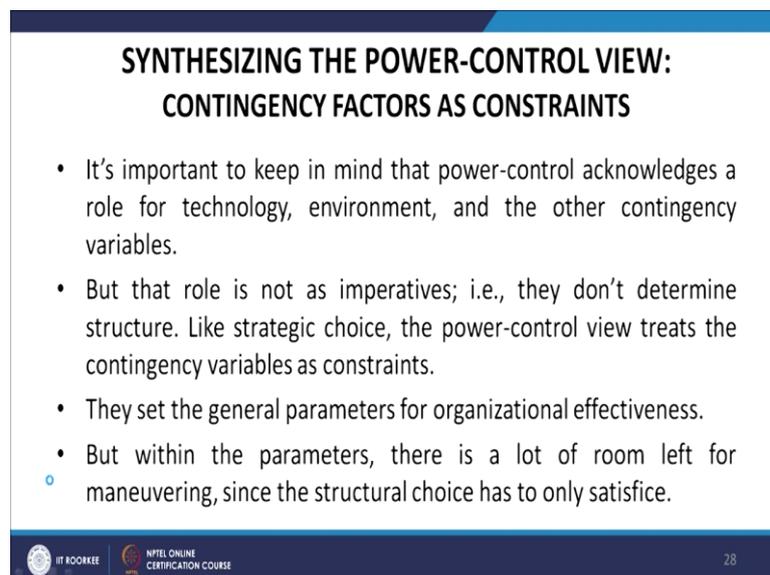
(Refer Slide Time: 16:06)

Further, what happens when organizational structure is viewed as the outcome of a political process rather than as a result of rational decision making? – This can change the players who make the structural decisions as well as the criteria and preference they use.

The dominant coalition, which may or may not include top management, become the key players. And the self-interest of the dominant coalition determines the preferred outcome, not the interest of the organization.

(Refer Slide Time: 16:39)

Next argument in this view is that of contingency factors at as constraints. It is important to keep in mind that power-control acknowledges a role for technology, environment, and the other contingency variables.

But that role is not as imperatives, that is they do not determine a structure. Like strategic choice, the power-control view treats the contingency variable as constraints. They set the general parameters for organizational effectiveness. But within the parameters, there is a lot of room left for maneuvering since the structural choice has to only satisfice.

(Refer Slide Time: 17:21)
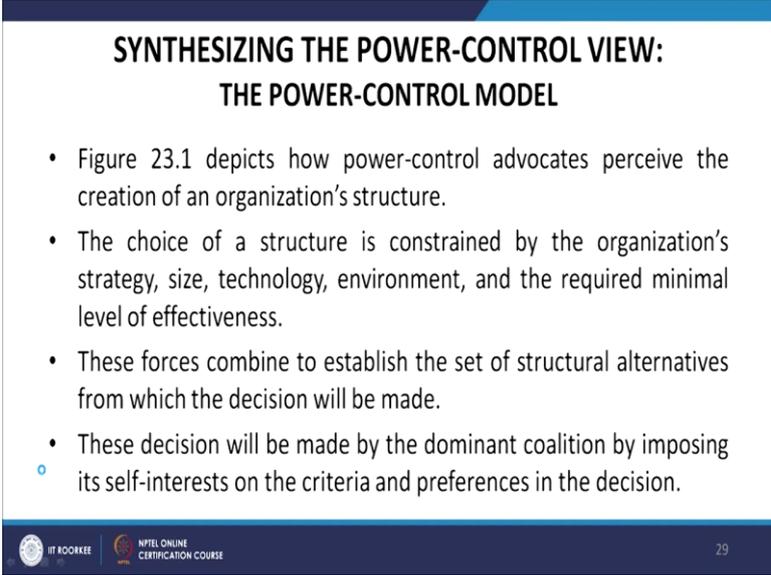

The next argument in this view is the power-control model. Figure 23.1 depicts how power-control advocates perceive the creation of an organization's structure. The choice of a structure is constrained by the organization's strategy, size, technology, environment, and the required minimal level of effectiveness.

These forces combined to establish the set of structural alternatives from which the decision will be made. These decisions will be made by the dominant coalitions by imposing its self-interest on the criteria and preferences in the decision.

(Refer Slide Time: 18:01)
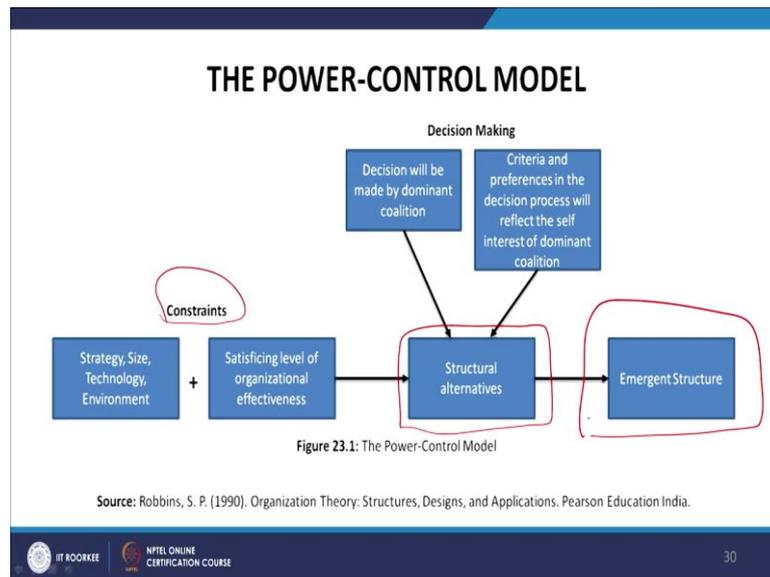
Now, this is the power-control model. Let us start from this left-hand side. We have constraints. The constraints are strategy, size, technology and environment. And, another constraint is satisficing level of organizational effectiveness.

So, then we come to these structural alternatives. Now, these structural alternatives, they are also affected by these two decision making. Decisions will be made by dominant coalitions. Criteria and preferences in the decision process will reflect the self interest of dominant coalition.

And, then it leads to the emergent structure. So, this is the power-control model.

(Refer Slide Time: 18:47)

Now, what are the implications based on this power-control view. It is now time to translate our insight from the power-control perspective into implications for the structuring of organizations. We will be considering a power-control interpretation of the following as structure.

1 is the technology and environment; 2nd is stability and mechanistic structures; the 3rd is complexity; 4th is formalization and 5th and the last is centralization.

(Refer Slide Time: 19:22)

Now, let us look at technology and environment. Power-control advocates argue that an organization's structure, at any given time, will be one that allows those in power to maintain the control they have. In terms of technology and environment, the dominant coalition can be expected to seek routine technologies and attempts to manage their environment in order to reduce uncertainty.

Technology does not cause structure. It is chosen. The choice of a domain tends to constraint the organization's technology, but the domain is also chosen.

(Refer Slide Time: 20:05)
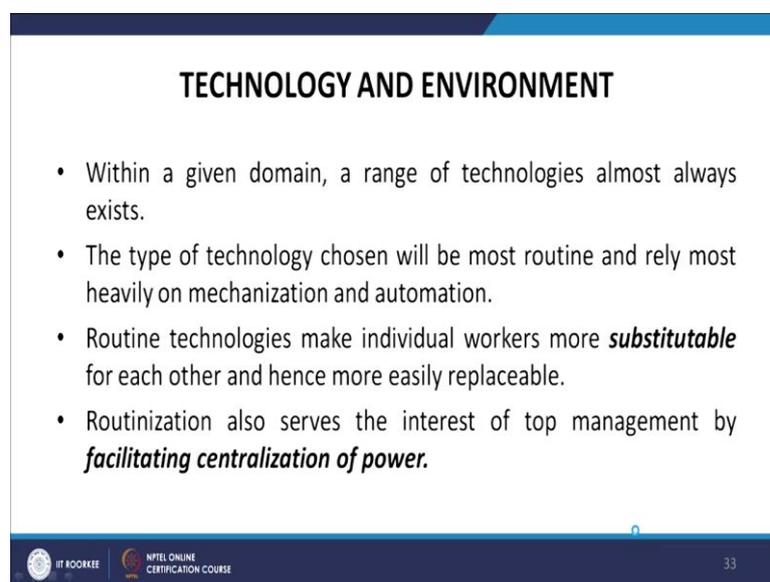
Within a given domain, a range of technologies almost always exists. The type of technology chosen will be most routine and rely most heavily on mechanization and automation.

Routine technologies make individual workers more substitutable for each other and hence more easily replaceable. Routinization also serves the interest of top management by facilitating centralization of power.
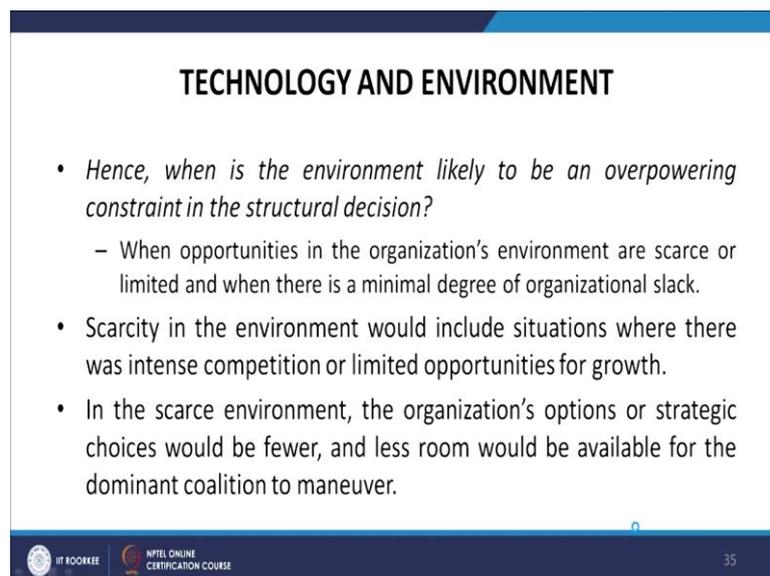
(Refer Slide Time: 20:39)

The organization will seek to manage its environment to reduce uncertainty. The view that structure is a response to the environment implies that changes in the structure occur to improve organizational effectiveness.

When the organization responds to external demands, it usually does so under extreme pressure.

(Refer Slide Time: 21:03)

Hence, when is the environment likely to be an overpowering constraint on structural decision? When? and the answer is when opportunities in the organization's environment are scarce or limited and when there is a minimal degree of organizational slack.

Scarcity in the environment would include situations where there was intense competition or limited opportunities for growth. In this scarce environment, the organizational option or strategic choices would be fewer, would be lesser and less room would be available for the dominant coalition to maneuver.

(Refer Slide Time: 21:52)
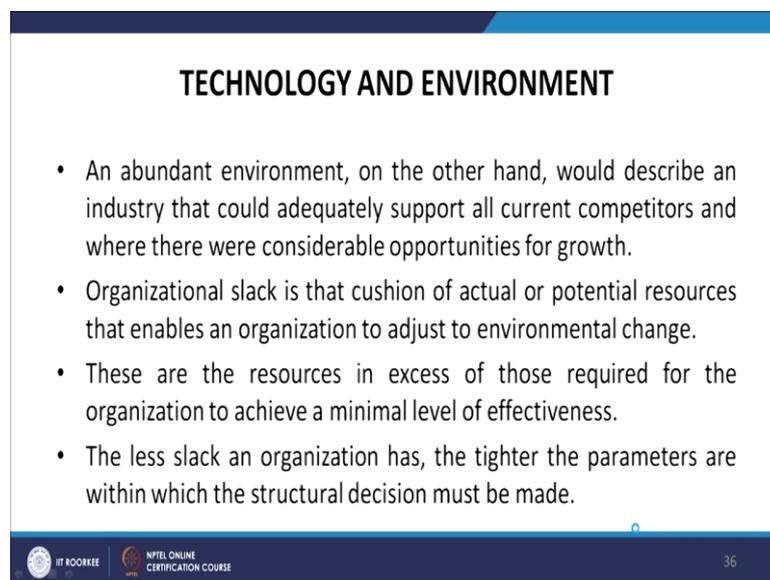
An abundant environment, on the other hand, would describe an industry that would adequately support all current competitors and where there were considerable opportunities for growth. Organizational slack is that cushion of actual, or potential resources that enables an organization to adjust to environmental changes.

These are the resources in excess of those required for the organization to achieve a minimal level of effectiveness. The less slack an organization has, the tighter the parameters are within which the structural decision must be made.
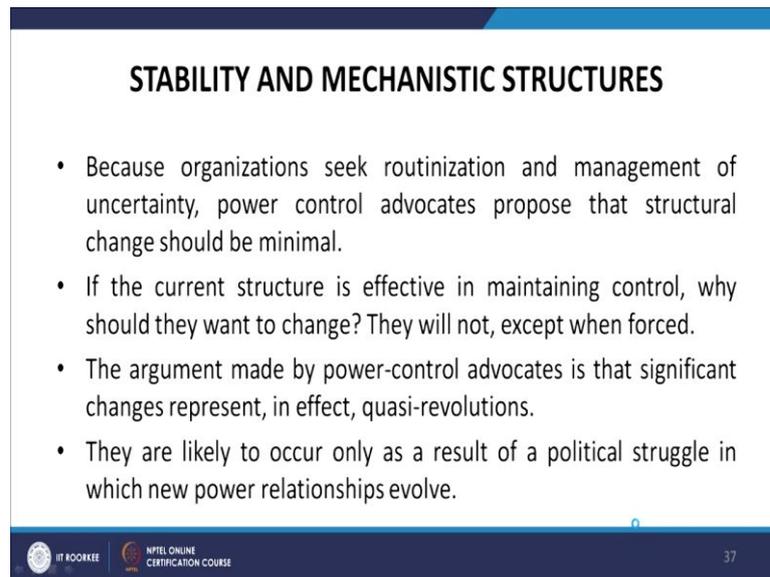
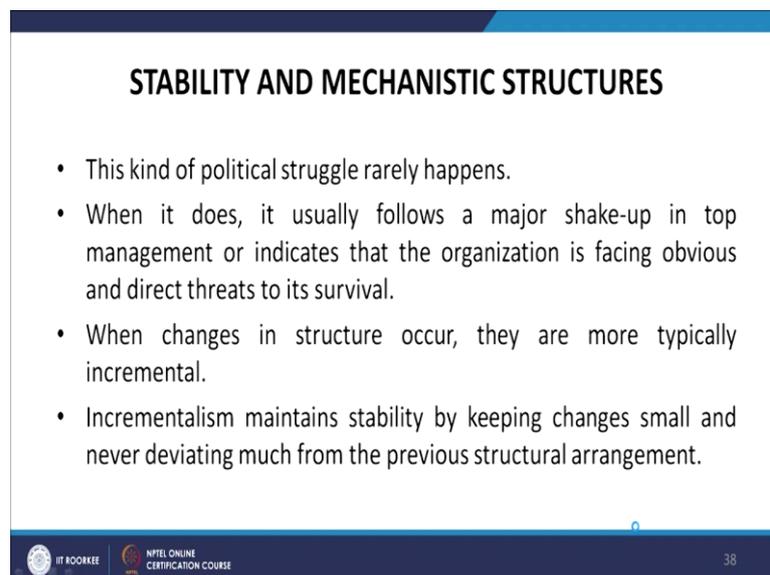The next thing is stability and mechanistic structures because organizations seek routinization and management of uncertainty. Power-control advocates propose that structural changes should be minimal. If the current structure is effective in maintaining control, why should they want to change? They will not, except when forced.

The argument made by the power-control advocates is that significant changes represent in effect, quasi-revolutions. They are likely to occur only as a result of a political struggle in which new power relationships evolve.

This kind of political struggle rarely happens. When it does, it usually follows a major shake-up in top management or indicates that the organization is facing obvious and direct threats to its survival. When changes in structure occur, they are more typically incremental.

Incrementalism maintains stability by keeping changes small and never deviating much from the previous structural arrangements.
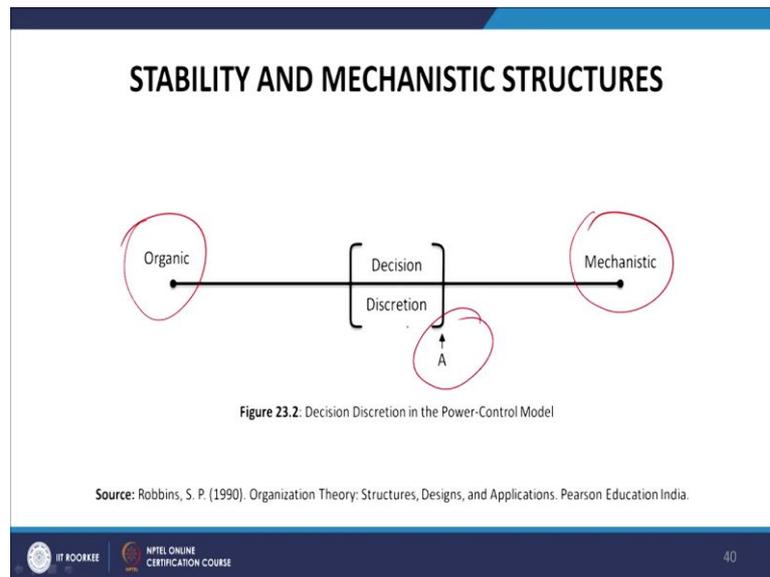
(Refer Slide Time: 23:56)
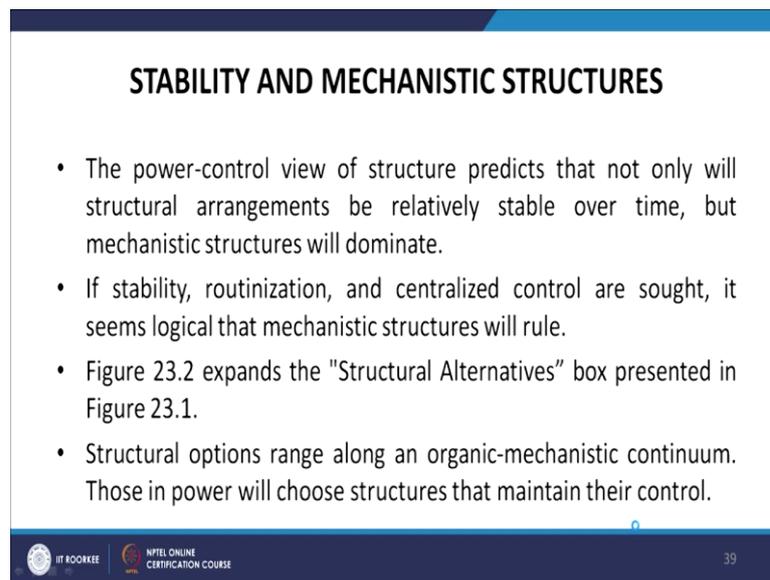
The power-control view of structure predicts that not only will his structural arrangements be relatively stable over time, but mechanistic structures will dominate. If stability, routinization, and centralized control are sought, it seems logical that mechanistic structure will rule.

Figure 23.2 expands the structural alternative box presented in figure 23.1. Structural options range along an organic-mechanistic continuum. Those in power will choose structures that maintain their control.

(Refer Slide Time: 24:33)

So, this figure 23.2 and it shows decision discretion in the power-control model. So, they have the structure is organic and here it is mechanistic and here this is A, that is, decision and discretion.

(Refer Slide Time: 25:02)

So, given that organizational effectiveness is a range rather than a point, there will be some decision discretion available to the dominant coalition. Within this discretionary range, it will select the most mechanistic alternative, that is, point A in figure 23.2. This

anti-contingency position is in direct opposition to the contingency advocates' theme, there is no one best way to organize.

(Refer Slide Time: 25:17)
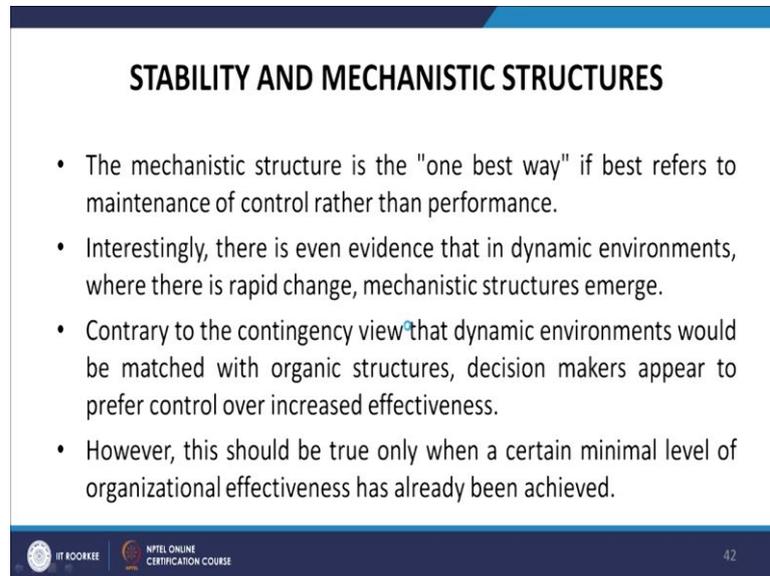
The mechanistic structure is the "one best way" if best refers to the maintenance of control rather than performance. Interestingly, there is even evidence that in dynamic environments, where there is rapid change, mechanistic structures emerge. Contrary to the contingency view that dynamic environment would be matched with organic structures, decision makers appear to prefer control over increased effectiveness.

However, this should be true only when a certain minimal level of organizational effectiveness has already been achieved.
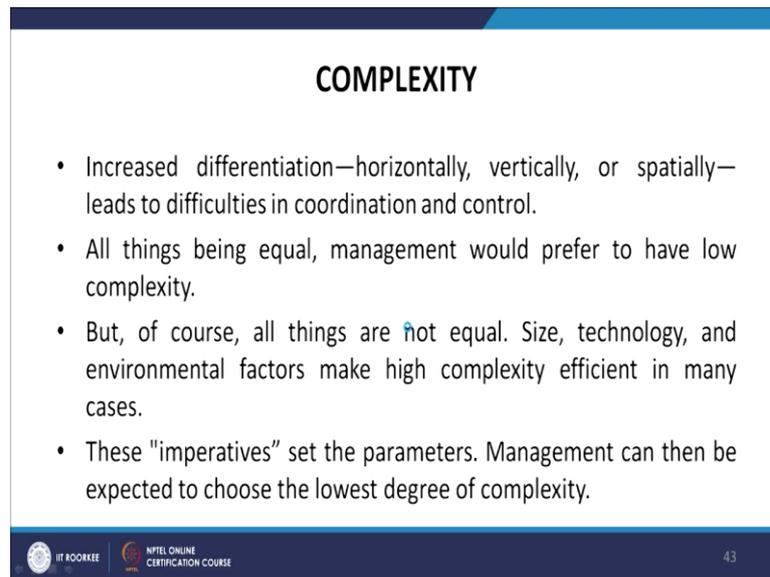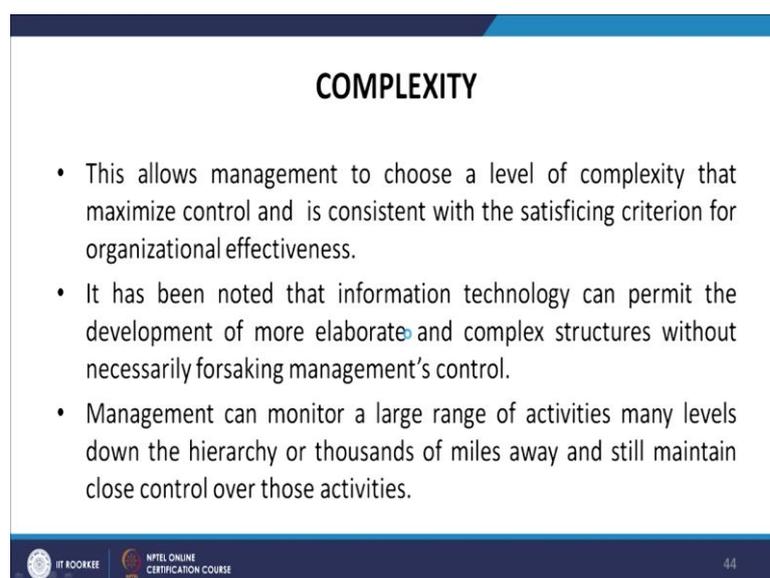
The next is complexity increased differentiation – horizontally, vertically, or spatially – leads to difficulties in coordination and control. All things being equal, management would prefer to have low complexity. But, of course, all things are not equal. Size, technology, and environmental factors make high complexity efficient in many cases.

These imperatives set the parameters. Management can then be expected to choose the lowest degree of complexity.

This allows management to choose a level of complexity that maximize control and is consistent with the satisficing criteria for organizational effectiveness. It has been noted that information technology can permit the development of more elaborate and complex structures without necessarily forsaking management's control.

Management can monitor a large range of activities many levels down the hierarchy or thousands of miles away and still maintain close control over those activities.

(Refer Slide Time: 27:16)
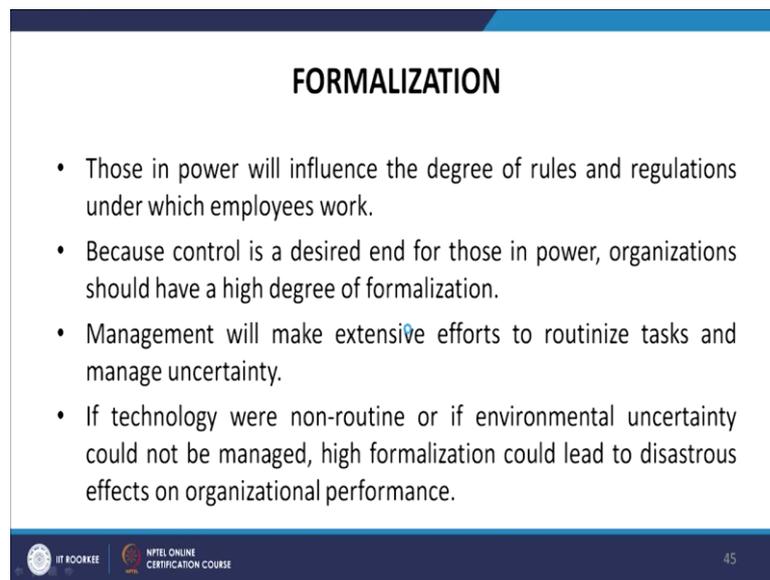
Now, comes formalization. Those in power will influence the degree of rules and regulations under which employees work. Because control is a desired end for those in power, organization should have a high degree of formalization. Management will make extreme efforts to routinize tasks and manage uncertainty.

If technology were non-routine or if the environmental uncertainty could not be managed, high formalization could lead to disastrous effects on organizational performance.

(Refer Slide Time: 27:52)

Since technology and environment are chosen by those in power, we can expect them to select ones that are compatible with high levels of formalization and maintenance of control.

In cases where organizations require low formalization, power-holders can be expected to rely on sophisticated information technology as a control device that can be substituted for rules and regulations.

(Refer Slide Time: 28:50)

Then comes centralization. From earlier discussions on centralization, we know that it is preferred when – mistakes are very costly, when temporary external threats exist, or when it is important that decision reflects a holistic perspective.

According to power-control view, it is also preferred when those in control want to make the decisions. In fact, power-control advocates claim decentralization should occur infrequently.
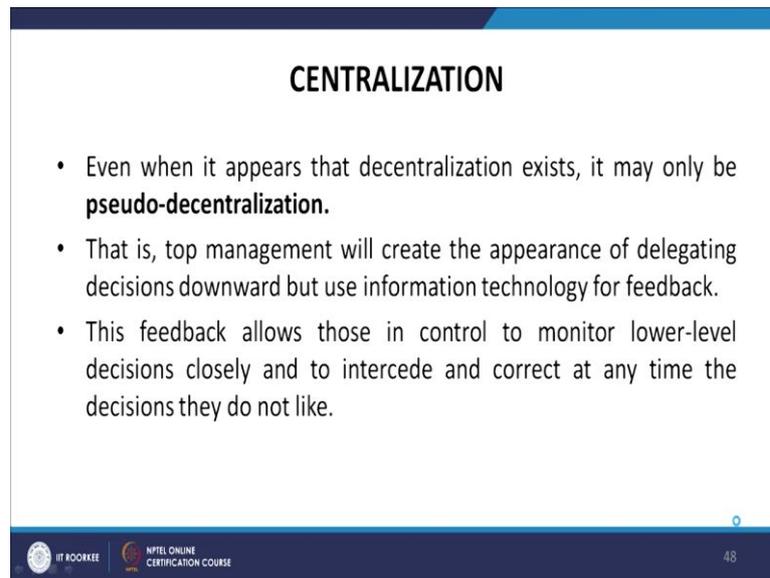
(Refer Slide Time: 28:53)

Even when it appears that centralization exists, it may only be pseudo-decentralization. That is, top management will create the appearance of delegating decisions downwards, but use information technology for feedback. This feedback allows those in control to monitor lower-level decisions closely and to intercede and correct at any time the decisions they do not like.

(Refer Slide Time: 29:20)
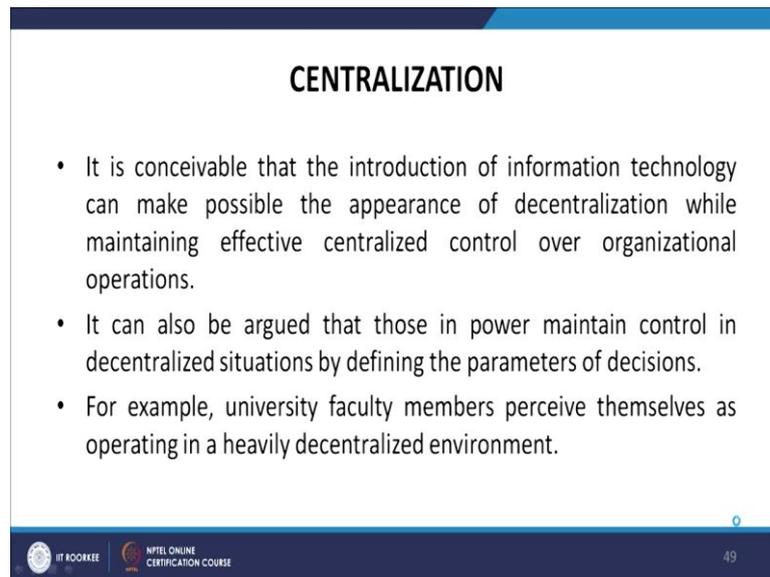
It is conceivable that the introduction of information technology can make possible the appearance of decentralization while maintaining effective centralized control over organizational operations. It can also be argued that those in power maintain control in decentralized situations by defining the parameters of decisions.

For example, university faculty members perceive themselves as operating in a heavily decentralized environment.

(Refer Slide Time: 30:02)
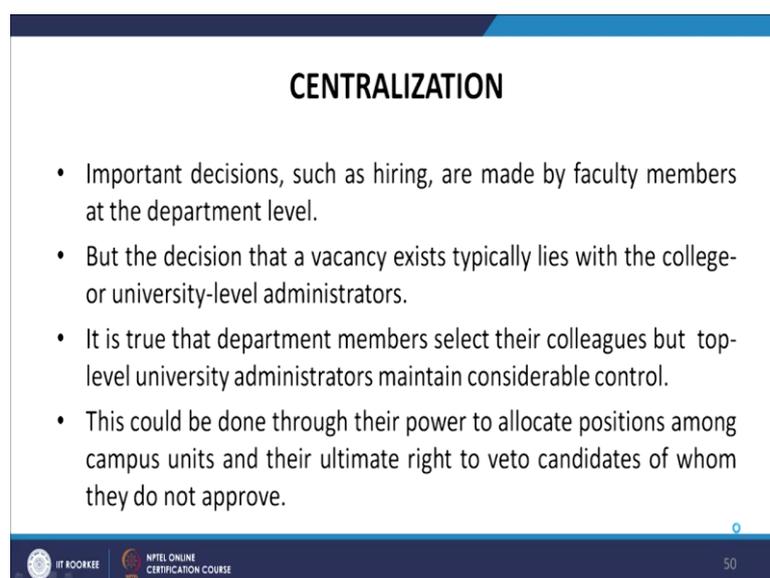
Important decisions, such as hiring, are made by faculty members at the department level. But the decision that a vacancy exists typically lies with the college or university-level administrators.

It is true that department members select their colleagues, but top-level university administrators maintain considerable control. This could be done through their power to allocate positions among campus units and their ultimate right to veto candidates of whom they do not approve.

(Refer Slide Time: 30:24)
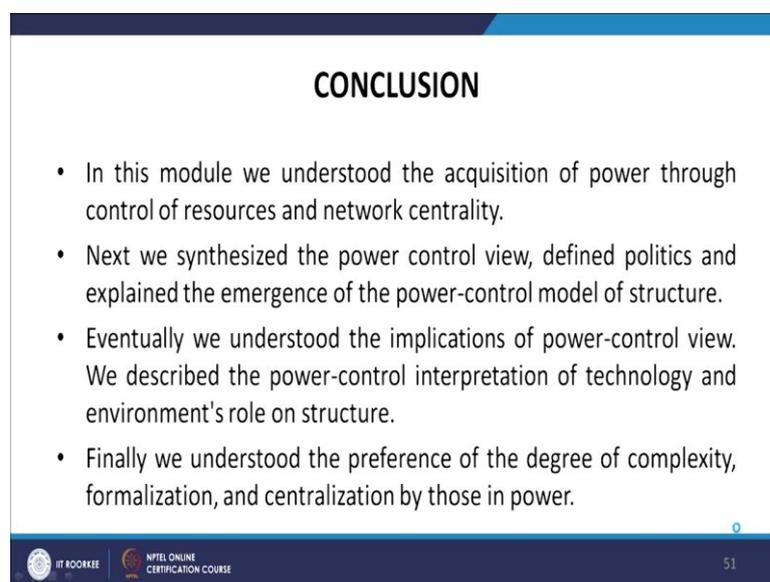
So, to conclude, in this module we understood the acquisition of power through control of resources and network centrality. Next, we synthesized the power-control view, defined politics and explained the emergence of power-control model of structure.

Eventually we understood the implications of power-control view. We described the power-control interpretations of technology and environment's role on structure. Finally, we understood the preference of the degree of complexity, formalization, and centralization by those in power.

(Refer Slide Time: 31:02)

And, these are the four books used for this module.

Thank you.