

Discussion of Article and Books

- Article – Henderson's Anatomy of Competition
- Book – Morgan's *Images of Organization*
- Book – Ohmae's *The Mind of the Strategist*

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Images of Organization

Images of Organization

Book chapters

- Morgan covers the following “images” in his book.
 - He says that these are metaphors.
- Organizations as:
 - Machines*
 - Organisms*
 - Brains*
 - Cultures*
 - Political Systems*
 - Psychic Prisons*
 - Flux and Transformation
 - Instruments of Domination

* indicates that it is covered in this course lecture.

Organizations as Machines

- The Chinese sage Chuang-tzu, who lived in the fourth century B.C., relates this story.
- As Tzu-gung was traveling through the regions north of the river Han, he saw an old man working in his vegetable garden. He would take a vessel of water from a well, walk, and pour it into an irrigation ditch.
- Tzu-gung told him how to create a draw-well to mechanize what the old man was doing to become more productive.

Organizations as Machines (cont'd)

- The old man became very angry and said:
"He who does his work like a machine grows a heart like a machine, and he who carries the heart of a machine in his breast loses his simplicity. He who has lost his simplicity becomes unsure in the strivings of his soul."
- Organizations that are designed and operated as if they were machines are now usually called bureaucracies.
 - They are organized according to Classical Management theories.

Organizations as Organisms

- If we think about organizations as organisms, we find ourselves thinking about them as living systems, existing in a wider environment on which they depend for the satisfaction of their various needs.
- We find that there are a variety of species and that certain organisms are better adapted to specific environmental conditions than others.
 - The same is true of organizations.
- Such thinking on organizations began with the human relations school, but was more fully developed in the neoclassical and systems schools.
 - It is rooted in the fields of biology and ecological science.

Organizations as Organisms (cont'd)

- The major concepts are that organizations are:
 - Open systems which interact with their environment
 - In contrast, the Classical School considered organizations to be closed systems, neglecting interaction with the environment.
 - Homeostatis, which is the ability for self-regulation to maintain a steady state.
 - Differentiation and integration refers to the diversity of ecosystems which, though the individual species are diverse, are integrated and mutually dependent.
 - Evolution of the organization based on the biological concepts of natural selection and mutation.

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Organizations as Brains

In a famous experiment, the American psychologist, Karl Lashley removed increasing quantities of the brains of rats which had been taught to run in a maze. He found that, provided he did not remove the visual cortex and thus blind them he could remove up to ninety percent of their cortex without significant deterioration in their power to find their way through the maze.

- There is no man-made machine of which this is true.

Organizations as Brains (cont'd)

- The brain has been compared to a holographic system.
- Holography demonstrates that it is possible to create an object where the whole can be encoded in all its parts, so that each part represents the whole.
- This concept implies, for example, that an organization can replicate itself in another location (domestic or international) from only moving a part of itself to that place.

Organizations as Brains (cont'd)

- Another aspect of this concept is the role and importance of information processing to an organization.
 - Organizations are information systems.
- Finally (for this lecture), an organization can learn.

Organizations as Cultures

- Political scientist Robert Presthus has suggested that we now live in an “organizational society.”
- The French sociologist Emile Durkheim has shown that the development of organizational societies is accompanied by a disintegration of the traditional social order, as common ideals, beliefs and values give way to ones based on the occupational structure of the new society.
- However, according to Morgan, it would be a mistake to dismiss national and ethnic cultural differences as being of little significance.

Organizations as Cultures (cont'd)

- Organizations are mini-societies that have their own distinctive patterns of culture and subculture.
- For example, a study of an American insurance company yielded these findings:
 - The company emphasized cooperation and politeness.
 - Though polite, meetings between departments were disinterested and at best superficial.
 - Whereas in public, the ethos of harmony and politeness ruled, in private, people often expressed anger and dissatisfaction with various departments and the organization in general.
- Many organizations have fragmented cultures of this kind; people say one thing and do another.

Organizations as Political Systems

- An organization's politics is most clearly manifest in the conflicts and power plays that sometimes occupy center stage, and in the countless interpersonal intrigues that provide diversions to the flow of organizational activity.
- We can analyze organizational politics in a systematic way by focusing on relations between *interest*, *conflict*, and *power*.

Organizations as Political Systems (cont'd)

- Conflict arises whenever interests collide.
 - Conflict in an organization is usually viewed as dysfunctional.
- Morgan suggests otherwise; he states that conflict will always be present in organizations.
- Power is the medium through which conflicts of interest are ultimately resolved.
 - Power influences who gets what, when, and how.

Organizations as Psychic Prisons

- Human beings have a knack for getting trapped in webs of their own creation.
- The psychic prison is created by favored ways of thinking and acting that trap individuals within socially constructed worlds and prevents the emergence of other worlds.
 - Sometimes this process is called “groupthink.”

Organizations as Psychic Prisons (cont'd)

- One way to view organizations is as unconscious extensions of family relations.
 - The organizational hierarchy and relationships between departments at the same level are proscribed by family values regarding relationships with parents and siblings.
- Another way to view organizations is as a way to deal with our anxieties.
 - The individual's role in the organization provides a sense of belonging and sets limits on the person's responsibilities, both of which reduce anxieties.
 - On the other hand, internal strife or competition can unleash anxieties; feelings of envy, distrust, dislike, and even sadism can result.

Kenichi Ohmae

1982

The Mind of the Strategist

The Art of Japanese Management

Kenichi Ohmae

- An advisor to top management, author, and speaker.
- Chairman of the Japan office of McKinsey & Company, the highly respected international management consulting firm.
- Described as “Mr. Strategy” in his native Japan.
- Has written five books on strategy (three of them best-sellers in Japan).

Introductory Statements

- When I talk with senior executives in Europe, North America, and Asia, almost without exception I find that they are keenly interested in what I have to say about business strategy.
 - The reason? I am Japanese.
- How do Japanese managers do it? They do not have a strategic planning staff, but they have a strategist of great natural talent.
 - Usually that person is the founder who has little or no business education.

The Starting Point

- **Analysis** is the critical starting point of strategic thinking.
- Faced with problems, trends, events, or situations that appear to constitute a harmonious whole or are packaged as a whole by the common sense of the day, the strategic thinker dissects them into their constituent parts.
- Then, having discovered the significance of these constituents, he reassembles them in a way calculated to maximize his advantage.

The Critical Issue

- The first stage in strategic thinking is to pinpoint the critical issue in the situation.
 - In problem solving, it is vital at the start to formulate the question in a way that will facilitate the discovery of a solution.
- Rather than recklessly attempting to come up with a solution simply on the basis of experience or intuition, the strategic thinker would take a blank sheet of paper and start by listing the most important issues.

Routes to Competitive Advantage

- Business strategy is all about **competitive advantage**.
- Competitive advantage means that strategy must consider actual or potential competitors.
- There are four ways to competitive advantage:
 - Key success factors
 - Building on relative superiority
 - Pursuing aggressive initiatives
 - Exploiting strategic degrees of freedom
- Each of these will be discussed next.

Key Success Factors

- If you can identify the areas which really hold the key to success in your industry and apply the right mix of resources to them, you may be able to put yourself into a position of competitive superiority.
- Basically, the strategist has two approaches:
 - Dissect the market into its key segments, and
 - Discover what distinguishes winner companies from loser companies.

Building on Relative Superiority

- A position of relative superiority can be established in a number of areas.
- Detailed analysis of a product and its market may point out two or three possibilities.
- For instance, a company can compare its product with that of its competitors and analyze the differences in order to determine where relative competitive advantage can be achieved.

Pursuing Aggressive Initiatives

- The strategist sets out to devise a method to clear away confusion and break the bottlenecks that have put the company into its current position.
 - No dramatic leap or stroke of genius is involved.
- The object of the quest is to come up with ideas or innovations that will introduce new life into the company and its market situation.
- The strategist's method is very simply to challenge the prevailing assumptions with a single question: Why?

Exploiting Strategic Degrees of Freedom

- Normally, there is no possibility of improving performance in every operational area.
 - The resources in terms of management's time, energy, and attention are limited.
- This means choosing a particular direction to pursue for success.
- To decide, we would do well to calculate the investment-versus-return for each option being considered and then to try to forecast which moves are likely to be made by competitors and the effect of those moves.

The Barriers to Strategic Vision

- **Strategic tunnel vision** – obsession with one direction and unable to see alternates.
- **The “all or nothing” fallacy** – total success may be unattainable, yet problems can be overcome (e.g. organic infinite variability).
- **Flexible thinking** – consider alternatives by posing “what-if” questions.
- **Perils of perfectionism** – there is no “perfect” strategy; even a strategy that is marginally superior can suffice.
- **Keeping details in perspective** – an inability to make well-timed decisions may be due to fear induced by intellectual timidity, i.e., a perfectionist obsession with detail.