

Master HI / TEW

Organizational Theory and Design

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SESSION 1: INTRODUCTION AND PRACTICALITIES; ORGANIZATIONS AND ORGANIZATION THEORY

Chapter 1: Organizations and organization theory

1.1 Organization Theory in Action

1.1.2 Current challenges

Globalization

Rapid advances in technology and communications → Markets, technologies and organizations are becoming increasingly interconnected. It is now more feasible to contract out some functions to organizations in other countries or to partner with foreign organizations to gain global advantage.

Ethics and Social Responsibility

Concerns about ecological sustainability, and not just corporate survival, are becoming increasingly important. Corporations in particular are being expected to take a lead on addressing these issues. → Corporate Social Responsibility, Fraud & corporate scandals, Environmental issues

Speed of Responsiveness

Globalization and advancing technology has accelerated the pace at which organizations in all industries must adapt their internal structures and systems in order to keep rolling out new products and services that are sufficiently competitive. Intangible assets are becoming increasingly important: it is employees and their knowledge, not the means of production or of service delivery, who provide the best change of organizational prosperity.

The Digital Workplace

Organizations have been flooded by information technology virtual teams, digital processes, disintermediation.... Leadership in organizations increasingly needs to be technologically savvy as well as responsible for managing a web of relationships that reaches far beyond the boundaries of the physical organization to employees, suppliers, contract partners and customers.

Diversity

Nowadays diversity is often the exception rather than the rule: the average worker is older (ageing population), there are more women, ethnic minorities and immigrants are seeking jobs, etc. This brings a variety of challenges: recognizing and embracing diversity, balancing work and family concerns and coping with the differences associated with varying cultural styles.

1.2 What is an Organization?

What are organizations? **Organizations** are:

1. social entities that ...
2. are goal-directed, ...
3. are designed as deliberately structured and coordinated activity systems, and ...
4. are linked to the external environment.

1.2.1 Types of organizations

Large, multinational corporations

For-profit businesses

- Producing goods and services in order to be earning money for the shareholders of the company
- Managers focus on developing and positioning the organization's products and services in ways that are intended to increase sales revenues.

Small, family-owned shops

Non-profit organizations

- Other constraints such as the difficulty in securing funding or raising capital or competing with profit-making businesses
- Non-profit organizations are responsive to demands that are inadequately met by markets often serving a large pool of potential clients with limited income
- keep organizational costs as low as possible and the use of resources highly efficient.

1.2.2 Importance of organizations

- Organizations are systems that either adapt to, or exert control over, the environment as a means of pursuing goals of their dominant stakeholders
- Relevance of organizations:
 - Bring together resources to achieve desired goals and outcomes
 - Produce goods and services efficiently
 - Facilitate innovation
 - Use modern manufacturing and information technologies
 - Adapt to and influence a changing environment
 - Create value for owners, customers, and employees
 - Accommodate ongoing challenges in today's society

Chapter 2: Perspectives on organizations

2.1 Perspectives on organizations

2.1.1 Open vs closed systems

Closed systems

- Focus exclusively upon the organization
- No consideration of its dependence upon or capacity to influence environment
 - Are conceived as self-contained (autonomous), effectively sealed off from the outside world
 - Effectiveness exclusively through internal design
- Management is easy if the context is predictable (stable and unchanging)

Open systems

- Pay attention to the (open) boundary between organizations and its context.
- Organizations are conceived as consumers and exporters of resources
- Attention to relations between sub-systems within organization, and the (open) boundaries between organization and context
 - Boundary spanning: adapt to or attempt to control a changing environment to survive and prosper

Each system is understood to have **several subsystems** with specific functions. (Next subtitle)

2.1.2 Organizational configuration

Mintzberg: 5 Subsystems are performed in different parts of the organization.

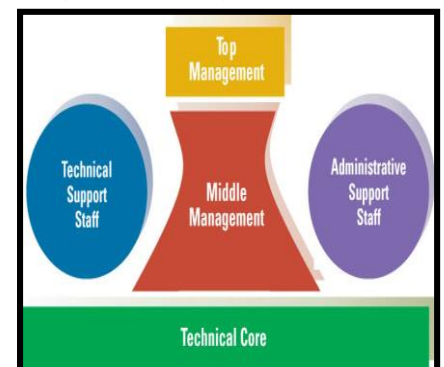
Technical Core: Production subsystem function → primary transformation from inputs to outputs

Technical Support: Creating innovations in the technical core and helping the organization change and adapt. Has to scan the environment for problems, opportunities and technological developments. It includes departments such as technology, R&D and marketing research.

Administrative Support: Responsible for the smooth operation and upkeep of the organization, including its physical and human elements. It includes human resource and maintenance activities.

Middle management: is responsible for implementation and coordination at the department level. It also mediates between top management and the technical core.

Top management: provides direction, strategy, goals and policies for the entire organization or major divisions.



2.2 Dimensions of Organization Design

These dimensions of organization design interact with one another and can be adjusted.

2.2.1 Structural dimensions (key internal characteristics of an organization)

Formalization: reliance upon written documentation in the organization (procedures, job descriptions, regulations and policy manuals). Tends to be higher in large organizations.

Specialization: the degree to which organizational tasks are subdivided into separate jobs.

Hierarchy of authority: who reports to whom, span of control for each manager. When spans of control are narrow, specialization is high and the hierarchy tends to be tall.

Centralization: whether decision making is kept at the top level (centralized) or is delegated to lower organizational levels (decentralized)

Professionalism: the level of formal education and training of employees. (average years of training)

Personnel ratios: divides the number of employees in a classification by the total number of organizational employees. This includes administrative ratio, clerical ratio, professional staff ratio and the ratio of indirect to direct labor employees.

2.2.2 Contextual dimensions

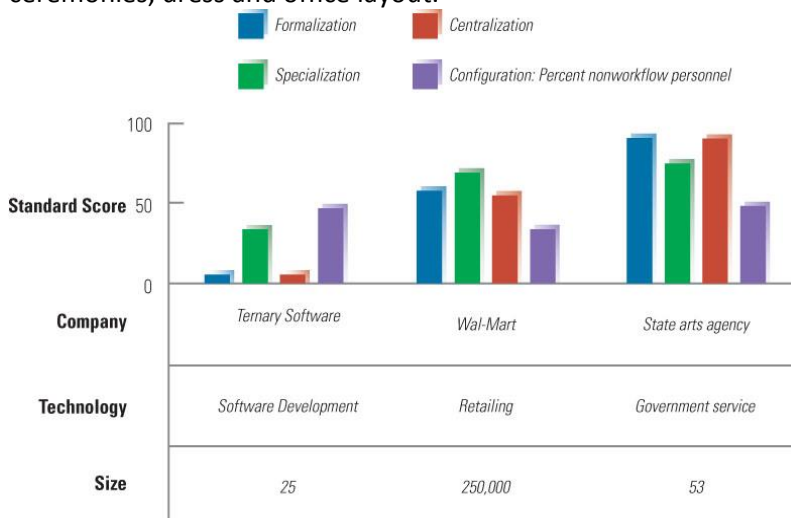
Size (number of employees, total sales, total assets)

Organizational technology: the tools, techniques and actions used to transform inputs into outputs.

Environment: industry, government, customers, suppliers, other organizations and financial community

Goals and strategy: define the purpose and competitive techniques that set it apart from other organizations. Goals: enduring statement of company's intent. Strategy: plan of action that describes resource allocation and activities for dealing with the environment.

Culture: underlying set of key values, beliefs, understandings and norms shared by employees. It's the glue to hold organization members together. Unwritten: can be observed in it stories, slogans, ceremonies, dress and office layout.



2.2.2 Performance and effectiveness outcomes

The goal is to design the organization in such a way to achieve high performance and effectiveness.

Efficiency: *amount of resources* used to reach the organization's goals

Effectiveness: *degree* to which an organization achieves its goals

Each organization has stakeholders.

- A **stakeholder** is any group within or outside of the organization that has a stake in the organization's performance.
 - E.g. Owners and shareholders, management, employees, customers, suppliers, community, creditors, unions, government
- The interest of different stakeholders often conflict: different people want different things.
- **Stakeholder approach:** balancing the needs of *all stakeholders*



2.3 The Evolution of Organization Theory and Design

- Why do we need organization theories?
 - “There is nothing so practical as a good theory” (Kurt Lewin)
 - Put real-life practical issues in a broader perspective
 - To interpret /understand why organizations do what they do
 - Used in managerial practice and public discourse
- What are organization theories?
 - “A good theory explains, predicts, and delights” (Karl Weick)
 - “... a generalized and coherent body of ideas, which explain the range of variations in the empirical world in terms of general principles” (Randall Collins)
 - What, how, why, who, where, when of [organizational] outcomes
- Why are there so many organization theories? (a proliferation of theories)
 - Different historical periods, different scientific backgrounds, different cultures, different normative starting points, etc. produce different *meta-narratives*
 - Different *meta-narratives* produce different theories
 - Levels of analysis
 - Individual (social/psychological)
 - Structural
 - Ecological
 - Closed vs. open systems approach
 - Rational vs. natural

TABLE 5-1 Dominant Theoretical Models and Representative Theorists: A Layered Model

| Levels of Analysis | Closed System Models | | Open System Models | |
|-----------------------------|--|---|---|--|
| | 1900-1930 Rational Models | 1930-1960 Natural Models | 1960-1970 Rational Models | 1970-present Natural Models |
| <i>Social Psychological</i> | Scientific Management Taylor (1911) Decision Making Simon (1945) | Human Relations Whyte (1959) | Bounded Rationality March & Simon (1958) | Organizing Weick (1969) |
| <i>Structural</i> | Bureaucratic Theory Weber (1968 trans) Administrative Theory Fayol (1919) | Cooperative Systems Barnard (1938) Human Relations Mayo (1945) Conflict models Gouldner (1954) | Contingency Theory Lawrence & Lorsch (1967) Comparative Structure Woodward (1965) Pugh et al. (1969) Blau (1970) | Socio-technical Systems Miller & Rice (1967) |
| <i>Ecological</i> | | | Transaction Cost Williamson (1975) | Population Ecology Hannan & Freeman (1977) Resource Dependence Pfeffer & Salancik (1978) Institutional Theory Selznick (1949) Meyer & Rowan (1977) DiMaggio & Powell (1983) |

Most prominent theories concerning organizational design

1. Classical perspective
 - a. Scientific management
 - b. Administrative principles
 - c. Bureaucratic organizations
2. Contingency theory
3. Resource dependence theory
4. Transaction cost theory
5. Population ecology theory
6. Institutional theory

2.3.1 Classic (historic) perspective

= (late 19th and early 20th century) apply rational calculations to turn organizations into efficient, well-oiled machines. → Development of extended hierarchies and bureaucratic procedures of control.

Scientific management (Taylor)

- Applying rational calculations to turn organizations into efficient, well-oiled machines
- 'Scientific' study of individual situations to determine which method of doing a job delivers the greatest output
- Standardization of procedures, wage incentives to increase output, careful research and meritocracy
- Based upon closed-system thinking: employees don't want to be treated as human machines and won't accept cuts in their pay when economic conditions change.

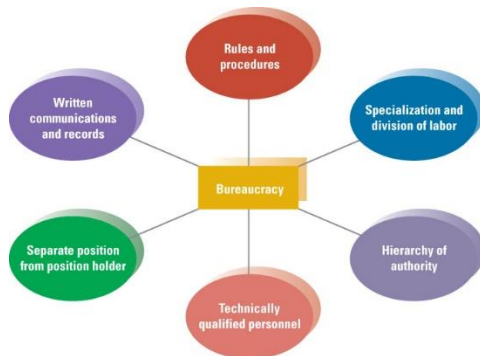
Administrative principles of management (Fayol)

- Looks at the design and functioning of the organization as a whole
- Fourteen principles of management: unity of command, unity of direction...

Bureaucracy (Weber)

- Result of scientific management and administrative principles

- Organizations are managed and designed on an impersonal, rational basis by establishing clearly defined authority and responsibility, formal recordkeeping and uniform application of standard rules

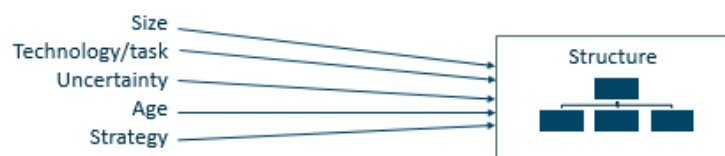


The Hawthorne Studies: the human factor

- Positive treatment of employees, even by simply acknowledging their presence and contribution, improved their motivation and productivity.
- These studies laid the groundwork to examining the *human side of enterprise*: including leadership, motivation and diverse aspects of human resource management.

2. Contingency theory

- Open systems approach: the appropriate structure/system depends on the particular circumstances or context of its design
- Fit between the structural and contextual dimensions
- No one best way to organize...
- ... any way of organizing is not equally effective



3. Resource dependence theory

- Organizations require resources to survive
- Organizations are dependent upon an organization's environment for resource acquisition
- Reduction of dependence from resources by adapting organizations to environmental pressures and uncertainties
- Buffering and bridging strategies
- Inter-organizational and collaborative networks

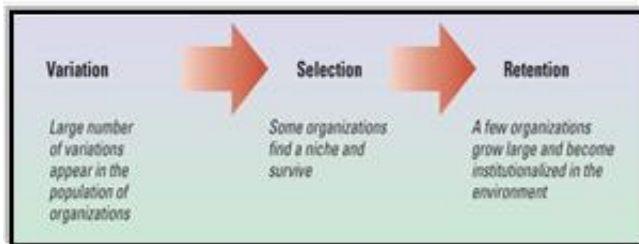
4. Transaction cost theory

- Explains why markets and organizations exist
 - "Make or buy"
- Transaction cost: cost incurred in making an economic exchange
 - Search and information costs
 - Bargaining costs
 - Policing and enforcement costs

- Hierarchical transaction costs (“make”) tend to be lower than market transaction costs (“buy”) under conditions of high asset specificity, high uncertainty and high frequency

5. Population ecology theory

- Population: set of organizations engaged in similar activities with similar patterns of resource utilization and outcomes
- Organizational diversity and adaptation
 - Technology continues to change the environment
 - Changing environment determines survival and failure
 - Inertia to change!



6. Institutional theory

- Legitimacy
 - An organization’s actions are considered to be desirable, proper, and appropriate
 - Needed in order to survive
- Organizations have two dimensions (both essential to survive)
 - Technical dimension:
 - Day-to-day work, technology and operating requirements
 - Governed by efficiency
 - Institutional dimension:
 - Part of the organization that is visible to the outside public
 - Governed by expectations of the public

Bad management theories

- The pretence of knowledge
 - “Scientific model”
 - De-humanization
- Ideology-based gloomy vision
 - Opportunistic, self-centered behavior
 - Competition vs. collaboration
- Excessive claims based on excessive assumptions and partial analysis
 - Theory affects practice
- Negative perceptions become real
- Bad management theories are...
 - ... theories based on wrong assumptions
 - ... theories which have no theoretical or empirical validation
 - ... theories which are amoral, de-humanized
 - ... theories which use a wrong type of explanation
 - ... theories which lose the wisdom of common sense

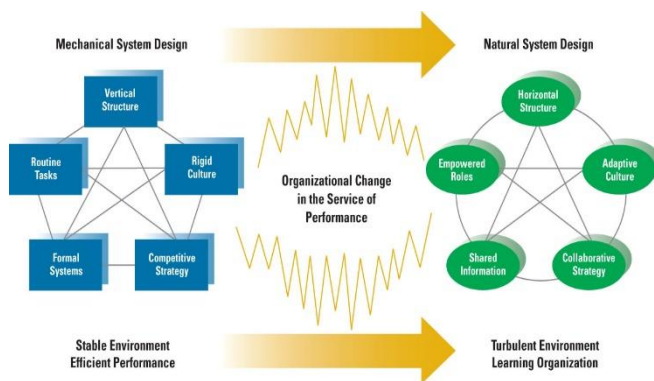
- “Typically, no theory [...] explains a ‘phenomenon of organized complexity’ fully, and many different and mutually inconsistent theories explain the same phenomenon, often to similar extents”
- Management theorists’ social and moral responsibility

2.3.2 Contemporary Organization Design

The adequacy of classic management perspectives are questioned because of the current challenges: globalization, diversity, ethical concerns, rapid advances in technology, the rise of e-business, a shift to knowledge and information as the most important form of capital.

Many organizations are redesigning their companies to become **learning organizations**:

- From vertical to horizontal structure
- From routine tasks to empowered roles
- From formal control systems to shared information
- From competitive to collaborative strategy
- From rigid to adaptive culture



SESSION 2: EFFECTIVENESS THROUGH STRATEGY AND ORGANIZATIONAL DESIGN

Chapter 3: Strategy, organization design and effectiveness

3.1 The role of strategic direction in organization design

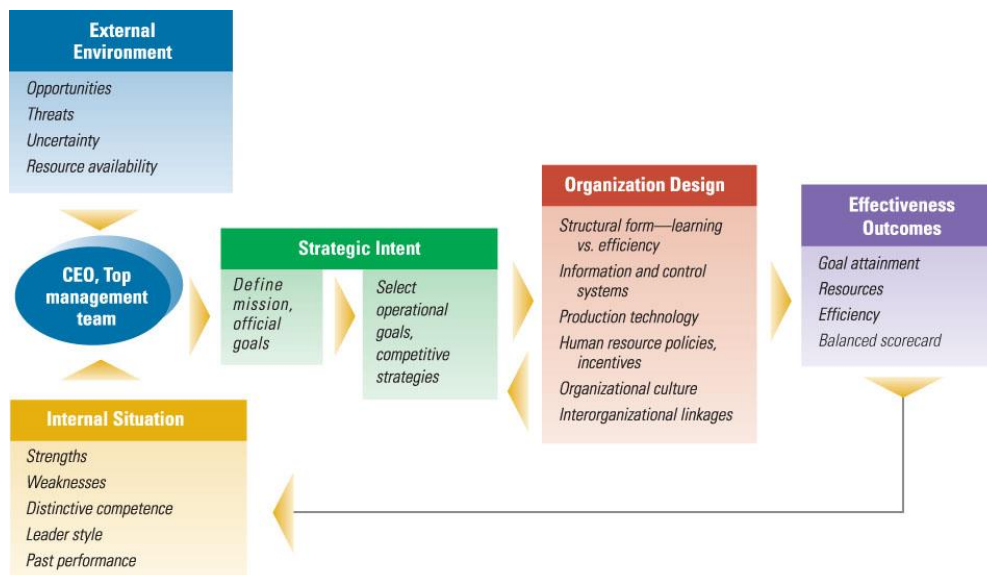
The primary responsibility of top management is to determine an organization's purpose, goals → strategy → design → effectiveness.

Purpose: Each organization exists for a purpose, which is referred to as the overall goal or mission. The mission describes the organization's vision, its shared values and beliefs and its reason for existence. Sometimes it's called the **official goals**.

Strategy is defined by the top management. They define the purpose and strategic direction. This purpose and strategic direction is translated into organizational design choices. The effectiveness of organizational efforts is evaluated. This is not always rational, but often political process.

Design: reflects the way goals and strategies are implemented, it is the administration and execution of the strategic plan. It influences the prospects of success. Design also influences strategy, because strategy is often determined within the current structure, so that the current design constrains or put limits on goals and strategy.

Effectiveness of organizational efforts are evaluated: the extent to which the goals are realized. These performance measurements feed back into the internal environment. Past performance is assessed when setting new goals and strategic direction for the future.



The direction-setting process:

- Assessment of the opportunities and threats in the external environment: amount of change, uncertainty and resource availability (see Chapter 4)
- Assessment of internal strengths and weaknesses: evaluation of each department: company's distinctive competence. It's shaped by past performance and leadership style of the CEP and top management team.

- The process of defining/adapting the mission and goals are a matter of determining the best fit between external opportunities and threats and internal strengths.

3.2 The organizational purpose

3.2.1 Mission

The mission statement is often referred to as the **official goals**. It's the formally-stated definition of business scope and outcomes the organization is trying to achieve.

- Purpose:
 - Describe a *value system* for the organization: the mission statement defines business operations and focus on values, markets and customers that distinguish the organization. It's often written down in a policy manual.
 - *Legitimize* the organization: one of the primary functions of the mission statement is the communication of what the organization stands for and what it hopes to achieve towards the stakeholders.

3.2.2 Operative goals

= Explain what the organization is actually trying to do, described in specific measurable outcomes for the short run. They focus on the primary tasks and give direction for the day-to-day decisions and activities within departments.

- Relate to key tasks of the organization
- More explicit and well-defined
- Purpose
 - Employee direction and motivation
 - Decision guidelines
 - Standards of performance

3.3 A framework for selecting strategy and design

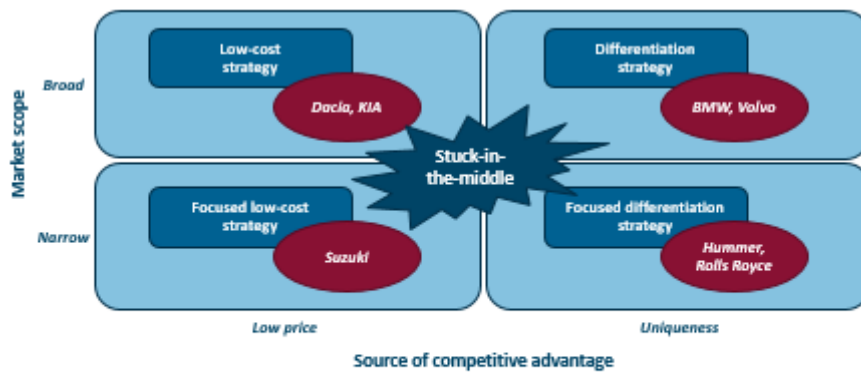
A strategy is a plan for interacting with the (competitive) environment to achieve organizational goals. The CEO/TMT select specific strategies and design options in order to achieve official and operative goals within the organization's competitive environment.

Different frameworks for formulating strategies exist:

- Porter's generic competitive strategies
- Miles and Snow's strategy typology
- Alternative frameworks
 - (Red/blue oceans strategy)
 - Baron and Hannan's Blueprints for start-up companies

3.3.1 Porter's competitive strategies

Porter found companies that use one of the 3 *generic competitive strategies* (low-cost, differentiation, focus strategy) realize higher average profits, than companies that do not consciously adapt one, but mangle combine them.



Porter's generic strategies framework Example: motor vehicle industry

- **Low-cost leadership:**
 - Increasing market share by focusing on efficiency, low cost
 - Aggressively seeks efficient facilities, cost reductions and tight controls to produce efficiently
 - Example: Ryanair, Wal-Mart
- **Differentiation:**
 - Distinguishing products or services from others in the industry
 - Use advertising, distinctive product features, exceptional service, new technology to achieve a unique product
 - Example: Air France KLM, Rolex watches, Starbucks Coffee
- **Focus:**
 - Concentrating on a specific regional market or buyer group
 - Focused low cost (e.g. Edward Jones Investment) vs. focused differentiation (e.g. Puma)
 - Example: Puma, Costcutter

3.3.2 Miles and Snow's Strategy Typology

= Typology based on the idea that managers seek to formulate strategies that will be congruent with the external environment. Organizations strive for a fit among internal organization characteristics, strategy and the external environment.

- **Prospector strategy**
 - Values creativity, risk-taking, and innovation to seek out new opportunities and grow
 - Dynamic, growing environment where creativity is more important than efficiency
 - Learning orientation: flexible, fluid, decentralized structure
- **Defender strategy**
 - Emphasis on internal production efficiency, low overhead
 - Hold onto current customers
 - Stable, low innovation environment or declining industry
 - Efficiency orientation: centralized, tight cost control to produce reliable, high-quality products for steady customers.
- **Analyzer strategy**
 - Emphasis on creativity, research, risk-taking for innovation

- Balances efficiency and learning: tight cost control coupled with flexibility and adaptability to creatively develop new product lines
- Midway between the prospector and the defender strategy
- **Reactor strategy**
 - No clear organizational approach
 - Design characteristics may shift depending on current needs
 - Reactors respond to environmental threats and opportunities in ad hoc fashion.
 - No long-range plan given an explicit mission or goal, just actions that meet immediate needs

3.3.3 Emerging concepts in business strategy

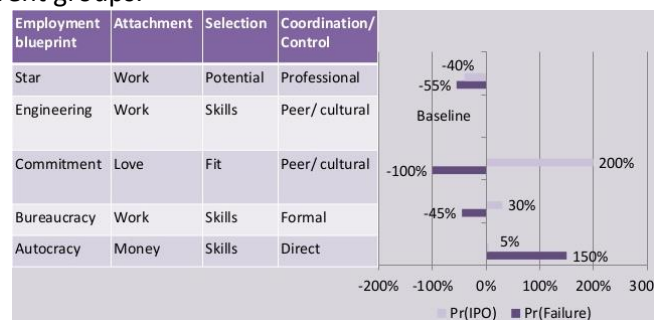
Blue Ocean Strategy – Chan Kim and Renée Maugorgne

- This theory divides up the markets into ‘red oceans’ and ‘blue oceans’.
- Red oceans
 - are market segments that are already being exploited, where strategy is geared towards finding ways to gain an edge over competitors.
 - Although strategy is still useful in these areas, red oceans are crowded and returns on strategic innovation will decline over time.
- Blue oceans
 - are industries or business ideas that are not currently in existence, and thus the size of blue ocean market space is unknown.
 - If companies can come up with products or services that meet consumers’ needs and which are not currently in the marketplace, they take advantage of the blue ocean space and generate strong profits.
- A study shows that while only 14% of the companies were geared to creating blue oceans, these delivered 38% of total revenues and even 61% of total profits.

Baron and Hannan’s blueprints for start-up companies

In start-ups the structure and philosophy imprinted on the organization at its beginning can be a key determinant of success and failure. There are 5 different groups:

- **Star:** recruiting top talent and paying highly
- **Engineering:** emphasizing professional commitment
- **Commitment:** building a strong family identity to encourage retention (! Most successful)
- **Bureaucracy:** documented rules and systems for eventuality
- **Autocracy:** hierarchical discipline



3.3.4 How strategies affect organization design

Porter's generic competitive strategies

- Strategy:
 - *Differentiation*
- Organization design:
 - Learning orientation; strong horizontal coordination
 - Strong capability in research
 - Values and builds in mechanisms for customer intimacy
 - Rewards employee creativity, risk-taking, and innovation

Miles and Snow's strategy typology

- Strategy
 - *Prospector*
- Organization design:
 - Learning orientation; flexible, decentralized structure
 - Strong capability in research

3.3.5 Other factors affecting organization design

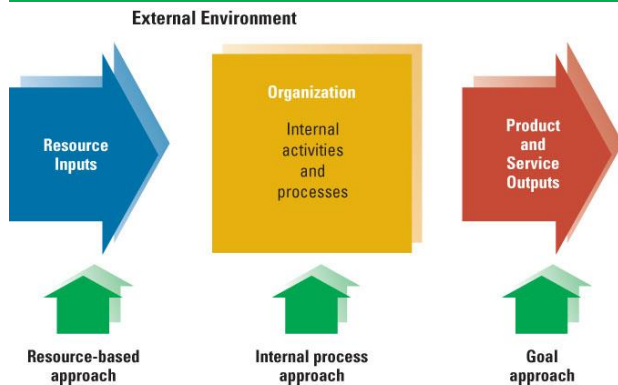
Typologies are ideal-types. In practice, it is messier: hybrid elements and different strategies are often pursued in different divisions or product lines.

- Organization design is a result of numerous contingencies
 - Strategy
 - Environment
 - Size and life cycle
 - Technology
 - Culture
- A poor fit with the contingency factors can lead to decline or even the demise of the organization

3.4 Assessing organizational effectiveness

- Organizational effectiveness
 - Broad concept
 - Evaluates the degree to which an organization realizes its goals
- Efficiency
 - Limited concept
 - Amount of resources used to produce a unit of output
- Effectiveness
 - Evaluation of multiple (official and operative) goals
 - Overall effectiveness can be difficult to measure as organizations are large, diverse and fragmented.
 - Managers determine what to measure (based on goals, strategy and design)

3.5 Contingency effectiveness approaches



= Contingency approaches to measuring effectiveness focus on different parts of the organization.

3.5.1 Goal approach

- Concerned with the output side and assesses progress towards attainment of goals in terms of output, profit or client satisfaction (logical)
- Indicators
 - Operative goals rather than official goals
 - Profitability, growth, market share, social responsibility, R&D, employee welfare, product quality, diversification, efficiency, financial stability, resource conservation, management development...
- Usefulness
 - Widely used; readily measured output goals
- Problems

Organizations often have multiple and conflicting goals → one indicator does not suffice, full assessment is needed

- Subjective indicators of goal attainment when no quantitative data is available

3.5.2 Resource-based approach

- Concerned with the input side and assesses effectiveness by evaluating obtaining of necessary resources. Whether the organization effectively obtains the scarce and valued resources necessary for high performance and whether it integrates them.
- Indicators
 - Bargaining position
 - Ability to perceive and interpret external environment
 - Ability of managers to use tangible and intangible resources (e.g., supplies, people, culture) in operations
 - Ability to respond to changes in the environment
- Usefulness
 - Used when other indicators are difficult to obtain
- Problems
 - May not consider the organization's link to the needs of customers in the external environment.
 - Assumes stability in the marketplace and fails to consider the changing value of various resources

3.5.3 Internal process approach

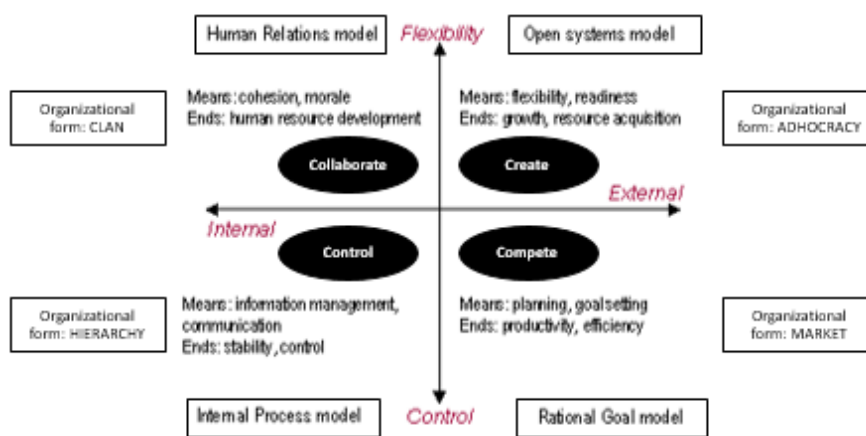
- Concerned with internal health and efficiency. This approach does not consider the external environment.
- Indicators
 - Strong corporate culture and positive work climate
 - Team spirit, group loyalty and teamwork
 - Confidence, trust and communication between workers and management
 - Decision making near sources of information, regardless of where those sources are on the organizational chart
 - Undistorted horizontal and vertical communication; sharing of relevant facts and feelings
 - Rewards to managers for performance, growth and development of subordinates and for creating an effective work group
 - Interaction between the organization and its parts, with conflict that occurs over projects resolved in the interest of the organization
- Usefulness
 - Important because managers believe that committed, involved and satisfied employees and a positive corporate culture are important indicators, if not direct measures of effectiveness.
 - Deployment of resources and harmonious internal functioning
- Problems
 - Subjective evaluation criteria because many aspects of inputs and internal processes are not quantifiable
 - Little attention to external environment

3.6 An integrated effectiveness model

All three of the approaches above have something to offer → **competing values model** balances a concern with different kinds of aspects of effectiveness rather than focusing on one approach.

- Indicators:
 - Two value dimensions (focus and structure)
 - Focus**
 - Internal focus: a management concern for the well-being and efficiency of employees.
 - External focus: an emphasis on well-being with respect to the environment.
 - Structure**
 - Stability: a management value for efficiency and top-down control.
 - Flexibility: a management value for learning and change
 - Four approaches:
 - **Open systems emphasis**
 - Dominant value is a good relationship with the environment to acquire resources and grow.
 - Similar approach to the resource-based approach.
 - **Rational goal emphasis**
 - Similar to the goal-based approach.
 - **Internal process emphasis**
 - Organizations that are well established in the environment and only want to maintain their current position would reflect this emphasis.

- Similar to the internal process approach, less concerned with human resources than with other internal processes that lead to efficiency.
 - **Human relations emphasis**
 - Management concern is for the development of human resources.
 - Employees are given opportunities for autonomy and development.
 - Emphasis is more concerned with employees than with the environment.
- Usefulness:
 - It *integrates diverse concepts of effectiveness* into a single perspective, incorporating the ideas of output goals, resource acquisition and human resource development as goals the organization tries to accomplish.
 - The model calls attention to effectiveness criteria as management values and shows how *opposing values* exist at the same time. Managers are understood to decide which values and goals will take priority in the organization. The four competing values exist simultaneously but not all will receive equal priority.



3.7 A behavioral theory of organizational objectives (Cyert & March) (only slides)

- Typologies (Porter, Miles and Snow)
 - Rational approach
 - Goals are set by CEO/TMT and translated into design choices and effectiveness approaches
 - Realistic perspective?
- A *behavioral* theory of organizational objectives
 - "... understanding how complex organizations make decisions, not how they ought to do so"
 - About how organizations *behave*, not about how they *should* behave

3.7.1 Organization as a coalition

- Organizations as coalitions
 - Managers, workers, stockholders, suppliers, ...
- Formation of coalitions through bargaining and side payments
 - Joint preference ordering (?)
- Determination of coalition objectives
 - *Bargaining process*: formation of objectives
 - *Internal organization process*: stabilization and elaboration of objectives
 - *Adjustment process*: changes in objectives through experience

Bargaining process

- Side payments:
 - A payment made to a party or parties to induce them to join an agreement/coalition
 - Money or policy commitments
- Example
- Organizational objectives are defined in the process of bargaining over side payments
 - Objectives are imperfectly rationalized
 - Most objectives are stated in the form of aspiration levels
 - Some objectives are stated in a non-operative form

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Internal organization process

- Stabilization and elaboration of objectives
 - Side payments agreements are incomplete
 - They do not anticipate all possible future situations
 - They do not identify all considerations of all coalition partners
 - Still, mutual control systems for enforcing them
 - Mutual control systems
 - Budget
 - Allocation of functions
 - Elaboration and revision of coalition agreements
 - Organizations have memories in the form of precedents
 - Members of coalitions accept precedents as binding
 - Institutionalized into semi-permanent arrangements

Adjustment process

- Despite stabilization and institutionalization, demands made on coalition by individuals change with experience
 - Nature & quantitative level
- Aspiration levels (AL)
 - In a steady state, AL exceeds achievement slightly
 - Where achievement increases at an increasing rate, AL exhibits short-run lags behind achievement
 - Where achievement decreases, AL is substantially above achievement
- Aspiration levels are based on
 - Historical achievement of participant/organization
 - Achievement of peers/reference group