

**Horizontal Power Differences:
An Exploratory Study.**

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DECLARATION OF ORIGINALITY:

I hereby certify that this material, which I now submit for assessment on the program of study leading to the award of Master of Business Studies is entirely my own work and has not been taken from the work of others save and to the extent that such work has been cited and acknowledged within the text of my own work.

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ABSTRACT

This study investigates horizontal power differences in three companies using a case based approach. Three objectives were set, to examine the nature of the phenomenon within the different context of each company, to investigate the processes that create the power distribution, and to examine existing literature as an explanation of the cases findings.

The existence and nature of horizontal power differences were found to vary in each case due to contextual factors and a previously unexplored variable, leadership proximity, was uncovered.

The process by which power differences emerge was seen as arising from a social construction of the context of the organisation. Critical success issues were inferred from leader actions and communications which in turn determined an institutionalised order legitimising the power of certain departments.

The findings further suggest that a relationship exists between the two primary perspectives (structural and cultural) traditionally used to explain horizontal power differences. The research also allows the development of a tentative model on communication cycles and the development of a common understanding of critical success issues.

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CHAPTER 1:

INTRODUCTION

Organisations are created to achieve some end. They consist of a group of people in a social context coordinating their activity to a common purpose. This common purpose requires direction and focus. The study of power in organisations is concerned with how this direction and focus is achieved. It is the study of how, why and by whom organisational actions are determined.

Understanding power is complicated by the diversity of approaches to studying it that have arisen within different branches of the social sciences. Power is of interest to the organisational theorists, who want to design and build organisation command structures, it is of interest to the psychologist, who wants to explain behavioural patterns and it is of interest to the sociologist, who wants to study the societal context of work organisations. The approaches adopted have used different definitions of power and different levels of analysis making comparison and cross analysis difficult. What these divergent views indicate however is the complex, dynamic and multifaceted nature of power.

1.1 Overview of Horizontal Power Differences

Horizontal power is a specific theme within the power literature. It is concerned with why certain departments or organisational units are able to

exercise more influence over activities than their counterparts at the same hierarchical level.

The traditional bureaucratic view of organisation is rooted in a rational and formalized model where roles and responsibilities are precisely defined and where common objectives exist. Departments all fulfill their roles within this universally focused organisation structure. Across the horizontal level the model does not foresee any power differences providing only for the use of formal power through the hierarchical system of authority. There are however a number of criticism of this view of organisational life (Cyert, Simon and Trow, 1956). Organisations are complex as are their environments. Insufficient resources, time and effort exist for organisations to develop systems that predict outcomes or events with certainty. They therefore operate under conditions of quasi-certainty or bounded rationality (March and Simon, 1958). Different departments will consider the events and contexts of the organisation in different ways based on their professional background. Accountants and marketing people will probably generate radically different solutions to the same problem. Given that the organisation is not certain about situations it faces it must generate a conceptual framework in which to operate. Weick (1969) referred to this as an enactment process, the determination of the boundaries and constraints of the environment. Actions in such a model become a political process of justification, influence and the setting of the decision parameters. Decisions will be made on the basis of the perceived

importance of likely outcomes. This is the antithesis of the rational view where outcomes are known with certainty. Rather than having power vested in the authoritative command structure of the organisation, power becomes settled through a political process of interaction between organisational members. At the departmental level the settling of a political dominance, (power) will dictate the functional orientation of the organisation. Conflicting departments will compete to establish the criteria on which decisions will be made by trying to define the critical events on which the organisation must act. Successfully defining events will facilitate the departmental orientation dominating others and accordingly govern the direction and focus of the organisation. Organisation life must therefore be considered in the context of a political model (Balbridge, 1971) where organisations are seen as coalitions of interested parties competing for decision outcomes and allocations. The political model has received considerable support as a fair reflection of organisation reality (Pfeffer, 1981, 1992; Pfeffer and Salancik, 1974; Perrow, 1970, 1972; Stagner, 1969; Cobb, 1986). Within this political perspective the existence of power differences at the horizontal level is a natural phenomenon. Indeed, the research on horizontal power has been consistent on one point, differences in the power of sub-units do exist. Several explanations have been posited as to why this is the case and for the purpose of this dissertation they will be dealt with under two specific labels. Structural theories which emphasize the importance of structural aspects such as dependence among departments, or the coping with other departments uncertainty, (Pfeffer and

Salancik, 1974; Hickson et al 1971; Latchman 1989) and cultural theories that emphasize the role of the social context of the organisation and the systems of meaning in the organisation (Enz, 1986; Pondy 1977; Mintzberg, 1983).

1.2 Why is Horizontal Power Important?

Power is needed to get things done. Managers lead subordinates partly through the exercising of power. It enables them to issue commands and ensure compliance, to reward desired behaviour and punish undesired behaviour. It is therefore a positive tool in achieving goals. Adopting a rational model of organisation, actions are undertaken under conditions of certainty, problems are known, outcomes are determined and organisational members contribute to universally agreed goals. Power to get things done is part of the system of authority so horizontal power differences should not be present. Organisations are not rational however and this leads to a number of reasons why attention should be focused on the horizontal level of power.

The political model of organisation indicates that power will be needed to resolve conflict across the horizontal level. When faced with a decision, solutions will be presented by different departments which favour their own position. The political process of generating support and justifying the particular solution will result in one department's preferences winning out.

This is likely to be the department that has the greatest level of influence over activities. But the direction the organisation takes will be influenced by the actions at the departmental level, that is influenced by the pattern of decision outcomes arising from the result of the political interaction at the horizontal level. Where the finance department has greatest influence and can exert this influence on the decisions made, then the organisation is likely to follow a financially driven direction. Horizontal power differences therefore directly influence the potential for strategic achievement. Successful management must factor political considerations into how the organisation is managed and especially how departmental interaction creates a potential focus for the organisation. Hardy (1996) emphasised the role of power in achieving strategic intent. Power systems in the organisation must be managed and adjusted to reflect strategic direction. Mintzberg (1978) has written about the difference between intended and emergent strategies. Intended strategies are those that are advocated by senior management. Often however different strategies emerge as original intentions become lost or misunderstood by organisational members executing the strategies. Horizontal power differences are one way this might occur. The example of a financially driven company is likely to reinforce the financial achievement aspects of strategy even if the strategy has moved to greater customer service issues. In this manner the relative power position of departments is likely to have an emergent affect on strategy. This is not intended to imply that the existence of horizontal power structures is dysfunctional. They arise naturally out of a political model of

organisation. What they do require is an awareness on the part of top management that they must be shaped to ensure they have a positive affect on organisational activity.

The structural contingency view of horizontal power suggests that there is a fit between control of structural factors and the existence of horizontal power. This in turn must draw management attention to this fit and how it arises. In the dynamic environment, facing most organisations, adapting to change is central to successful management. Understanding the emergent effect of horizontal power should focus management attention on how to adapt to changes.

Another issue relates to resource allocation. All organisations have some limitations to resources. Departments will compete for these scarce resources, protecting current allocations and justifying additional allocations. Success in this process depends on how well a department can influence other departments, muster support and justify its particularistic criteria. Departments will therefore in the natural course of competing for these scarce resources utilize and develop power positions vis a vis other departments.

Power is also important for dealing with interdependence. Most organisations have some level of interdependence between departments (Thompson, 1967). They depend on one another, requiring departments to complete activities or

tasks which allow a succeeding department to undertake the next stage in the work cycle. Conflict is therefore heightened as departments try to control the flow to and from other departments. Horizontal power differences can regulate and manage both the workflow and the relationship between the departments. Powerful departments can insure the workflow meets with their requirements.

Finally, and possibly most importantly is the modern trend toward flatter organisational structures leading to more responsive and more empowered organisations (Peters, 1992). This is creating more 'equal' levels in the organisation, with greater emphasis on team work. Influence is replacing authority as a basis for getting things done. The traditional role of power as part of an authority structure is being replaced by power through influence. Organisations are becoming more of a political arena. To successfully manage in such an organisation it is necessary to understand the dynamics by which the locus of power is settled and how to manage that process. It is therefore important to understand the nature of horizontal power in order to fully utilize and manage the interrelationships between departments.

1.3 Overview of the Research Objectives

This work adopts a processual case based approach to address three main objectives. Given the complex and multifaceted constitution of power and the divergence in research findings on the nature of horizontal power, an argument

will be developed that calls for attention to be focused on contextual factors that create variations in the nature of horizontal power differences.

Additionally, the role of process in creating horizontal power has been under explored. Research needs to focus on how power differences evolve with explanations of how the underlying forces interact. These issues lead the dissertation to develop two research questions:

Objective 1: To compare the nature of horizontal power differences in three different types of organisational start-ups.

Objective 2: To explore the processes which create horizontal power differences in the cases considered.

Additionally the examination of context and process allow for the examination of a third objective. The existing literature has two distinct perspectives, structural and cultural, explaining horizontal power differences. The research approach adopted allows these perspectives to be compared as explanations for the processes uncovered in the case analysis. This is the final objective.

Objective 3: To examine structural and cultural perspectives as explanations of the nature of horizontal power differences in each of the cases considered.

1.4 Organisation of Dissertation

The dissertation will firstly (Chapter 2) demonstrate the complex and multifaceted nature of power through discussing definitions and dimensions of power. Consideration will then be paid to identifying the sources of power as an aid to an understanding how differences in the amount of power can exist across the horizontal level. The structural and cultural perspectives on horizontal power will be examined in detail. The development of the research questions can then be fully explained (Chapter 3) and the justification of the research methodology presented. This will include outlining the research method adopted including case selection and data collection. The three case studies are then presented (chapter 4). Chapter 5 will analyse the cases and present the findings. Contextual factors that influence the nature of power in the cases will be discussed and a process model of horizontal power creation will be developed. A synthesis of the structural and cultural theories will also be proposed. Finally the conclusions (chapter 6) will review the dissertation, developing a tentative model of communication cycles and their impact on the creation of shared understandings. The importance and limitations of the work and the implications of further research will also be indicated.

CHAPTER 2:

**POWER
AND
HORIZONTAL POWER DIFFERENCES**

2.1 Introduction

To understand power and its importance there must exist some clarity on the meaning of the term. Power conjures in the mind of most people a clear image of what is meant but the translation of that interpretation to a universally applicable definition has proved problematic. It is easy to identify who are powerful but often very difficult to define what that means or where the power comes from. Its complex and dynamic nature is evident in attempts to define it. Pfeffer and Salancik (1974) have even argued that defining it was not useful as anyone who had been subjected to power knew it. It was more useful to ask about it than be concerned with a definition which would limit its parameters. Research in the area is characterised by the diversity of different constructs and subjects. Work has been done on community groups (Bachrach and Baratz, 1962), universities (Pfeffer and Moore, 1980) health care units (Latchman, 1989) and government (Ostrom, 1974). Reviewing these different approaches adopted in studying power clarifies its multidimensional nature and paves the way for an understanding of power, its sources and why horizontal power differences emerge.

2.2 What is power?

Brass and Burkhardt (1993, p442) point out that much of the difficulty in developing a common understanding of power arises from the particular view differing research agendas dictate. Psychologists and behaviouralists tend to look at power from the individuals point of view, that is the micro level while organisational sociologists refer to groups or organisational contexts, that is the macro level. Different levels of analysis affect the definition of what is or is not power as well as making comparison across levels problematic.

Horizontal or sub-unit power is usually analysed at the macro level but consideration of both levels helps to understand the general concept of power. Two critical issues arise from differences in the levels, the consideration of power as structural or behavioural in nature and the distinction between the physical use of power and the capacity to exert power directly or indirectly.

Power is often equated with authority or the legitimate right of one person to command another because of a right vested in their position or office. Max Weber (1947), a founder writer on organisational theory defined power as the probability that one actor within a social relationship will be in a position to carry out his own will despite resistance, regardless of the probability on which this rests (p152). Imperative control, the probability that an order will be obeyed, and discipline, the probability an order will receive a prompt

response, merge to create authority or what Weber referred to as '*Herrschaftsverband*'. This perspective of power views it as stemming from the legitimate authority structure of the organisation. Certain people have a right to command and others must follow. Authority ensures commands are executed. This is the basis for the bureaucratic structure proposed by Weber where a rational and logical command structure exists based on a hierarchical downward flow of authority. Power is therefore an integral function of the position within the organisational structure and is stable and predictable over time. This rational view however suffers from a number of deficiencies. Power structures are not solely a function of the organisational structure but many other factors also impact on how power is exercised.

Weber's construct relates power to a tangible facet of the organisation, its authority structure, independent of people and their relationships. Dahl (1957) provides an alternative opinion, that power is part of a social relationship not a possession that a person owns. He defined power in terms of the relationship between people, actor A has power over actor B to the extent that A can get B to do something that B would otherwise not do (Dahl, 1957, pp 202-203). Dahl examined power through the analysis of decision making, considering circumstances where the decision outcome would have been different had parties acted independently. Dahl includes in his conceptualisation of power Bierstedt's (1950) concept of potential power. Bierstedt defined power as the capacity to apply sanctions. Potential is the ability to affect a decision through

the application of sanctions. The ability to apply sanctions does not necessarily mean that it will be used. Both Dahl and Bierstedt felt that power had to be considered in terms of its physical and visible influence over outcomes.

Potential power is present at a point and time, it is either used or lost.

Furthermore, potential only becomes power when used, that is a decision has been influenced. However as Wrong (1968) has pointed out, potential in itself may often achieve compliance based on the subjective assessment that the power might be used if necessary. The ability of actor A to alter the behaviour of actor B can therefore rest on three factors, the use of overt power, the use of potential power and the potential for power. The use of authority or the application of sanctions is generally not applicable to the discussion on horizontal power differences as the amount of formal authority is consistent across the horizontal level. This conceptualisation of power does not therefore provide sufficient dimensions to facilitate an understanding of horizontal power.

Dahl's approach of examining decisions to determine when behaviour has been influenced has been criticized on a number of grounds. Bachrach and Baratz (1962) point out that power may also be exercised through limiting or confining the decision arena. It is possible that decisions or issues may be prevented from open discussion or debate and so by limiting the analysis to decisions taken only part of the power used is being considered. Fiol (1991) wrote about the need to know about decisions, non decisions, actions and non

actions. Reinforcement of social values or beliefs may limit the range of issues that may be legitimately discussed. Culture and institutionalised values act as a preventative shield that excludes issues that may be detrimental to those that are powerful. The second problem with Dahl's approach is that it does not distinguish between important and unimportant issues. Conceptualizations of power need to be able to include the potential issues as well as the overt issues that arise in the decision process. Bachrach and Baratz discuss this through the concept of the Mobilization of Biases which they defined as "the dominant values and political myths, rituals and institutions which tend to favor the vested interests of one or more groups, relative to others" (p. 950). This model of power moves away from a purely behavioural model and includes the contextual situation generated through the creation of values and culture and accordingly has more significance to the horizontal power issue.

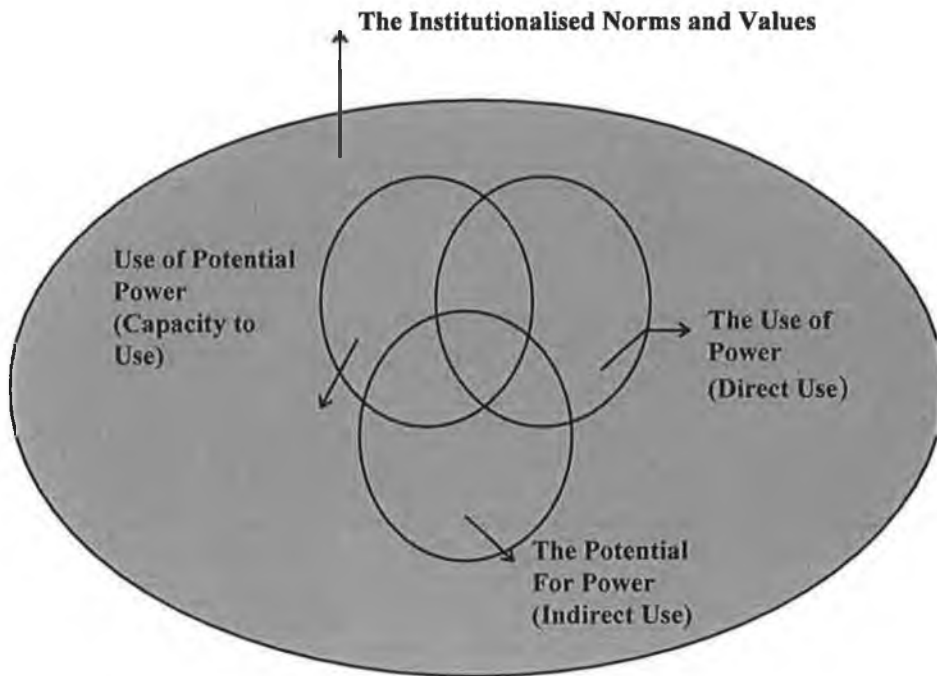
Another dimension comes from Lukes (1974) who expanded upon the Bachrach and Baratz concept. He focuses on power within both the behavioural and structural views while adding the wider contextual factors in the organisation. Three dimensions exist with this construct. Power to resolve open conflict, power exercised to suppress conflict and the power of institutionalised norms and values.

Limiting analysis of power to situations of decisions or non decisions interpret it as part of a consciously chosen act. But as Lukes points out power may be

exercised over another without any conscious decision making taking place, the preference of powerful actors might be inferred and acted upon without any input arising from the powerful actor. Power is therefore present because it limits the perceived choices available. Implicit is that power can arise from socially construct understandings set in the institutionalised patterns of behaviour and practices that permeate the organisation. Organisations are set within a context of people, structure and cultural values and beliefs. The cultural aspect of the organisation create norms and values that allows powerful actors to establish widely accepted criteria for actions. These criteria set the parameters of decision making and determine the issues that can be brought into the decision arena. This perspective provides a broader framework of discussing horizontal power. It is concerned not only with the direct application of power but also issues which allow unobtrusive sources of power to be discussed.

Hardy (1996) developed Lukes construct and added a fourth dimension, the power of the system, which lies in the unconscious acceptance of the values, traditions, cultures and structures of the organisation (p.S8). These are forces that create an established status quo that is embedded within the organisation. Hardy argues that strategic action requires the employment of power arising from the application of sanctions, the control of the decision process and the management of meaning to alter and change the power embedded in the system.

Figure 2.1 Dimensions to Power



These issues can be summarized into a broad overview of what constitutes power in the organisation (figure 2.1). It consists of overt and direct application of sanctions, the ability to apply if desired and the capacity to indirectly influence. These are embedded within the context of institutionalised values and beliefs which set parameters on organisational action. These dimensions are important when considering horizontal power differences because these differences do not arise from the formal position in the organisation. At the horizontal level power must be considered more in terms of how influence is brought to bear on the decision arena rather than the

use of authority or application of sanctions. In this regard the potential of power and the importance of institutionalised values and norms are important factors in the examination of horizontal power.

Another important consideration is the perspective adopted by Emerson (1962, p33) who defined the power of a social actor as being equal to the dependence of another on that social actor. Here power is equated to the level of control over things that other actors value or require. This perspective is structural in nature and links power to the control of important resources. This definition also links the source of power (creating dependence) to the definition of power. Understanding the dependencies among actors provides an answer to the question, who has power? Emerson's theory was the basis for the research on resource dependency (Pfeffer and Salancik, 1974, 1978) and forms much of the basis of research in network relationships.

2.2.1 Weight, Domain and Scope of Power

Using the term 'powerful' implies capacity to control or influence as the preceding discussion suggests. However a person may be powerful to the extent that they influence a given decision or outcome but that does not mean that they can influence a different situation. Power must therefore be considered to be situation specific. Kaplan (1964) distinguishes three

dimensions of power, weight, domain and scope. Weight of power is the force or degree of influence that can be exerted on a given decision. Domain is the number of actors over which influence may be exercised. Scope is the different activities that may be affected. Kaplan demonstrates the limitations of any given power source. It is restricted within the confines of the relationships or connections between departments. Krackhardt (1990, p343) argues that asking who has power is answered in part by the question, power to do what? People or departments may be powerful over a limited number of issues. Departments have certain ranges of activities that establish their domain and scope. Finance look after the financial issues, production looks after the production issues and so on. But organisations are increasingly complex and the decision issues do not always fall within the specific scope of one single department. For example the development of a new product will have effects on the research department, the production department, the marketing department and the finance department. Some of these departments will ultimately have to accept compromises in deciding new product strategies. Weight, scope and domain therefore overlap to some degree.

2.2.2 Form and Content of Power

It is also important to distinguish between the factors that constitute power, its form and the sources that allow form to be applied, that is its content.

Authority is a form of power where as the use of authority through the

rewarding or punishing of subordinates is an application of power (Bacharach and Lawlor 1980 pp. 14-15). Form is likely to have some consistency, stability and presence over time. Content on the other hand is likely to be idiosyncratic and context specific susceptible to variation in degree and presence depending on our weight, domain and scope relative to a given situation.

Identification of form and content of departmental power can be difficult. Authority is not a form present when examining power at the horizontal level. No differences exist in the amount of formal authority. Other forms of power are therefore required to allow horizontal power differences to develop. The role of influence, the capacity to exert power indirectly, the creation of dependence and the importance of institutionalised values and norms which establish behaviour patterns are therefore more likely explanations of the forms that horizontal power can take. Our content or source of sub-unit power must therefore relate to these issues rather than formal authority or position power. Understanding the sources of power therefore helps to conceptualise how horizontal power is used.

2.3 SOURCES OF POWER

Sources of power are the ways in which people or departments are able to exert influence or achieve their desired outcome. Identifying these are

important to the discussion on horizontal power differences as they facilitate an understanding of how variations in the weight, domain and scope of power exist for departments. While this sections deals with power in general terms the sources of power identified are equally applicable at the departmental level.

Four distinct sources of power can be identified from the existing literature. Structural, individual, informational and cultural sources will be discussed. These sources are conveniently segregated but in reality are closely interrelated. Political activity can be associated with actions within each of them. Information sources could similarly be handled within all of the other sources and is an issue that permeates the power source literature. It is however more concisely dealt with independently.

2.3.1 Structure as a Source of Power

Structural sources of power are those that stem from the division of work within the organisation. This division of work assigns tasks, responsibilities and control over resources to individuals and departments. Two factors arise from this allocation of duties. Firstly, not all tasks are of equal importance, some are more central or important to achieving organisational goals than others. Secondly, organisations must rely on interaction between individuals

and groups to co-ordinate activity. Interdependence (Thompson, 1967) is the extent to which work of one sub-unit is contingent on the work of another. Again this leads to an imbalance in the relationship as certain individuals or departments will control resources required by others. These two themes, position in the hierarchy and control of resources, are the two most critical bases on which structural power can be exercised.

The most obvious form of power derives from the position in the hierarchy. Hierarchical or legitimate authority is the formal right of a superior to issue commands within the domain determined by their position (Weber, 1947; French and Raven, 1968). Managers expect they can ask their staff to comply with legitimate requests to complete organisationally relevant tasks. This type of power arises when both parties within the relationship acknowledge the right of one to issue instructions and the obligation of the other to follow those instructions. This type of power however is not related to the exercise of power across sub-units as there is no imbalance in the level of authority between the departments.

Control of resources has attracted a lot of attention in the power literature and is specifically related to the theoretical explanation of horizontal power. Pfeffer (1981, 1992) points out that resources can be anything that satisfies a need or want that other people require. It is easiest to consider resources as

tangible items such as finance or personnel. It can extend however to include intangibles such as information access, emotional support or even time.

Pfeffer (1992) draws an important distinction between the jurisdiction over the resource and the control of the resource. Jurisdiction does not imply control unless there is discretion over allocation. Control over the financial resources of a corporation does not create power over those departments dependent on allocations if the allocations are made on predetermined basis not within the control of the finance department. To form a basis of power there must be some discretion over the allocation so that it can be provided or withheld at the holders option. Similarly, control does not require possession. It is possible to regulate the use of resources not in your possession through the establishment of rules and regulations for the allocation or it may be possible to limit the access to the resource (Edwards 1979). The point is that resource control is a dynamic state not confined to the ownership of resources but rather to how they are used or determined.

The manner in which resources are applied or allocated can also have an impact on the power position of the allocator. Resources can be strategically applied to increase their importance and increase the dependence of others on the resource. Pfeffer and Salancik (1974) and Pfeffer (1992) explain how the budgeting process can demonstrate the importance of the incremental nature of allocations. There are two fundamental processes at work. Firstly, the base

budget people or departments have enjoyed tends to be regarded as a precedent level. Anything lower will be viewed as a loss, while anything additional will be viewed as a gain. However the psychological impact of gains and losses are not symmetrical. Rather losses are much more painful than corresponding gains (Kahneman and Tversky, 1984). The importance of this is that reallocation implies greater pain for losers than pleasure for winners. Potential losers are therefore much more likely to try to prevent loss. The second process involves the use that is made of incremental resources. As Pfeffer (1992) points out what commences as an incremental addition, possibly one that has no initial purpose, soon gets allocated to an existing cause or to support or instigate a new cause. Once commitments have been made the psychology of the avoidance of loss takes hold. What commences as slack soon becomes necessity and those that control that incremental allocation have great power over the allocatee. In this manner a small contribution can exert great influence due to its incremental effect.

Resource control is the foundation of both the structural contingencies model (Hickson et al, 1971) and the resource dependence model (Pfeffer and Salancik, 1974) which deal with horizontal power structures. Both of these models will be discussed in detail later in the chapter.

2.3.2 The Individual as a Source of Power

Individual sources of power are concerned with how a person can muster support and influence through their personality or standing. While structural resources rely on context specific control, power stemming from the individual is inherently internal to that individual. People have a tendency to assign importance to people rather than events. Individual sources of power are accordingly the ones most often identified in organisations because they involve the exercise of power through people. At the sub-unit level individual sources of power can have a bearing on the capacity to influence. Certain departments may have managers more skillfully adept at using individual sources or being better political operators.

By far the easiest identified form of individual power stems from the charisma of leaders (House, 1988). Charisma involves influencing people to transcend their own individual beliefs in favour of a grand design or vision. Modern literature captures this element under the heading of leadership. Politicians are clear examples of people who fall within this category. Visionary leaders are however quite scarce and while acknowledging the importance they have in organisations a better form of analysis is to look at the characteristics of individuals that help them to create a greater power base.

Pfeffer (1992, pp 165-185) details six individual characteristics that he feels are important to acquire and hold power. Firstly, there is a need for energy and physical stamina. Strength of endurance both allows opposition to be worn down and provides a role model to others. Secondly, effort must be focused on clear objectives. Direction is important in clarifying the path to success and ensuring attention is paid to the finer points necessary for achievement.

Thirdly, sensitivity to others is important if influence attempts are likely to be successful. Sensitivity does not mean acting in the interests of other parties.

Rather, it involves acknowledging and communicating with them. Use of behavioural theory concepts, developing social skills in managing a relationship, developing common frames of reference and understanding needs and wants of interest groups are particular tools available. Fourthly, flexibility is essential to adopt behaviour to match the requirements of interest groups with the action required. Power is often associated with the flexibility required to generate support across a wide spectrum. The fifth characteristic Pfeffer saw as the ability to tolerate conflict. He argues that disagreement is a constant reality of the use of power and that power is only exercised in situations of conflict. Too often conflict is avoided. A willingness to accept the natural place of conflict and a resolution to stand-up and fight is paramount to developing and using power. The final characteristic identified was the ability to submerge ego and to get along. The role of networks and friendships and their relationship to power has been documented (Krackhardt, 1990). While fighting and conflict are essential ingredients in developing power there is a

clear need for allies and allegiances. Support is needed to carry out plans, gather information and provide weight to arguments. A unified front provides a more formidable opponent than a lone individual. Often to build these coalitions it is necessary to submerge one's ego in order to achieve common goals.

One of the main issues discussed in defining power was the difference between overt use of power and the more subtle unobtrusive use. Perceptions of people are important in this regard because they often attribute power to people. A good example of this is reputation. Individuals or departments who are perceived as powerful are likely to be able to exert power unobtrusively based on their reputation. Snyder (1982) has demonstrated how expectations and perceptions translate into actual behaviour. Behaviour differs depending on the characteristics of the person being dealt with, or more accurately what you perceive to be their characteristics. A reputation for getting your own way decreases the likelihood that others will challenge you because they will perceive their chance of success as lower. Reputation can come from a number of areas such as hard work, success, adoption by mentors, visible victories, or good insight (Pfeffer, 1992). It has been argued that the overt use of power is difficult at the horizontal level. However, departments may create unobtrusive basis of power through the reputation they develop. They may be in favour with senior management. They may be seen as better political operators or they may be seen as producing the next generation of senior management. In

this respect their reputation will increase the likelihood that they will have success in influence attempts or their view will not be contested.

2.3.3 Information as a Source of Power

The role of information in organisations is multifaceted. Information is important for understanding the environment, for planning systems, for control, for co-ordinating activity, for the creation of culture and in the exercise of power and politics. The research on power and more specifically politics is rich in how information can be used to influence outcomes and decisions. Differentiating between power and politics is important. Many writers tend to use the terms interchangeably. Politics is concerned with the manipulation of activities for particularistic aims. Within the view of power as encompassing the capacity to influence outcomes, power and politics are closely related topics. Politics can be considered to be the more unobtrusive element of power.

It is useful however to distinguish between two separate methods through which information can act as a source of power. The first approach considers information as a static resource that is, like any other resource, limited in the organisation and open to use in a particularistic manner to limit access of others. This is an extension of the dependence view where creating needs for

others that you can satisfy allows you to exercise control over them. The second view of information is more concerned with the active role information can play in the power structure. This approach concerns itself with the creation of meaning and the manipulation of the frame of reference of others based on the information available.

2.3.3.1 Information as a resource

The most documented use of information as a resource for power is the identification of gatekeepers (Pettigrew, 1972). Gatekeepers sit at the junction of a number of communication channels and may open or close channels, they can collect, combine and reformulate information (Pettigrew, 1972 p190). This provides a gatekeeper with the opportunity to manipulate information to particularistic criterion through the release, non release or reformulation of the data. Pettigrew (1972) demonstrates how a politically contested decision to replace computer equipment was won through the use of gatekeeping. By sitting at the junction of a communication channel between internal contestants, the external suppliers and the board, positive information was communicated in favour of one side and negative information provided against others.

Another example of how information and knowledge can be used as a resource to generate a power source comes from Crozier's (1964) sociological review of life in the French tobacco monopoly. The company was highly regulated and bureaucratically structured. The only unpredictable and uncontrolled element was the highly mechanised machinery in the plant. The expertise required to fix these machines rested in the technical engineer and the maintenance men and that department enjoyed great power over workers and management. Their power came from being the only people having the knowledge to fix machinery upon which the plant depended. In addition this information and skill was rigorously internalised, preventing external influences through rule of thumb operations and the destruction of any written documentation pertaining to maintenance. French and Raven (1968) also considered the use of expert power based on the perception of specialist capacity. This is typified within the professional-client relationship where an inference of greater knowledge and skill is attributed to the professional. Burns and Stalker (1961) also demonstrated the role of specialist decision making in organisations facing uncertain and complex environments. Bachrach and Lawlor (1980) expand on the concept of expert power to include access to knowledge. Even without processing knowledge the capacity to control the access of others to that knowledge can have the same result.

The view of information as a resource links into the resource dependency view of horizontal power. Where resources can be controlled by a department and

another department is dependent on that resource then the first department will enjoy power over the other department. To this extent access to, and control of information provide a means of exerting unobtrusive power. Similarly manipulating the channels of communication to limit or prevent information surfacing that is contrary to your departments desired outcome can also affect decision outcomes without any visible sign of power use.

2.3.3.2 Active use of information

While control of information can be a valuable resource, the ability or opportunity to actively utilise information to alter the frame of reference of a decision is a very effective unobtrusive way of influencing. This is important when power is considered in the framework of the institutionalised values and norms, the culture, of the organisation. The active use of information implies that meaning can be created. Organisations are designed within a framework that promotes logic and order and where decisions are apparently made in the best interests of the organisation in line with the corporate strategies. The reality however is that organisations are complex, multilayered, and diverse entities. There are multiple conflicting goals and decision criteria and contexts are ambiguous and open to many divergent interpretations. When problems arise or decisions need to be made there are probably several potential solutions. Which solution wins out will depend on who can generate the best analysis supporting their view. As Pfeffer (1992, p.248) points out, the

manipulation and presentation of facts and analysis is often a critical element of a strategy to exercise power effectively.

Developing a strategy around the use of information will have two elements. It will involve the use of rational presentation and analysis and/or the creation of a base or criterion on which decisions need to be made.

Organisations strive for rational methods for analysing and making decisions. In all but the simplest of organisations the complexity of this process prevents any chance of attaining this reality. March and Simon's (1958) concept of bounded rationality is far closer to the actual operations of organisations. What bounded rationality permits however is an opportunity to frame solutions or proposals in terms that appear to be logical and rational, i.e. fits within the bounded framework of the organisational decision making process.

Organisational members are not concerned with collecting information to make a decision but rather to amass information so that their decision is made in the correct fashion (Feldman and March, 1981) or has a scientific appearance (Kramer, 1975). The complex nature of organisations and the ambiguity in interpretation of information provide opportunities to interpret and present solutions that fit the answer to the question. Departments will therefore interpret events in a manner that suits their particular orientation and then justify their preferred solution. The best justification that falls within the set of values and norms of the organisation is likely to succeed. An example of

this might be the response of departments to declining profit margins. The finance departments response is likely to be a cost reduction proposal, streamlining operations and protecting the current position. The sales and marketing department on the other hand might suggest an expansion policy, cutting price in an effort to generate greater sales volume. Both are potential solutions. The solution accepted will most likely rest on whether the company perceive the market as turbulent or expanding. The departments will therefore generate information aimed at proving not that their policy is best but at justifying why the market is diminishing or expanding. This is in effect, determining the frame of reference by which the decisions will be made and it is a subtle way of exerting influence. Salancik and Pfeffer (1974) researching budget allocations in universities found that different faculties all felt that different basis of budget allocation based on their own particularistic criteria were appropriate. Those with high students numbers felt that this should be the basis, while those that brought in external grants felt that should be the basis. The point is that power can be exercised through determining the decision rules which will apply in a given situation.

2.3.4 Culture as a Source of Power

The final perspective on where power can come from differs radically from the previous areas discussed. We have identified sources that stem from the use of

resources or from individual traits in either a structural or political manner.

There is however a more institutionalised form to power. Structural or political modes of analysis are situation specific and changeable in nature. As the structural factors change so must the power structure. Likewise, political skills at information manipulation last only until the political advantage is combated or the opportunity subsides. Cultural sources are however more lasting in nature and take longer to generate or change.

Cultural sources revolve around the creation of a common terms of reference for organisational members that provide a framework to them to make value judgments or understand important decision criteria. Organisational culture acts to provide a rationality to members. Pettigrew (1979) wrote that “entrepreneurs may be seen not only as the creators of some of the more rational and tangible aspects of organisations such as structures and technologies but also as creators of symbols, ideologies, languages, beliefs, rituals, and myths, aspects of the more cultural and expressive components of organisational life” (p574). These symbols, ideologies, languages, beliefs, rituals, and myths, serve as a collectively accepted meaning of organisational life. The social context of the work environment sets boundaries on behaviour and on actions or responses that members will undertake. This defines the criteria on which power can or will be exercised. The work context defines who has potential power and legitimises its use. Indeed influencing may not

require the exercise of power as the institutional norms and values may limit the legitimacy of certain options.

Extensive work has been done on different aspects of culture and there are a number of ways meaning can be created. Symbols are any object, act, or relationship that represents meaning, emotion or action. (Cohan 1974). Pettigrew (1975) has identified how specialists use symbolic construction to create identification and image. Symbols serve to assist recognition, importance and to differentiate individuals or groups. Language is the building block of communication. It conveys meaning and images beyond its constituent words. Pondy (1977, 1978) has written extensively on the use of language as a tool for leadership and power. Pondy talks about the cognitive aspects of behaviour and links language to the process by which cognitive recognition is creating the input that evokes action. Language systems in the organisation are however accumulated over years and commence at the organisational birth stage with the founders. The system is therefore ingrained within the organisation. Beliefs, ideologies and values similarly serve as an established way of justifying or rationalising action. The role of history in organisations has been discussed by Pettigrew (1979) as essential in understanding the processes that create the existing structures. Founders of organisations bring with them their own identity and build their personality into the organisation. Boeker (1989) has shown how founder influence has had effects on the beliefs and values of organisations. Cathy Enz (1986) has

demonstrated how value congruity with senior management elevates a department's standing above others. Values and beliefs set established norms of behaviour and action outside of these parameters becomes unacceptable. Ritual and myths are concerned with activities or historic events that express and articulate meaning. They have been considered from the point of reinforcing norms and institutionalisation of behaviour patterns. Cohen (1975) directly links myths to the political process and considers them as justifying and sustaining political interests and as perpetuating leadership systems facing threats. Ritual and myths serve to underscore important events or critical issues and elevate their importance.

Pettigrew (1979) in discussing these factors points out that they are all interconnected to some extent and culture does not evolve from a single source. Culture is multifaceted and complex in creation. The factors discussed however indicate that it can serve as a potential for power. Pettigrew (1979) indirectly captured this point when he wrote that “[culture]..directs attention toward the mobilization of consciousness and purpose, the codification of meaning, the emergence of normative patterns, the rise and fall of leadership and strategies of legitimisation” (p576). These are all factors that create an understanding of why activities should be undertaken and more importantly, what are the critical resources or issues to be addressed and who has the right to exert influence and who does not in a given situation. It provides the much sought organisational rationality.

The importance of culture and institutionalised values and norms has been discussed as a constituent of the form of power. It is particularly important to the discussion on horizontal power. Cultural views have been posited that link the horizontal power differences in the organisation to the systems of meaning and understanding. The social context of the organisation in which people work define for organisational members the relationships between departments and the weight, scope and domain of the activities departments perform. The symbols, cues, actions and events therefore serve to create an understanding of what departments are powerful and why. Moreover cultural forces are embedded within the organisation and are therefore enduring. They allow the perpetuation of existing power structures.

2.4 INTRODUCTION TO HORIZONTAL POWER

Having discussed the form and content of power it is clear that power is complex and multidimensional. It arises from many sources and these sources are all to some extent intertwined. The importance of these sources for horizontal power differences have been discussed. Power at the horizontal level is exercised unobtrusively through the control of structural factors, the ability to exert personal influence, the political use of information and through the system of culture and values embedded in the organisation.

Understanding how power can be used at the departmental level is only one part of understanding the phenomenon. We also need to understand how horizontal power emerges.

Traditional rational views of organisation did not account for power across departmental levels. Power was seen to flow down the hierarchy through the chain of authority (Weber, 1947). The definition of domains of activity and authority provided for the rational use of legitimate power only within these domains. This view is deficient in a number of respects. Firstly the complex nature of modern organisations and the dynamic state of their environments has created some blurring of the boundaries of departmental domains.

Departments have also become more interdependent contributing within team structures. The view also ignores the role of the informal structure in exerting influence. Modern organisation theory is emphasising more responsive flexible management structures with less levels in the hierarchy. This is leading to flatter organisation structures developing a team contribution culture and moving away from traditional hierarchical structures to consensus building organisations. The result of these trends has increased the importance and likelihood of power differences across horizontal levels. The importance of belonging in a specific unit has been linked to greater promotion prospects (Sheridan et al, 1990), and quicker progression through salary scales (Pfeffer and Davis-Blake, 1987; Pfeffer and Moore, 1980). Examining the causes of these power differences can be best understood by categorizing the existing

research into two distinct approaches. Firstly, there is the structural explanation stemming from the critical contingencies work of Hickson et al (1971) and Hinnings et al (1974) and from the resource dependency work of Pfeffer and Salancik (1974, 1978). The second explanation can be considered cultural in nature and stems from the work on values undertaken by Enz (1986) and the information processing view of Pondy (1977).

2.5 A Structural View of Horizontal Power Differences

The basic premise of the structural view is that the division of work creates imbalances in the importance of the tasks and activities that departments undertake. Thompson (1967) talked about interdependence between units as the level of dependence one unit has on another. Three types of interdependence were identified as pooled, sequential and reciprocal. Emerson (1962) defined power as the inverse of dependence. So to the extent that the division of work creates interdependence it also creates power. Certain sub-units will therefore control resources on which other units depend.

The most widely quoted structural theory is the strategic contingency theory of intraorganisational power (Hickson et al, 1971; Hinnings et al, 1974). They argued that organisations face uncertainty in the sources and composition of inputs, the processing of throughputs and the disposal of outputs and that they

must have some means to deal with these uncertainties for adequate task performance (Hickson et al, 1971, p219). Hence the ability to cope with uncertainty becomes critical to the organisation and the power structure therein. The concept of power through coping with uncertainty can be tied back to Crozier's (1964) maintenance engineers in the French monopoly, the absorption of uncertainty in Perrow's (1970) industrial firms and the relative power of departments within the Lawrence and Lorsch (1967) studies. Three ways of coping with uncertainty exist, through prevention, stopping the uncertainty from arising, through information, forecasting the occurrence so that responses can be planned, or through absorption where the fluctuations are countered or dealt with. The reason why coping is important is that it provides a pseudo certainty for the other sub-units by controlling what are otherwise contingencies for other activities (Hickson et al, 1971, p220).

The coping with uncertainty idea is closely related to the resource dependence view which considers power as stemming from the ability to control key organizational resources (Pfeffer and Salancik, 1978). Again the logic is similar in that division of work allocates control over resources to various departments. Not all of these resources are however of equal importance. Some departments will acquire control of resources that are important to the organisation and this control provides a power base. The similarity between these two perspectives lies within the definition of uncertainty and resources. In so far as resource allocation is an uncertainty for the department requiring

the resource, the two theories are clearly compatible. Examining resource allocation within a university setting Pfeffer and Salancik (1974), Salancik and Pfeffer (1977) and Pfeffer and Moore (1980) related the power of faculties to key resource control. Where universities required external grants, power accrued to those departments that provided grants and contracts. Similarly student numbers and paradigm development provided power where they provided key resources.

Coping with uncertainty or control of resources cannot in its own right provide power. The uncertainty dealt with must in some way be important to the organisation and the department coping with it must have some links to the departments dependent on that coping. Hickson et al referred to this as the centrality of the sub-unit. Woodward (1965) in her study of production technology and its effect on structure addressed this topic indirectly when she talked about a central and critical function which had the greatest effect on success and survival (p126). For dependency to exist there must be some linkage between the sub-units. Centrality is important because it allows proximity to the important issues and the links to others. Hickson et al (1971) provided two measures of centrality, pervasiveness and immediacy of the workflow. Pervasiveness is concerned with the number of connections with other units. It is the extent to which task interaction between units occurs. Pervasiveness delineates the range of people who may be dependent on a unit through their interaction with it. Work on network structures and its impact on

power highlight the importance of pervasiveness. Network proximity has been related to perceptions of job characteristics (Ibarra and Andrews, 1993) and location in informal advice networks have been related to sub unit power (Boeker, 1989). The second measure of centrality, immediacy relates to how quickly a cessation of department activity would impede the primary workflow of the organisation. Connections with other sub-units does not imply immediacy. Finance may have pervasiveness links through the budget systems but the cessation of the budget systems may not have an impact on the primary workflow of the organisation. The reverse of this is that a purchase order unit may have more limited links but if stock for production dried up quickly loss of the unit may have severe and immediate effects. The Hinnings et al (1974, p35) follow up study rated immediacy as more closely related to power than pervasiveness.

Resource dependency research has not specifically addressed the notion of centrality. The underlying basis for their thesis however stems from the work of exchange theorists such as Emerson, (1962) which relates to the capacity to control resources and to utilise those resources to your advantage. This by definition requires a certain level of centrality and the greater that centrality the greater is the potential to exercise influence.

The final part of the strategic contingencies model relates to the capacity of the unit to maintain control over the provision of the uncertainty. To the extent that a unit's activity or coping can be replaced by another then their power is diminished. This concept also comes from Emerson's (1962, p32) definition of power when he identified that dependence was inversely proportional to the availability of alternatives outside of the relationship. Crozier's (1964) French tobacco plant is a good oft quoted example of this. The maintenance engineers enjoyed substantial power well beyond their organisational position. They coped with the only significant uncertainty facing the organisation and were irreplaceable. They were the only people having the technical knowledge to maintain the plant. Hickson et al (1971) saw routinisation as the antitheses of non-substitutability. Where jobs could be routinised the element of uncertainty is reduced or eliminated. Preventative maintenance in the tobacco company would have significantly reduced the control of the maintenance engineers.

2.5.1 Problems with the Structural View

The follow up research of Hinnings et al (1974) on the structural factors identified in the strategic contingencies model found support for all of the factors identified by Hickson (1971). In addition they ranked the various factors by weight of contribution finding that coping with the uncertainty was the primary determinant, supported by immediacy, non substitutability and pervasiveness (Hinnings et al 1974, p35). Structural factors have been widely

related to power in a diversity of settings, including founding events (Boeker, 1989), strategy, (Hambrick, 1981), interdependence, (Welsh and Slusher, 1986), outside advisory boards, (Hills and Mahoney, 1978) and receipt of grant allocations (Pfeffer and Leong, 1977). Some researchers have successfully replicated the strategic contingencies model (Latchman, 1989). Notwithstanding this body of evidence a number of reservations can be noted about the approach.

Both the structural contingencies and the resource dependency models can be described as 'fit' models in that a certain power structure arises as an equilibrium develops between the organisation and the environmental demands it faces. Horizontal power structures are the result of this fit. Gains or losses in power accordingly will flow from changes in environmental demands that create a new fit. Two issues stem from this assumption. Firstly attention has not been paid to either the forces that cause a transition to occur or what transpires during a period of transition to reformulate an equilibrium state. A second problem is that the assumption implies transitions only arise from environmental factors leading to changes in critical contingencies, but other contextual issues have been found to affect the power distribution. Type of industry, Saunders and Scamell (1982), Carper and Litschert (1983), the role of history (Clegg, 1975), scarcity of resources (Hills and Mahoney, 1978) and the importance of values (Enz, 1986) have all been related to horizontal power. The assumption of the steady state neglects both the possibility that an

imbalance can exist or that the horizontal power structure does not automatically adjust to a new equilibrium.

Enz (1986) argues that a principle flaw in the theory is that it assumes universally accepted organisational goals and ignores the perceptions and interpretations of goals within each department. This in turns reflects back on the interpretation of critical issues. Enz's position infers that different units will interpret events in different manners and as a result may not conceive organisational goals consistently. Departments may therefore have a difficulty in understanding purely structural issues and translating them into an understanding of what actions are necessary. Contingencies must be considered in terms of how they are understood and not purely in structural terms.

These problems with the structural view suggest that the nature of horizontal power across different settings should be compared to identify where differences and similarities might exist in different contexts. To fully understand the processes at work in shaping horizontal power differences it is firstly important to understand how the nature of horizontal power might be subject to different contextual variables. Rather than developing cross sectional studies we need rich descriptions of the nature of horizontal power differences in differing contexts.

Another problem with the structural approach is that it omits the role of history in determining power relations. History serves to define the context in which work is undertaken, the rules of the game by which actors in the organisation must play (Clegg, 1975). Pettigrew (1985b, 1990) has written extensively about the role history ought to play in research. The evolution of the social context in the organisation affects many facets of present day actions and to understand those actions necessitates an understanding of that history. This was demonstrated in the ethnomethodological studies of hospital records undertaken by Garfinkel (1967). The records could not be clearly understood unless the context in which they were written, a defence to legal action, was understood. A fundamental danger of cross sectional analysis is that a relationship is uncovered which is being explained without reference to the context in which it is embedded. The relationship is therefore open to a statistically relevant but not necessarily useful interpretation (Pettigrew, 1990; Mintzberg, 1979). Moreover its interpretation may consist of underlying processual issues not factored into the analysis. In this regard the structural approach has generated a link between the variables and power but has not delineated what causes or creates that relationship. Indeed Pfeffer and Salancik (1978) have written about the institutionalisation of the power structure but have not indicated how a theory built around structural dependency, implicitly subject to change as environmental factors cause dependencies to change, can have an institutionalised effect. The cross sectional approach has demonstrated that there is a 'fit' between the structure and power distribution but has not

concerned itself with the process by which the fit comes about. This is a central concern of this research project. More attention needs to be paid to the process that creates horizontal power differences and this issue is specifically addressed in this dissertation

Latchman (1989) attempted to address some of the problems of a cross sectional analysis. He wrote that 'the assumed causal relations between power and its sources were tested only by analyzing cross sectional data collected at a single point in time. The analysis of such data is however insufficient for indicating causal relationships and cannot support these determinant - causal assumptions.....to explore these a longitudinal perspective.... is needed' (p231). Latchman went on to replicate the Hicksonian methodology at two points in time over a two year period. The importance of the work is that at both points in time a significant relationship existed between the structural variables and the power distribution. However when previous power position was controlled for there was no correlation between intertemporal changes in the structural factors and the subsequent power position. This led Latchman to conclude that previous power position was the best indicator of subsequent power. Clearly support for the relationship between the structural factors and power existed at both points in time but power differences were not related to the changes in those factors thus not supporting the structural model. Reflecting on these results prompted Latchman to speculate that the structural model was not measuring a determinant - outcome relationship but that the

factors of coping with uncertainty, non substitutability and centrality were the manifestations of power not the source (Latchman, 1989, p248). These power relations are therefore to be expected because they are measures of a single construct. An analogy comes to mind to explain this argument. If we investigated what creates rich people, the relationship of rich people and wealth would be highly correlated in statistical study. Concluding that wealth creates rich people however would not be correct. Rich people have wealth, similarly, powerful departments have control. The question should be better expressed as what generates wealth, rich people and wealth being part of the same construct. Based on Latchman's work it would also appear the power question could be better expressed as what generates control of critical resources or critical uncertainty. This is a key area in the present research. The weight of support for the link between the Hickson variables and horizontal power at a specific point in time is substantial, but the process through which critical contingencies emerge to create horizontal power differences has been under explored. The evidence suggests however that additional or alternative forces to the structural factors may be at work in creating these contingencies. Identifying and explaining some of these forces is a primary concern of this research.

2.6 A Cultural View of Horizontal Power Differences

A different perspective on horizontal power differences comes from viewing power as stemming from the organisational context or the systems of ideology (Mintzberg, 1983), meaning (Pettigrew, 1972, 1985) language, (Pondy, 1977, 1978) or values (Enz 1986) that exist in the organisations. These theories may be loosely labeled as cultural in nature although there is no single theory that combines the various strands. They can be considered together because they all have some common themes. They view power as contextual and highlight the importance of history and social interaction in creating a shared understanding of important events. Power in such circumstances is stable and subject to change only as new cultures evolve. Organisations build up ways of doing things, establishing set operating criteria both formally and informally. Once these established ways are created they become part of the reality of the organisation.

Cathy Enz (1986) undertook a detailed study of the relationship between value congruity with senior management and unit power differences. The central thrust of her thesis was that departments whose values most closely resembled those of senior management would have greater levels of power. Departments will have different orientations and will have differing preferences on how the organisation should act. Where a department's preferred action reflect senior

management values then that course is more likely to be adopted. To support this theory Enz invokes Weick's (1969) work on environmental enactment. Weick argues that the complexity of the environment and the demands of management limit the extent to which organisations can fully understand the environment they face. Cognitive boundaries are placed around an interpretation of that environment hence making sense out of a complex and unclear situation. The environment therefore becomes subjective and is created through its interpretation. Enz (1986) argues that values are central to this process as they are the basis for determining those cognitive boundaries. If the environments are enacted then so are the critical uncertainties or resources. The argument has already been developed that understanding critical contingencies leads to an understanding of the power structure. Enz's view therefore has significant implications for the understanding of horizontal power differences. She implicitly views critical contingencies as being socially constructed, not based on structural realities but on perceptions and enactment of the environment. Research consideration must be given then to how the processes in the organisation create this enactment of the social reality. Once again this concentrates attention on the need to consider organisational process in understanding the determinants of horizontal power differences. These are again primary goals of this research. Both the processes enacting the critical contingencies and their impact on the power structure will be explored.

Enz adopts a social constructionist view in developing her cultural perspective. Social interaction is infused with value sharing and the creation of a shared organisational world is underpinned with the values members hold. Value attributions are made to the organisation and its leaders and the perceptions of these serve as guides to, and legitimators of behaviour (Enz, 1986, p110).

Stability of power structures can be understood in terms of the stability of the organisational value set. Values are enduring and slow to change. This may be an explanation for Latchman's (1989) finding that changes in structural factors did not reflect in the subsequent power position. It is possible that the value set in the organisations studied did not alter in tandem with structural changes.

Greater time is needed for the importance of the changes in structural conditions to be socially constructed in the organisation through the value sharing of members. Enz further argues that management must therefore impose order on the value structure of the organisation by concentrating on the articulation of values (1986, p110).

Similar points were developed by Pondy (1977) who posited an information processing approach to understand power. Starting from an epistemological point he argued that structural theories were rooted in the philosophical traditions of realism, materialism and objectivism assuming behavioural change comes about as a result of control of resources required by others. In contrast he argues that an alternative approach should concentrate on the philosophy of idealism and rationalism (not to be confused with rationality) in

which control of behaviour is rooted in cognitive processes, especially language and communication (Pondy, 1977, pp56-57). Pondy's view of organisational members is rooted in the model of man developed by March and Simon (1958). People can be considered as a 'bundle of performance programs' with a set of cognitive schema for selecting which program to execute and mechanisms for learning or changing programs. The world in which we operate is therefore a model within our minds and defined by virtue of the contacts and cues we interface with contextually. This effectively ties to the concept of enactment posited by Weick (1969). Power within such a model moves away from the obtrusive to a more unobtrusive embedded process that elicits preprogrammed responses. There are two clear steps in such a model. Firstly, processes must generate a common understanding of reality in which actions to given stimuli are well understood. Secondly a method of evoking the required response is required. Pondy (1977) uses the idea of charades to demonstrate these points. Agreed upon hand signals exist in charades that are understood by all participants (preprogramming) and using these gestures or signs create a clear understanding among participants (evocation). Information is central to this argument because information exchange through language, symbols and actions are the tools by which both preprogramming and evocation occur. Language and communication in organisations are therefore the processes which allow the creation and use of power.

Pondy (1977) also considered power as a perception attributed to the powerful. In analysing this the important question becomes how does that perception arise. Support was found for the assertion that influence derives from rightly or wrongly attributed power, which prompted Pondy to argue that the focus of research should move away from the objective basis of power to 'lay' theories of power or how people estimate the power of others (Pondy 1977, p80). Indeed the resource dependency models have drawn extensively on the reputational measures of power in their research (Pfeffer and Salancik, 1974; Salancik and Pfeffer, 1977; Pfeffer and Moore, 1980). While structural in focus they have partially used cognitive measures to support their propositions. Pondy (1977) develops this further by arguing that a potential problem with the structural perspectives is the question over the measure of their definitional construct. They defined power in terms of interpersonal relationships but then measured it as a real commodity adding it up over antagonists and issues until it could be described as part of a social unit (Pondy, 1977, p61).

These cultural perspectives have not been put forward as competing with the structural models. Both Enz and Pondy see the perspectives as contributing to a wider understanding of power differences. Enz however attempted a synthesis of her value congruity model and the critical contingencies model. She proposed that it was not the coping with critical contingencies de facto that generated power. Power was acquired by departments that defined the

unknowns. Power therefore rests in the ability of a department to attach its actions to the historically legitimate values of the firm (Enz 1986, p114). If such a view is accepted then the critical contingency model cannot stand on its own. An interesting result from the Pfeffer and Salancik (1974) study was reported by Pondy (1977) which lends credence to Enz's hypothesis. The powerful department in that study based its allocations on student numbers. A dramatic shift in student enrollments moved the power away from powerful to less powerful faculties. A subsequent directive followed severing the link between budget allocations and enrollments. The powerful were able to change the rules to their benefit (Pondy 1977, p65).

2.7 Chapter Summary

This chapter has highlighted the complex nature of power and its many sources including structural, individual, informational and cultural. It has also reviewed the literature on horizontal power differences, contrasting two perspectives, structural and cultural. The problems identified in the structural theories combined with the arguments arising from the cultural perspectives suggest that two areas need closer examination. Specifically, it has been suggested that the nature of horizontal power differences might vary in different contexts but this has remained under explored. Descriptions of how variations arise could be a valuable aid to understanding the phenomenon. Secondly, the processes which create horizontal power differences have also

remained under explored. The evidence suggests that the critical contingency - horizontal power difference link may be underpinned by processes not considered within the structural models. In addition the cultural perspectives emphasise that the contingencies are defined by reference to the social context of the organisation and are an enacted representation of the environment. This in turn draws attention to how the critical contingencies are created in the organisation again suggesting that the processes shaping the horizontal power structure need to be explored. These issues constitute the major focus of this research project.

CHAPTER 3:

**RESEARCH
DESIGN**

3.1 Introduction

The problems identified with the structural views and the issues raised by the cultural perspective indicate the complexity of horizontal power differences.

The previous chapter identified two strong themes coming from the work reviewed. Firstly there is a strong interrelationship between power and the structural variables. The explanation of that relationship is not necessarily however the cause and effect one posited within the structural theory. The Latchman (1989) study is particularly relevant in this respect. He suggested that horizontal power differences and control of resources are interlinked and possibly both measure the same phenomenon. He argues that the variables measured in the Hicksonian methodology, coping with uncertainty, centrality and non substitutability are the tangible manifestations of power (p248).

Indeed if we fully accept the Latchman argument then we could define horizontal power differences in terms of control of the critical contingencies.

This project concentrates on looking at the process that define how the critical contingencies are created and exploring the link between their creation and the existence of horizontal power differences. The most appropriate methodology to explore this process is a processual approach using comparative case analysis.

The second theme developed in the preceding chapter is that the realities in an organisation are socially constructed, and determined by our contextual interpretation of events and outcomes. This includes the definition of critical contingencies upon which the horizontal power structure is deemed to be based. Critical contingencies become our enactment of the social context, not the realities of the division of tasks. An organisation facing an uncertain environment may decide that its strategic position in the market requires a retrenchment strategy resulting in the definition of the critical contingencies in terms of cost efficiencies. The contingencies in this circumstance are being defined in terms of perceptions stemming from the assessment of the market place rather than from concrete realities. This theme has significant importance for understanding the link between power and critical contingencies. An organisation cannot quantify critical contingencies with certainty based on a full appreciation of its environment. They are perceptions of the reality facing the organisation. Therefore, explaining horizontal power differences in structural terms when its underlying origin is perceptual in nature must cast some doubt over the validity of the theory. Attention must be focused accordingly on how these perceptions originate and create the enacted critical contingencies. Again this calls for a research method that is capable of investigating the context, history and perceptions in the organisation.

3.2 Research Approach

There is simple justification for the research approach adopted. The area being investigated is a complex and dynamic area which requires an understanding of the context and history of the organisation. Latchman's (1989) study determines that complex forces are shaping the power position of actors in the organisation as the simple cause - effect relationship of earlier theories are not explained by the temporal analysis he performed. It is therefore necessary to develop a research methodology that is capable of handling the potential complexity of the various forces effecting power. It is only through exploring these issues that a full understanding of the forces shaping the power structure can be generated. The need to undertake exploratory descriptive research on the nature of horizontal power in different contexts has also been made. Finally consideration of the cultural perspectives requires an examination of perceptions and interpretations of organisational members.

The approach that must be adopted in these circumstances is one that generates rich and useful descriptions of the forces at work in the organisation. A dynamic approach to data collection is therefore necessary. The case study approach is best suited to this type of data collection because it provides an opportunity to collect data in an investigative manner (Mintzberg 1979, Pettigrew, 1990) allowing for exploration of the processes involved. In

addition the first objective, to examine the nature of horizontal power differences, is deliberately open ended to provide for broad descriptions which facilitates comparison between contexts. Again the case study approach is best suited to fashion this type of descriptive analysis. Similarly the need to generate data on perceptions and understandings of organisational members require an investigative approach again suggesting a case study approach.

3.3 Research Questions

The existence of horizontal power differences have been well established in the literature (Hickson et al, 1971; Hinnings et al, 1974; Pfeffer and Salancik, 1974; Salancik and Pfeffer, 1977; Hills and Mahoney, 1978; Enz, 1986). There are however a number of issues arising from the state of the literature that require attention. The most recognised explanation of horizontal power differences is the strategic contingencies model posited by Hickson et al (1971) which related sub-unit power to structural factors. The power distribution was seen to be a equilibrium state naturally arising in response to control of the structural factors. Disequilibrium leading to subsequent changes in the power distribution therefore only arise as the structural factors change. This has not however been borne out by the general body of research. Latchman (1989) found previous power position and not changes in control of the structural factors as the determinant of subsequent power position.

Saunders and Scamell (1982) found different degrees of correlation between the variables in different industries and Pondy (1977) recounted how the strongest department in a university changed the bases on which budget allocations were made when their control of the structural factors which facilitated greater budget allocations had diminished. The Pfeffer and Salancik (1974) investigation of faculty power in a university setting and a similar study by Hills and Mahoney (1978) found somewhat conflicting results despite the consistency of context. The nature of horizontal power is clearly more complex than a structural equilibrium model would suggest. Research therefore needs to be focused on the specific nature of power in different contexts in an effort to provide a rich description of factors influencing the existence and strength of horizontal power differences.

The first element of the dissertation accordingly is to examine different contextual factors and how they impact on the nature of horizontal power differences. To do this the first area that needs to be considered is how the horizontal power relationships in the organisation are understood by the members of that organisation, how extensive those differences are, and to what range of activities do they relate. Secondly the processes at work which create the critical contingencies on which the power structure rests need to be explored. The structural views (Hickson et al, 1971; Pfeffer & Salancik, 1974) posit that it is the division of work that creates horizontal power differences because organisation resources of differing importance are allocated to

departments. Departments that control key resources accordingly are capable of exerting greatest influence. In such a model equilibrium is assumed to arise naturally in response to the control of the structural factors. This point however has not been fully supported (Latchman, 1989). Additionally, the cultural views posit a different perspective where horizontal power differences relate to the how the reality of the organisation is perceived by the members drawing attention to how shared perceptions arise. This research will accordingly examine in broad terms the nature of horizontal power asymmetry across different organisational settings. By examining the nature of the phenomenon descriptions can be generated which can help to clarify how differences are viewed and understood and may lead to a better understanding of the factors that influence and impinge on its creation. The research design calls for the inclusion of start-up companies in the research and identifies three types for inclusion (see section 3.4 for full explanation).

Accordingly, the first objective of this thesis is:

Objective 1: To compare the nature of horizontal power differences in three different types of organisational start-ups.

The type of research undertaken has to date been focused on cross sectional studies. This has facilitated the determination that managing critical contingencies and sub-unit power differences are related but it has left three unanswered questions. Firstly, the exact relationship between these critical contingencies and power has not been confirmed. Evidence from Latchman (1989) suggests that control of critical contingencies may not be sources of power as posited by the structural theories but rather they are the manifestations of power. Horizontal power differences are therefore directly intertwined with the control of the critical structural factors and both measure the same construct. The second problem is that in developing an equilibrium fit model the question of how equilibrium arises has not been addressed. It has been assumed that it is an automatic occurrence. This is however a dangerous assumption not supported by the literature. This links to the third problem, the only longitudinal study of the phenomenon (Latchman, 1989) has not supported the structural theory. While the overwhelming evidence suggests that at a point in time the structural theory holds it does not appear that the processes at work that create the point in time relationship are explained by the structural theory. The second theoretical perspective considered in the dissertation, the cultural view, has an important contribution to make in relation to this point. The cultural perspective considers the creation of critical contingencies and power as part of a process whereby the social context of the organisation defines the organisational reality for the members. This moves the focus away from the purely structural issues to the perceptions and

understandings of the organisational members. Given these arguments a clearer understanding is needed of the process by which the critical contingencies in the organisation are created and understood. Attention should therefore be focused on a review of processes. This is an area where the existing literature is deficient. The second research objective will attempt to redress this issue.

Objective 2: To explore the processes which create horizontal power differences in the cases considered.

Investigating the nature of power and the process creating it should allow a third objective to be set. The literature has two distinct perspectives that explain why horizontal power differences arise. While they are not conflicting in nature, neither approach argues that it provides a better explanation than the other, they both have different implications for managing and understanding horizontal power structures. The case approach adopted here should allow for a comparison of the structural and cultural perspectives in the light of the conclusions generated. It is hoped this may shed some more light both on the applicability of the differing perspectives and the implications for managing horizontal power structures. Enz (1986) has previously suggested that there might be a relationship between the two perspectives. She felt that the value

sharing created a common enactment of the critical issues facing the organisation. Departments whose values most closely resembled those of senior management would have the strongest position at the horizontal level and would be able to define the context within their value set. In such a model the creation of critical contingencies is cultural in nature. This was developed as a tentative model and is in need of additional exploration. It suggests however that adopting a process view rich in descriptions should provide opportunity for examining this idea. Furthermore the positioning of critical contingencies as socially constructed also suggests that information must have some central and pervasive role in creating understanding. Exploring the process again facilitates an examination of communication cycles and where they fit within the theoretical framework discussed. The third objective therefore needs to be very general in formulation to allow for a broad analysis of these issues and the creation of tentative models.

Objective 3: To examine the structural and cultural perspectives as explanations of the nature of horizontal power in each of the cases considered.

3.4 Case Design

The time consuming nature of data collection in case studies normally results in a balance between the number of case undertaken and the level and amount of data to be collected. The greater the number of case studies included in the sample the less the detail that can be collected. Breadth versus depth is an important consideration in selecting the number of cases. In total 3 companies were included in the research project. They were all indigenous company start-ups, two of which had been in existence 9 years and one 16 years. While the last company might appear old to be included as a start-up, it was the youngest company that matched the selection criteria. In addition it was a 'greenfield' start-up company that had maintained many of its original characteristics. Selecting this company was a trade-off between including or excluding a company that had moved to professional managed from owner managed. In the end it was decided that including it would provide for additional comparatives.

Start-up companies were chosen to provide a clearer illustration of the nature of horizontal power because of the recentness of the structures and organisational memory. Latchman (1989) had identified the role previous power position of a department had in its subsequent position. Start-up companies were chosen to alleviate the problem with previous power position.

The dynamics of the power structure will be new and the current processes will not be affected by the existence of a prior historical context. The companies chosen were also not industry specific. The aim of the research is to examine horizontal power differences within different contexts and the selection of companies in different industries enhanced the opportunity for analysis.

3.5 Research Method

Three cases in all were chosen with each consisting of between four and five in-depth interviews. The cases have been assigned pseudonyms to provide some level of privacy to the companies concerned. They spanned, the direct marketing sector (Directco), the lottery sector, (Lottco) and the computer software sector (Softco).

The case study approach provided a number of variations on how to proceed with the data collection. What is required is a clear understanding of the processes that take place, that is longitudinal research. It was decided that historical longitudinal case research would be undertaken, primarily through the use of open ended interviews with all the potential players in the process under investigation. This is backed up by use of secondary data where available, notably company documentation, PR releases and

newspaper/journal reports. Each case study involved an observational factor as a guided tour of the offices was requested. The interviews also took place in the interviewee's office. This is important as an aid to understanding the situational context of each department. The industry in which the companies operated was also considered to provide a full longitudinal understanding along the meta-level framework of Pettigrew (1985). This was achieved through secondary data reviews and in the case of Lottco specific reports on the industry and the competitors.

3.5.1 Interview Design

Consideration was given to the best method of collecting the data. Options revolved around undertaking a pro-forma interview, a specific questionnaire or a semi-structured interview. The objective of the research is expressed as exploratory which necessitates flexibility in data collection. It would therefore be inappropriate to have too rigid an interview guide when conducting interviews. A semi structured guide (appendix 1) was accordingly developed. It was designed to cover a number of key areas. These were:

- a) History of Organisation and Changes in Operations
- b) Knowledge of Strategy, Past and Present
- c) Values and Beliefs - Corporate and Personal
- d) Department Structure

- e) Decision Making - Participation and Issues
- f) Departmental Influence/(Power)
- g) Uncertainties Facing the Organisation

The argument has called for an examination of how these critical contingencies are created and understood as better explanations of horizontal power relations, within the historical context of the organisation. Data collection falls accordingly into three categories. Identifying critical contingencies, which were done through the examination of the strategic direction in which the organisation is moving and the critical success factors needed to achieve that strategy. The decision criteria applicable on operational and strategic issues were examined to identify particular trends. To understand the historical context of strategy formulation, information on the strategic positioning of the organisation historically and at foundation were also sought as were details on the make up of the strategy formulation team in terms of their functional background.

The second area is the power distribution. The methodology adopted by Hinnings et al (1974) whereby rankings of power were obtained by asking who the powerful people where, has generated amazing consistency in field testing (Pfeffer and Moore, 1980). It is therefore useful to implement a similar method. Departmental head, and senior management were asked to provide an

assessment of the power rankings of each department. This was evaluated qualitatively by cross referring to the influence in making decisions and the perceived orientation of the organisation as a whole.

The final data collection category is the cultural aspects of the organisation, specifically the determination of the values, symbols and rewards through which the organisation creates the power structure. Organisational goals can be inferred from the strategies adopted by the organisation and these demonstrate the values and ideologies of the organisation. This is problematic however as there is more to the value set than the inferences of top management. Enz (1986) developed a methodology for assessing the commonality of values and it is possible to borrow from this. A set of values was generated that covered a wide possible spectrum of values and each department manager and senior manager were asked to prioritize them according to their perception of the value set of the organisation. To the extent that the organisation has a shared ideology there should be some consistency in the prioritised values. These will be contrasted with the legitimacy of the power structure.

Measures of symbols were additionally required. There are standard measures such as representation on committees, staff numbers and budget allocations and these were adopted. Physical symbols such as office layout, and size were also considered. The final measurement needed was the reward system. This is

reasonably easy to measure based on what departments are seen as the highest paid, have the most benefits and are the most likely to have people promoted.

The questions asked were open ended and required opinions on the part of the respondents. A final section of each interview provided a recap on the information given and a opportunity for the respondent to add any other relevant facts they felt important. Because of the open ended nature of the interview different time allocations were given to aspects of the guide depending on the volume of relevant data presented by the respondent. Specific questions were also omitted if not pertinent to the discussion as it unfolded.

It was envisaged that interviews would be conducted with each of the departmental managers across the horizontal structure and at least one of the more senior managers to whom they reported. The interview was designed to take at least two hours. Follow up interviews to clarify or develop points arising from other interviews were also anticipated.

3.5.2 Interview Guide Pilot Test

Once the interview guide had been developed it was piloted. Two practicing managers from different organisations both at departmental head level were interviewed using the guide. Specific attention was paid to the clarity of the

questions, the logic and sequence of the questions and the capacity of the respondents to comprehend. Minor modifications had to be made based on the responses to the pilot which related to the phrasing of specific questions.

3.6 Evolution of Research Design

The research design evolved as the case studies were being conducted and contextual variables appeared that would be likely to have some influence on the debate. Once the interview guide had been piloted the first case study (Lottco) commenced. While this was a full and detailed data collection exercise it also served the purpose of suggesting directions in which the research should be taken. In effect it also served as a pilot study.

The case reinforced the need for cross industry comparison to compliment the findings that were arising. A number of themes were tentatively generated from the Lottco study and these suggested a number of factors that might serve to contrast the nature of horizontal power differences in the cases. Three factors emerged as potentials to differentiating the cases and allow for analysis. Firstly, the type of management and leadership in the organisation, secondly, the stage and type of departmentalisation the company had undergone, and lastly, the pattern of interaction between departments. It was decided that company selection would be by the type of management present which would allow for the differentiating factors to be analysed. Three types

of different management scenarios were considered, professional managed (Lottco), owner managed (Directco) and a company that had moved from owner managed to professional managed (Softco).

3.7 Selection of Companies

Selection of the companies included in the research was a subjective task. National trade directories (Dun & Bradstreet) and press reports were consulted and a list of companies of 10 years or younger was generated. This list was shortened by eliminating subsidiaries of Irish parents in the same trade or foreign parents. These companies were likely to have imported some levels of operating systems and/or management from their parent company which could have a bearing on the power structures. Companies which post set up had been acquired or sold remained within the potential list. An initial company (Lottco) was selected and two additional companies (Directco and Softco) were subsequently identified that would meet the research criteria as it evolved (see section 3.6). Both were indigenous and successful. One was owner managed (Directco) and one had transformed into professionally managed from owner managed (Softco). Directco was of the same age and size as Lottco. The identification of the third case was more problematic, no company fell within the same age grouping and size as the other cases, an older company therefore had to be chosen. A further review of trade and

industry directories established a potential company. The first two companies had a 9 year development while the final company, was 16 years in operation. The companies were contacted by letter with a follow up phone call. All three agreed to participate in the study.

3.8 Company Participation

The degree of participation differed in each of the three companies. While the introduction requested meetings with all departmental managers this was not feasible in all cases. In Lottco all the departmental managers (four) were spoken to as well as the managing director, who also allowed follow up conversations. In addition company documentation was made available on the history of the company, its strategic issues, and on the roles and tasks of each department. Softco initially permitted access to all the senior departments heads (five) but due to operational issues two of the managers presented time table difficulties in arranging interviews (both cancelling interviews on two occasions each) and ultimately did not co-operate in the research. However a substantial amount of secondary data, in the form of conference talks on the company were presented which helped to understand the historical context of the company. The final interview count here was three departmental managers and the managing director. Directco provided a similar amount of interviews.

The managing director participated in an extensive review and three other departmental managers were also interviewed.

3.9 Chapter Summary

This chapter set the research objectives of the dissertation as firstly, comparing the nature of horizontal power differences in three different types of organisational set-ups, secondly exploring the processes that create horizontal power in these cases and thirdly comparing the structural and cultural views as explanations of the case findings.

The methodology adopted in this dissertation is an historical case study approach investigating the nature of horizontal power in organisational start-up companies. Three companies were selected through an evolutionary research design that provided a variety of contexts for comparison.

CHAPTER 4:

THE CASE STUDIES

Directco

Lottco

Softco

4.1 CASE 1: DIRECTCO

4.1.1 Background

Directco was established in 1987. It arose when three hang gliding friends started discussing the UK Christmas hamper business and the absence of any significant counterpart in Ireland. Early discussions soon led to the idea of conducting some market research to evaluate whether a successful business of this type could be created. The results of which emphatically demonstrated the non viability of such a project. Entrepreneurs being entrepreneurs however, they dismissed the market analysis and decided to give it a go.

The business idea is simple. Christmas is an expensive time of year and the aim is to provide a service where customers can chose their Christmas purchases in advance and pay for them over the year, week by week, hence spreading the cost.

With a minimal capital investment, a simplistic product list consisting of 4 hamper types was created on an A4 flyer and the three eagerly set about knocking on doors to generate orders. In all they approached some 6000 potential customers and in the words of the Managing Director received 5940 refusals.

The positive element was that the 60 customers returned to the company after Christmas to sign up for the next year. Encouraged by the loyalty and satisfaction of the customers the process of door knocking started again. Word also began to travel among the friends and families of happy customers. The customer base of 60 soon spiraled to 1300 before the end of the next year.

What had started as a garage project of three friends now looked like a potential business. While the three had worked other jobs as they started the project, greater attention now needed to be spent on developing the project into a business. Full time attention paid off as customer numbers and turnover continued their upward spiral. Within five years of setting up, customer numbers had reached 24,000 and turnover was £3 million. Growth was still positive with customers nearly doubling to 40,000 the following year.

Currently the company expects over 80,000 customers in 1996, a far cry from the initial 60. The garage project has grown to occupy a large warehouse turning over £12 million a year.

To facilitate this growth an agency system developed. A customer would operate as an agent, selling to and collecting from friends and neighbours. In this manner the company didn't need to meet all of the customers each week, rather they only collected from each agent. This also provided a flat selling structure with customer contact and feedback directly to the company.

The range of products on offer also showed significant increases and diversification. The initial 4 hamper flyer has been replaced with 3 glossy brochures covering over 1000 items including jewellery, gift items, household and electrical goods, as well as the traditional Christmas hampers. The company has also diversified into the corporate gift market and have bought competing hamper businesses which trade separately.

4.1.2 Strategic Patterns

The first important issue that the founders addressed was the requirement for a critical mass of customers. The single most important strategic factor was to quickly achieve this substantial mass. Success rested on the ability to acquire and retain customers. Customer service and the quality of the product and service were identified as the mechanisms through which the company would grow. This was a singular strategy. The emphasis was on gaining market share leading to a dominant market position. The market was serviced by small operators and through local shop saving schemes, it lacked a single major dominant player. It was this position that Directco wanted to acquire.

This was a successfully focused strategy as the company grew rapidly. Part of this rapid growth came from the close involvement of the founders in the implementation of the strategy. It was not until 1989 that employees were

taken on board, to aid the founders with the administrative burden. The front line selling, and the maintaining of customer relations was undertaken by the founders. In these early days the founders made sure that all customers were met individually. The close involvement of the founders helped to ensure clarity of objectives and rapid feedback on the successes or failures of initiatives.

Once market dominance emerged attention was paid to the efficiency of operations. This was not however a change in the strategic values of the company. The objective of growing market share through customer service still applied. But it was necessary to maximise the benefit of the market position. Previously the company would add into their catalogue any requests coming from customers, satisfaction and quality were the only guiding principles. Other issues such as purchasing, storage and margins were not of primary focus. Numerous efficiency initiatives were therefore possible. Standardisation of packing and distribution systems occurred. All hampers now fit within a set packing size and procedure. The product range was reviewed and standard margins established with criteria for introduction and pricing of new products. The operating systems in place were also upgraded with the introduction of bespoke computer systems. While these operational issues addressed the efficiency of the organisation, they were all undertaken within the context of maintaining customer service.

4.1.3 Evolution Of Departmental Structure

A strong characteristic of the case is the close involvement of the founders in the running of the company. Stemming partly from their personal interest and their commitment to succeed, they served as a hub around which all the activity of the company was organised. This is especially true of the managing director, who acted as a centralised decision figure. She was involved in all of the activities and fulfilled a pervasive authorisation role. The size of the early growth structure, a handful of people, three of which were directors, neither required nor facilitated a departmental structure. The work load was divided up among the directors and the staff supported them in their efforts. Authority was vested in the managing director who controlled and led the director team. The structure was informal and the director team met weekly to discuss the operational issues. The singularity of the strategic plan did not necessitate significant time so attention was focused on operational issues. The involvement of staff in decision making and the flow of communication was limited to task issues.

As the company grew however so did the pressure on staff and subsequently their numbers. While the strive for operational efficiencies increased the effectiveness of staff, it also generated a number of additional roles. The span of activities of the founders and the greater complexity generated by the

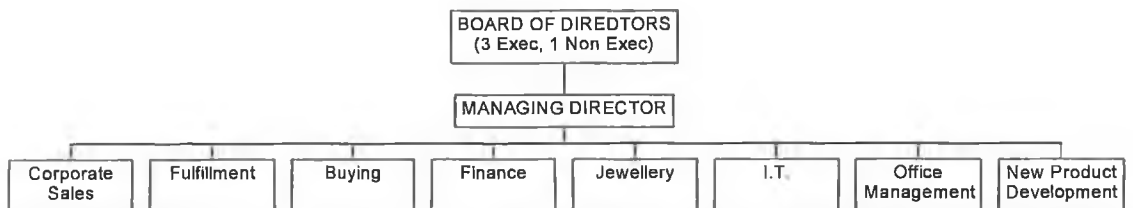
increases in product ranges required the recruitment of additional specialists. Areas like jewellery purchasing, marketing management and accounting services developed. These developed as roles rather than departments. The founders maintained their close involvement to the operations with staff falling directly under the control of the directors and with the managing director maintaining close involvement with activities. Division of responsibilities existed but no real departmentalisation had taken place. The managing director's hands on approach consolidated all roles, rather than the roles being grouped into functional areas.

A significant change arose in 1993. The company had grown significantly, turnover had reached £4.5 million, and the company began to realise that its size required a more formal management approach if it was going to continue to operate effectively. Communication and co-ordination across the founder team had traditionally been informal with many decisions and actions agreed over lunch or coffee. Management discipline needed to be created so that cohesive systems to meet future strategic and operational issues could be developed. A simple solution was found through the co-opting of a non executive director to the board. Coming from a public company background he had the knowledge of good boardroom practice to bring to the company. Formal board meetings were established providing a forum for the discussion of strategic issues and the agreement of budgets. The structure of the

organisation and the use of staff skills soon emerged as areas requiring changes.

Reporting lines of staff and the tasks they performed were examined. Tasks had developed within the contextual requirements then prevailing. Duplication of task types and ineffective reporting lines existed. Greater efficiency was possible through the creation of functional units each dealing with specific task orientated areas of the work throughput. In all eight functional areas were set up all with line reporting responsibility to the Managing Director (figure 4.1.1).

Figure : 4.1.1 Directco Organisational Structure



This structure still facilitates the strong hands on approach of the managing director who closely controls the activities. Interdependence between the departments exist in that areas operate together, e.g. customer care, which falls into office management, must liaise close with buying and fulfillment

(delivery). However, while this may be considered sequential in nature, the interaction between the departments follows more of an autonomous non-sequential nature. Workflow is controlled through the intervention of the managing director, departments do not need to communicate or co-ordinate, except routinely, as the close involvement acts to automatically facilitate integration. Being the central source of information, and the central decision maker, the managing director is well positioned to know what has to happen and when, and to ensure everybody fulfills their role in the process, without the need for everyone else to understand the entire process.

Striving for greater efficiency in the operations and the use of staff, a consultant was engaged in 1995 to see how the organisation structure and the roles and responsibilities of staff could be optimised. The result of his engagement was a move to more of a team structure with the creation of an operations board designed to maximise effective communications. It consisted of the managing director and six of the eight functional heads, both corporate sales and new business development were excluded as they operated independently and did not have any interest with the operational issues being discussed. At this time the company had grown yet larger and the scope of operations of the managing director and the other founders had again expanded. Skilled staff existed in the organisation but were being under utilised. The aim of the operations board was to bring these managers more into the decision arena and delegate greater responsibility to them. This would

in addition provide greater freedom to the founders to focus on wider strategic issues. The team had specific responsibilities which included the improvement of operational procedures, problem identification and solution and enhancing general communications.

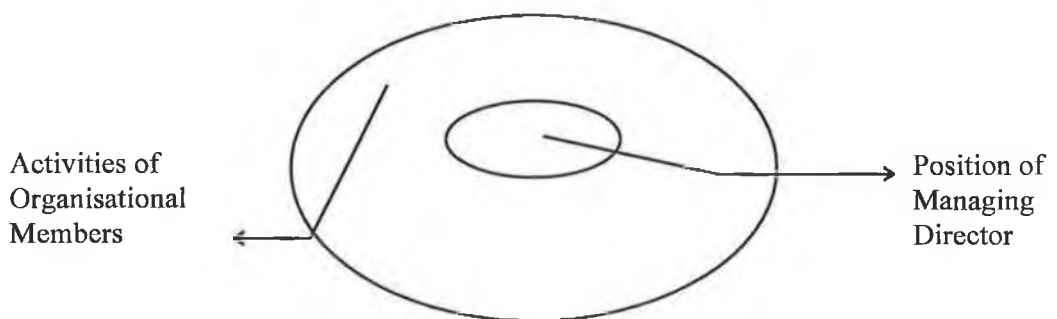
A number of things had to happen to make the operations board work. Firstly, a detailed skills review took place, with managers highlighting the requirements and current skills of their functions. These in turn were compared to the expectations the managing director had about the position. Subsequent discussions created an agreed profile of each particular role within the management team. Finally, budgets systems were installed that established specific goals for all departments. Targets and goals were set between the managing director and each manager. Finally, the remuneration structure of the company changed to include a performance related element. This gave credibility and importance to the establishment of the team and set a tone of greater involvement in the organisation.

4.1.4 Values and Communication

The value set of staff in Directco is well understood. The company operates as the market leader, providing a high quality, customer orientated service. Staff are conscious of these factors from a wide diversity of communications. By far the most pervasive is the involvement of the MD. Taking complete command

of certain areas provided a clear statement of what is important to the company. Her decisions were observable and ultimately anticipatable. Product policy similarly highlighted the need to be responsive. Cognisance was taken of customer feedback and products were included in response to customer requests. The building and expansion of the customer base was of paramount importance and the operating systems present in the company reiterated these facts. Weekly collection figures were generated and analysed. Whether sales were up or down was known each week and were a clear preoccupation of management. The IT system, a central operating system in the company, revolved around generating the customer data required. This bespoke system was a core achievement in the company, nothing else could give the information management required. Its output was therefore important.

Figure 4.1.2: Directco Involvement of Managing Director



The close involvement of the managing director has a strong cultural effect. It typifies the power culture discussed by Hardy (1991). Everything is centralised and referenced to the leader yet the organisation is dynamic and readily changeable. Hardy expressed this in terms of a web structure with the leader in the center and everybody circling them. Figure 4.1.2 shows the involvement of the managing director in the activities of Directco. Activities are organised around her and she provides the focal point for actions, values and meaning.

Unsurprisingly, values appear to be well understood in the organisation. When asked to rate the top five of twenty eight possible values the company holds, only 8 different values were scored by the four interviewees. The top three identified by the managing director were all scored as important by the others. See table 4.1.1. The clarity of knowing key values is not surprising given the close involvement of the managing director in the activities.

The clarity of values is consistent with the level of communication that takes place. The company is small and the involvement of the managing director in all the activities creates an informal structure where communication flows reasonably freely. Integration is not a problem because the managing director acts as an automatic co-ordination facility as she gathers and disperses information and instructions through her central role. Communication is

similarly automatic through the involvement of the managing director. Importantly, however the communication has not historically been pervasive. Staff were only told what they needed to know to complete tasks, the founders were able to consolidate information and manage through instruction and direction. They were the central source of knowledge. This did not prejudice the functioning of staff as they fulfilled task roles rather than wider functional roles. The development of an operations board has resulted in greater levels and amounts of information based communications.

Table 4.1.1 : Directco Perceived Importance of Corporate Values by Department.

VALUE	M.D.	EMPL 1	EMPL 2	DIR 1
Industry Leadership	1	1	2	5
Company Growth	2	3	5	3
Quality of Service	3	2	1	4
Offer Choice	4	5		
Competitive Advantage	5	4		1
Profit			3	
Employee Satisfaction				2
Value for Money			4	

4.1.5 Power At Departmental Level.

Horizontal power differences were not seen to exist in the organisation. The decision making and organisational power was vested totally in the managing director. If she took a project on board it happened. No influence was seen to come from the departmental level. Departmental managers responded to instructions rather than contributed to decisions. The criteria for decisions and the ultimate sanctioning of decisions was very visible and clearly situated with the managing director. This was legitimate and rational, she knew what was best for the organisation and acted accordingly. Power only came from the position one held.

4.2 CASE 2: LOTTCO

4.2.1 Background

In March of 1987, the National Lottery opened their doors for business. The National Lottery is a subsidiary of An Post, the national postal company, and was established under the National Lottery Act of 1986 to run the state lottery. The purpose of which was to raise funds for "...sport and other recreation, national culture, the arts, and the health of the community." (National Lottery Act 1986). Public interest was high with the promise of potential winnings of £250,000 each week and thousands of other prizes. Unsurprising the lottery enjoyed immense success. In its first two weeks the National Lottery generated sales in excess of £13 million and by the end of 1987 sales had achieved £102.4 million.

The granting of the license to An Post raised some concerns in the Charity sector generally, as they felt that the discretionary money, often donated to charity or spent on worthy causes would be drawn into the National Lottery. The awarding of the license arose as a result of a competitive tender process which generated a number of proposals from groups with an interest in areas likely to benefit from the lottery. One such group was a charitable organisation involved in the rehabilitation of the handicapped. Despite their failure to gain

the license they considered the feasibility of running an independent lottery operation jointly with another charity in the same sector. A significant problem in the proposed venture was that it would fall under the very stringent Gaming and Lottery Acts (1956 to 1986). These acts, to which the National Lottery were exempt operated to limit the scope and prizes that any lottery could provide and to place prohibitive restrictions on their operation (Norton, 1990). Notwithstanding these problems Lottco was formed in June of 1987.

4.2.2 Strategic Patterns

The set-up of Lottco was characterised by the short time frame between the appointment of the first senior managers, a General Manager and a Financial Controller and the launch of its products. The early days were very turbulent as legal, marketing and operational issues had to be addressed. Overall strategic aims had been set in market share terms but no real criteria existed on which to set more detailed strategic aims. The primary question was one of survival. Could the legal issues arising from the gaming and lotteries acts be overcome and then could sufficient product distribution be achieved to successfully launch.

The legal issues were never fully resolved to the satisfaction of the company. The early issue was one of whether or not the company was operating within the law. The National Lottery had several legal attempts to prove it was not

and a number of court cases were required to establish the legality.

Notwithstanding this the law pertaining to Lottco and the National Lottery are still different providing operational difficulties for Lottco. These differences translate into competitive issues, primarily, the level of prizes Lottco can offer are substantially lower limiting the appeal and ensuring they always play a secondary role in the market place. Strategies therefore had to be developed to deal with these competitive issues. The building of market profile, loyalty and developing a niche market as a charity organisation were used to position the organisation. The cornerstone of the competitive strategy was customer responsiveness. While the company could not compete in product terms it could excel in service terms.

Another competitive issue was that the larger shops tended to have National Lottery games or lotto machines on exclusive agency terms. Lottco did not therefore have access to this sector of the retail market. Attempts at breaking this stranglehold of the National Lottery resulted in a fair trade ruling against the National Lottery, which was subsequently ignored by the National Lottery as not having legal force. Finally a Ministerial order got the exclusive agency agreements disbanded and technically provided access to Lottco. The National Lottery counteracted on a competitive front by placing sales targets on their agents. If they stocked Lottco tickets they got higher targets. No competitive gains were accordingly made by Lottco.

The importance of access to the large multiples is that there has been a constant erosion of the small retailer base. The market is seeing a trend toward large single retail units driving out the local corner shop. The traditional retail demographic of independent TSN (tobacco, sweets & newsagent) shops on whom the Lottco is largely dependent, has over the past five years seen significant reductions. The company initially had a base of approximately 3000 agents and this has now been reduced to 2000, which gives an average net loss of 200 agents per year. Maintaining the customer base is therefore critical to the success of the company.

Recent years have also seen a trend toward diversification by Lottco as an attempt to meet the competitive demands in the market. The summer of 1990 saw the introduction of Irish Charity Cards. This was an attempt to get involved in the corporate Christmas card market which was successfully penetrated in 1990. In 1991 Lottco expanded into the consumer Christmas card market and into specific areas of the general greeting card market thereafter. The company got involved in the lottery shop a ticket selling operation in major retail centres. They then established and ran information desks in retail centres. All of these activities are customer orientated and fitted naturally with the culture and strategies the company propagated.

4.2.3 Evolution Of Departmental Structure

A number of stages can be seen in the development of the departmental structure. Early structures developed quickly so that the company could commence trading. The company then concentrated on creating focus and building a culture of customer responsiveness leading to internal restructuring.

4.2.3.1 Early Stages

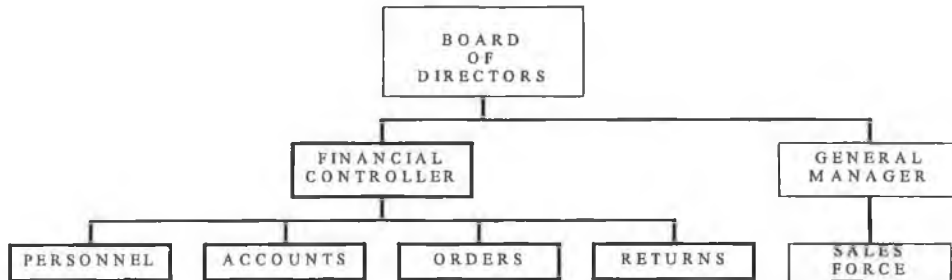
The company initially formed a Board of Directors and recruited a number of external consultants in the sales and marketing fields. The Board Meetings were attended by two advertising representatives and two public relations consultants. The constitution of the Board included the initial project leaders as well as highly respected members of the fund raising community associated with the respective founding charities.

The entry of Lottco into the market place took place very quickly and this presented many operational and technical problems to the new venture. Two senior appointments were initially made, a General Manager and a Financial Controller each of whom reported to the Board of Directors and a non executive Chief Executive Officer (CEO). Within a six week period the administration and computerised systems had to be established and fully operational. This resulted in a very ill defined, but flexible, initial

organisational structure, aimed at meeting deadlines rather than any longer term structural requirements. In November 1987 Lottco launched its first lottery game. Initial expectations were far exceeded and all aspects of the new organisation were significantly strained. Temporary staff were needed to meet the pressure. The location of the offices had been decided, but building work had not been completed and the whole operation was being run from the basement of the building that was to be corporate headquarters. The increase in staff numbers, the limited space and the hectic activity added to the sense of pressure (and achievement). The company had little time for introspection as it dealt with the need to get sufficient systems and operating procedures in place to meet the work flow requirements.

Administrative departmental appointments were made quickly, based on the work throughput, with each department representing an autonomous part of the work flow (See Figure 4.2.1 for initial organisation structure). On the other hand the sales and marketing side consisted of the sales force (travelling representatives) and significant input from external sources. Indeed the functions of distribution and marketing were performed almost entirely through external sources. Very early on it became clear that there was a problem with lines of communications between the sales operation and the administration office. Accordingly a sales administrator was appointed from within the order department.

Figure 4.2.1 Lottco Organisational Structure 1987-1989



Within six months the euphoria about the initial sales had died down. The early boom had ceased and the sales settled below an acceptable level. The organisation became more introspective and started to look at different strategies and cost reduction exercises. There was a reduction of temporary staff and other attempts at reducing overhead. The environment facing the organisation however had become very turbulent, there were legal problems in adhering to the strict letter of the law in respect of lottery prizes, there was stiff competition in the market place, and the state lottery was aggressively trying to eliminate Lottco from the market place. This created many demands on the operating system in the organisation and the administration functions had to respond quickly to changing requirements.

The Board of Directors grew concerned about the apparent inability of the organisation to meet the dynamic market conditions and to meet the challenges

in the market place created by the competition. Most of the technical and legal issues had been overcome and some significant legal victories had been won in the courts. The competition responded by becoming more aggressive in the market place, which again extenuated the anxiety of the Board. Obviously, the board looked to the company and began questioning whether it had the necessary in house expertise to lead it out of the problem. Accordingly, they took the decision that an operational CEO should be appointed with full responsibility for strategic implementation and management. The non executive CEO then stepped down, retaining his board position, and the recruitment of a CEO began.

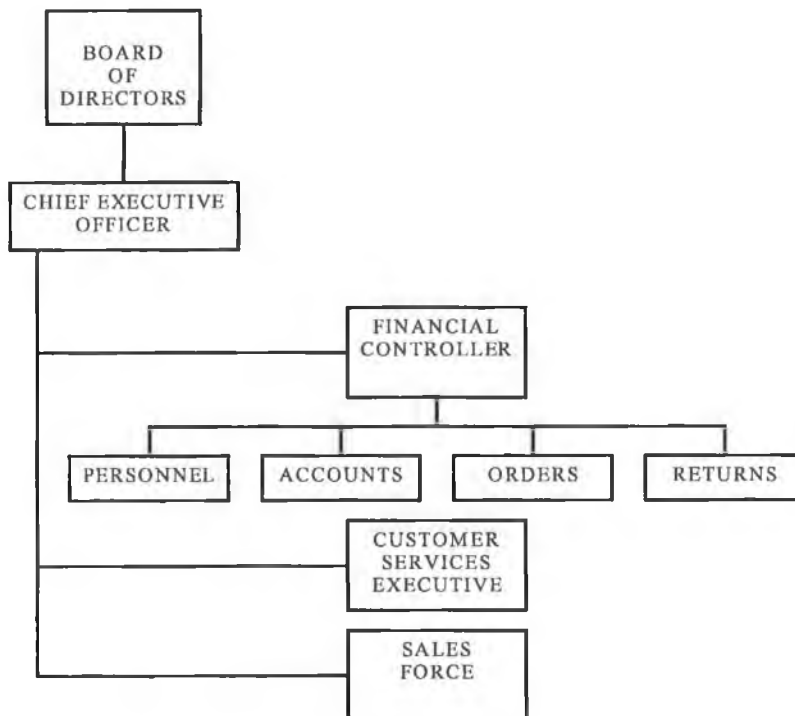
4.2.3.2 Creating Focus

In August 1988, a new CEO was appointed. He previously had headed a prestigious marketing consultancy department and was well respected and known in the marketplace. The appointment was very public and clearly marked the positioning of Lottco as a marketing orientated organisation.

The new CEO began a process of getting to know his staff and the company. He organised some social gatherings and methodologically got to know how the company worked. He questioned operating procedures at every level, and requested new formats and sources of information. This brought an air of anticipation and an expectancy of change. Staff were clear he was not going to

involve himself in functional issues but was going to consolidate the activities to ensure the company achieved its potential. A new Customer Services Executive post reporting directly to the CEO was created as a replacement to the position of Sales Administrator (figure 4.2.2). For the first time targets on sales representatives started to be discussed and greater pressure to perform was applied. There followed a number of changes in staff resulting from sales representatives leaving the company. In under six months, a complete plan as to how the sales and marketing operation should be restructured had emerged and had been approved by the board.

Figure: 4.2.2: Lottco Organisational Structure 1989-90



From an early stage in the organisation life there had been a high degree of dependency on external sources, this was particularly evident in the sales and marketing area. The representatives had little sales responsibility, they merely took orders which were subsequently delivered by a contract courier company. In addition shop merchandising, a fundamental cornerstone of FMCG (fast moving consumer good) products, was also contracted to a third party. The CEO's new plan was simply aimed at generating greater control and accountability over the sales representatives by creating a van sales type operation. Under the new regime the representatives would carry stocks and sell directly to the retailer, thereby exercising greater control in the performance of their duties and in turn becoming more accountable to head office for the level of sales achieved. These changes required significant modifications to the operating and selling systems in the organisation and all staff had some level of input into the development of the new systems. From the poor performance the company had encountered and the questioning cycle the CEO had gone through, it was seen that these changes would enhance the competitive position of the company and help it compete in the market place. Those most affected by the changes, the sales representatives were also those on whom the success of the new operational systems most depended. Changes in their remuneration packages to a commission basis reinforced the importance of the new systems with increases in their salaries of approximately 20%.

4.2.3.3 Building Culture

The aim of the new system was to gain greater control over the sales and marketing functions, primarily, the channels of distribution and corporate communication from the company to its retailer agents. Fundamental to this was the ability of the company to be a customer orientated, service based organisation. Converting the sales force to be more proactive was not enough, the administration and support function also needed to be customer orientated. This was a significant cultural issue. The CEO addressed the issue through a number of activities aimed at improving the customer orientation of the general office staff. The appointment of the Customer Services Executive was a starting point that flagged the obvious CEO commitment to customer service. At the early stages customer problems were invariably brought to the attention of the CEO, because of the importance of solving them quickly and efficiently.

A number of initiatives were also implemented aimed at improving communications internally. Firstly, staff meetings were held regularly, usually every month to six weeks. These discussed how the company was doing, what it needed to achieve and what significant upcoming events were happening. It also served as a team building exercise, one segment of the meeting consisted of a 'my job' section where one individual spoke for a few minutes on what

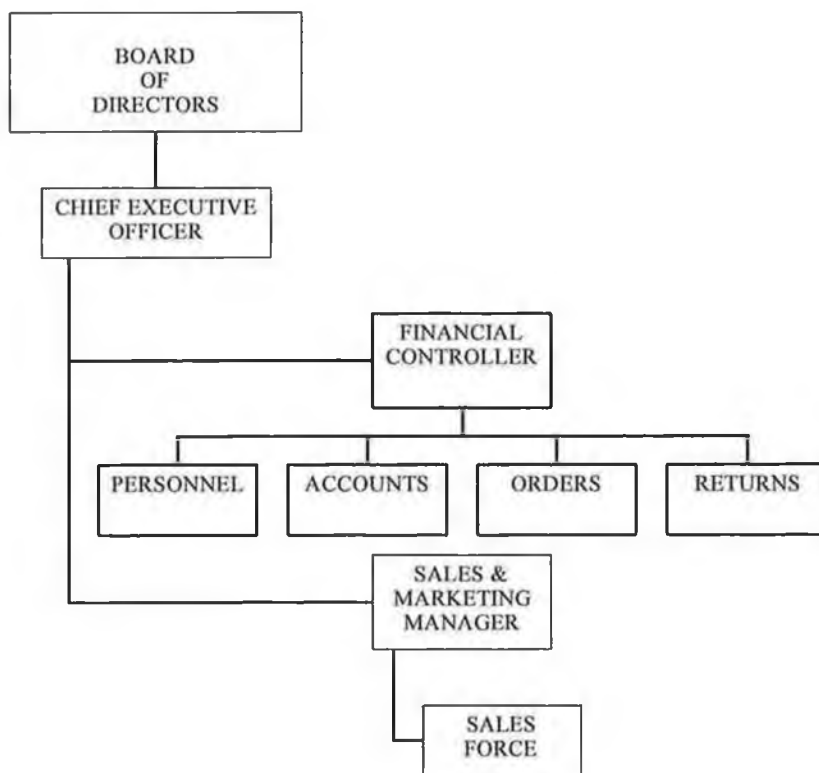
they did in the company. This was aimed at generating greater integration and understanding. It added to the greater sense of sharing and communication that the staff meeting created. Staff meetings invariably ended in the local bar, with drinks on the company. The second initiative consisted of an annual "away day" where all the staff, office and sales representatives, attended a day long function which normally consisted of sales or customer orientated training sessions intermingled with organised social activities. These days reinforced team spirit, the focus of the organisation and the objectives that needed to be met. The third element consisted of irregular competitions that tended to get organised. Staff were invited to design a lottery ticket, generate new product concepts, or present ideas to improve customer service. The best submissions won a substantial prize and consolation prizes were given to every one who participated. The aim was not so much to generate new ideas but to involve the staff in the critical issues and to communicate the importance of the issues to the staff. The final notable area which aided the communication of corporate values was an exchange type program whereby all office staff were sent out of the office to assist a sales representative for the day. This was to aid understanding of the sales function, and again highlighted the importance of the function to administration staff.

4.2.3.4 Internal Re-adjustments and Consolidation

By mid 1990 the organisation had achieved many of its goals, the fundamental shift to a customer orientated organisation had been achieved, there had been considerable investment in an increased percentage of prizes in the lottery games and the company had survived the worst of the competitive threats. Internally, the company had become more routinized and staff roles were more clearly defined. This led to some refinements in the organisation structure. The culture that had developed allowed the CEO to focus his attention more toward the greater strategic and business development issues than the day to day issues. To aid this movement and to create better defined roles in the sales areas, a sales and marketing manager was appointed (figure 4.2.3). In effect this was only a change of title of the customer services executive, who was appointed without competition. The new position created a full departmental head role for that person and was publicized internally and externally. It was positioned however as the natural progression in lines of reporting and an improvement in the way operations took place. It did give more organisational support to the sales manager and allowed them a greater say in the operations. The Financial Controller undertook a number of changes in the administration areas, temporary staff were slowly reduced and eventually eliminated. When ever staff left to take up positions elsewhere the need to replace them was reviewed. This lead to a high degree of natural wastage. The only area that

increased in numbers during this period was the sales department. By 1990 the workforce was more than halved from the original 1987 levels.

Figure: 4.2.3 Lottco Organisational Structure 1990- 1995



By the end of 1991 the period of radical changes seen in the previous two years had slowed to a halt. There was activity at high management levels to plan strategically for the future and the growth of the company, but systems and operations had become regularized and the ability to respond to requested changes in systems had become slower. The communication processes that had radically changed the focus and values of the company began to fade. Staff meetings were held more infrequently, directions rather than discussion began to be the more frequent communication method. The weekly management meeting the CEO had initiated soon after joining also became more infrequent. The major issues ceased to be discussed at meetings where all department managers were present, but were now discussed and planned by the CEO, the Financial Controller and the Sales Manager with the other managers then being briefed. By the end of 1993 the staff meeting process was taking place only three times yearly and the weekly management meeting had been totally abandoned.

Currently, the organisation is run by a clearly dominant coalition. The company is sales and marketing driven with the locus of power centralized into the CEO. The level of staff is at an all time low on a department to department level, with the exception of sales and marketing which has grown. The distinction between administration departments has blurred and it is likely that some merging of these departments will take place in the future.

Fundamentally the organisation has however over its six year life retained the

core departmentalisation structure that it commenced with. What has changed is how those departments have interacted with each other and their importance and power. The sales and marketing area has increased in stature and whereas initially it was not part of a functional organisation structure it is now the central driving point for that structure.

4.2.4 Values and Communication.

Table 4.2.1 summarises the corporate values the organisation members perceive as those important to the organisation. Out of a range of 28 possible value options 16 were scored by at least one person. Two specific values were identified by 4 or more of the senior managers. Given the amount of communication aimed at generating specific values and orientations, the diversification in perceived values is somewhat surprising. Analysing by category however closer associations can be found. The CEO and Financial Controller agreed on 3 values and the Sales and Marketing and DP manager also picked two of these. The other values identified by the 3 less powerful managers tended to reflect the historic communication processes more than current trends. The perceptions of staff followed the information they received.

The levels of communication have varied through out the life cycle of the company. The current position is that there is a low level of interaction between all the departmental heads. A dominant coalition has evolved that acts

Table 4.2.1 : Lottco Perceived Importance of Corporate Values by Department

RANKING OF VALUES	CEO	FIN	S/M	DP/ORD	PR RED
Profits:	1	2	1	1	
Competitive Advantage	2	4			
Quality of Service	3	3	2	3	3
High Morale	4				
Aggressiveness	5				
Professionalism			3		2
Ethics					1
Creativity			4		
Efficiency		5			
Company Growth				2	
Survival		1			
Adaptability			5		
Reduce Costs				4	
Diversification				5	
Team Orientation					5
Value for Money					4

as a decision elite and that are the central source of information and control. Historically, the level of communication was substantially higher. The frequency and variety of types of communication was extremely high after the appointment of the CEO. There were physical types of communications, weekly management meetings, task force teams addressing operational problems, staff meetings and training. This was enhanced by symbolic modes including, the CEO's involvement in certain issues, the reward and promotion systems, actions the CEO undertook and team building activities such as competitions and staff away days. All these activities were aimed at creating a specific communication, that customer responsiveness was critical, and helped build a corporate culture to that effect.

Integrating the departments activities was not a difficult task. Sequential dependence between departments exists but standard operating systems allowed clarity of responsibilities and modes of ensuring effective work flow. In addition there was a clear understanding about the overriding requirements of the organisation to be customer friendly and protective of the corporate image. This became an overarching decision criteria which aided the resolution of conflict. Disputes or problems could always be referred upwards to the CEO if necessary but his preferences were well understood so problems would be solved at departmental head level. This generally placed the sales and marketing department into a very central position.

4.2.5 Power at the Departmental Level

There are four functional departments in the company at the time of analysis as indicated in Table 4.2.2. The structural contingencies theory of departmental power would posit that the power structure should be directly correlated with the department coping with the critical contingencies facing the organisation. Lottco clearly has identifiable contingencies that must be overcome, notably the erosion of the retailer base and the need to be competitive in an aggressive market place. These are the responsibility of the Sales and Marketing function, and their centrality to the achievement of corporate objectives should position them as the most powerful. The perceptual scores of each department manager are given in table 4.2.2.

Table 4.2.2: Lottco Ranking of Strength of Horizontal Power by Department

DEPARTMENT	S/M	ORDERS/ DP	PRIZES
SALES & MARKETING	1	1	1
ORDERS/DP	2	2	2
PRIZES/RETURNS	3	3	4
FINANCE	4	4	3

The degree of consistence is striking with near perfect correlation. The informational cues the organisation has provided through-out its evolution has always tended to emphasize the importance of the Sales and Marketing function, particularly the focus of training, the communication of sales data, the restructuring of the sales force operations and the perception of the functional orientation of the CEO. It is therefore not surprising that the departmental structure has generated a powerful Sales and Marketing department. The Sales and Marketing department has not however always enjoyed its current influence, indeed until 1992 it did not exist as a separate functional department. Given that the core contingencies as viewed by the organisation members have not changed in focus over the years it does not appear that the control of the critical contingencies or other structural factors has led to the elevation of the department. A number of factors appear evident from the attitude of staff in the organisation. The sales orientation of the organisation is necessary and natural. Without addressing the important issues of the market place and control of the sales force the organisation cannot in the perception of the members of the organisation prosper. It is therefore natural that the Sales and Marketing department should have greater input into the day to day management issues.

4.3: CASE 3: SOFTCO

4.3.1 Background

In the mid 1970's the computer industry was going through a period of substantial change. Computer technology, previously the domain of large corporations, was becoming available to a wider audience as a result of the introduction of the mini computer. The early part of the computer industry development was characterised by main frame companies selling hardware solutions into large corporations who then used their own staff to develop software to their own specifications. The advent of the mini computer made similar hardware technology available to medium sized firms who did not have sufficient resources to develop software themselves. A need therefore arose for software solutions to be provided to the market and the software industry emerged.

Softco was established in 1979 as part of this industry growth. It consisted of four founding shareholders and a skeleton staff, working as sub-contractors to hardware vendors. This involved working through the hardware vendor developing or modifying systems to customer requirements. Softco had no real control over the precise work they received and it was not specific to any one type of program or industry.

In the early part of the 80's Softco began to see that the potential for growth lay in the capacity to develop suites of programs and to resell them to several customers. They attempted to consolidate their expertise and make it industry or market specific. In 1983 Softco made the decision to become a niche player in the banking sector. They set about developing and consolidating software that they had already produced for the sector. This development was funded from cash flows arising from non banking activities and from deposits received from customers who had signed up for the new product. Softco also signed a deal with a hardware vendor to provide a platform for their software. Combining the sales effort of the two widened the scope for business development for Softco.

With good growth and an increasingly healthy order book Softco set about concentrating solely on the banking sector. In 1985 Bankmaster software was formally launched and Softco eliminated all non banking activities from their portfolio. Their links with the hardware vendor allowed true international expansion and they started to make substantial inroads into the UK, the Middle East and India. Growth through-out this period was substantial. By 1986/7 however advances in the hardware industry began to catch up on Softco. The hardware platform had become outdated and no matter how good the software, bankers were reluctant to install old hardware. The market was driven by IBM

systems and there was no easy way to translate the existing software onto that platform. Softco therefore decided to move onto a PC Novell based platform, a new emerging hardware technology, and this began a substantial development process resulting in the successful implementation and subsequent launch of a PC based version of Bankmaster in 1988. This version of Bankmaster, Bankmaster LAN, is still fundamentally the product that is sold by the company today although two other products Branchpower and a Transaction Processing System have been added to the portfolio.

By the end of the 1989 financial year Softco had turnover of some £6 million and were showing operating profits of £1.8 million. Within two years profits had reached £3.7 million and Softco's earning capacity attracted the attention of other companies in their industries. 1991 saw the sale of Softco to a UK public quoted company, for a total purchase consideration of £37.1 million.

The opening up of the Eastern European markets after the collapse of the Berlin Wall provided new emerging markets and opportunities for Softco which were quickly seized upon. Combined with expansion into Thailand, Singapore, Mexico and Argentina as well as continued expansion in the Middle East, Africa and India, Softco continued to maintain their consistent growth. In 1994 the company showed total turnover of £21 million and operating profits of £7.5 million. Staff numbers had grown to 350 by 1995. During the 1990 to 1995 period the company had moved from a client base of

80 to 190 banks consisting of over 1000 sites. They have 4 regional offices in Bahrain, Singapore, London, and Miami. They have experienced an increase of over 250% in turnover and 315% in operating profits. In late 1995 the total group was in turn taken over a larger public quoted UK company for a total consideration of £250 million.

4.3.2 Strategic Patterns

In line with other company start-ups the early strategic issues facing Softco was one of creating a market position and ultimately survival in the short-medium term as a basis for developing long term strategies. Entry barriers were low and there was ample opportunity as a subcontractor to mainframe sellers. The founders however did not see this as a viable long term method of creating a successful company. Central to the emerging strategy and to its current position was the desire to find and exploit a substantial market segment or niche that facilitated the growth aspirations of the owners.

Different industry sectors were worked with through-out the early 1980's including the legal profession, distribution and construction. It was ultimately the banking sector that Softco felt offered the best opportunities. This period of discovery was characterised by a systematic search for a market focus. Once the decision was made however that efforts would be concentrated on the banking sector Softco committed its resources to fully exploit opportunities

available to it. By 1985 the niche strategy had been created and the company was growing on the back of its banking systems. This consolidation stage brought Softco to a prominent position within the sector and set the scene for substantial future growth.

The next major strategic decision facing Softco revolved around technological changes in the hardware sector. Product life cycle decline due to hardware advances required Softco to start developing new software for the new hardware standards. This arose in the mid 1980's as the hardware platform on which the early growth had been achieved became outdated.

Softco was therefore faced with a strategic decision as to how to port their software onto a new platform and indeed more importantly what platform to adopt. After consideration of the options available Softco chose not to follow on to the then industry standard IBM system but to go with the new emerging PC based networks. This had the advantage of providing Softco with an open system architecture allowing greater compatibility with other systems. This placed them well ahead of their competitors in terms of technological position and in terms of price competitiveness. The successful implementation of the first PC network in 1988 ensured that the growth momentum built up in the first 8 years would be maintained.

With an effective product and a desire for growth Softco continued its expansion into emerging markets, seeking out potential growth markets in The Middle East, Eastern Europe, and South America. The annual growth rates achieved to this date averaged 40% per annum while the sector had hardly achieved a 40% rate over the entire period. The reason why such growth has been possible was summarized by Nagle (then managing director) in 1992. “There are 10,000 banks worldwide or 150 markets to chase of the 230,000 locations we have 650.....even if we were to continue growing at 30-40% over the next 20 years we wouldn’t come close to exhausting the potential.” The product and market mix allowed ample opportunity for expansion. The important issues internally were the drive to write more business and seek more ways of increasing the value and revenue from surround services (ancillary services such as training and consultancy). This is evidenced in the development of the organisational structure as most changes have been directly or indirectly related to increases in the revenue generation capacity of the company. This has allowed the company to be product driven matching the market to the product.

The current position of the company is that the existing product life cycle is beginning its decline and the development cycle is becoming of greater concern. Strategically it is important for the company to develop new versions of existing products and to seek new product expansion areas. This is coupled with a move away from smaller scale bank customers to the mid sized banks.

Resources can be better deployed (and greater revenue generated) by managing a smaller number of larger clients. Imperative in the success of this effort is having a modern open platform system enhancing the connectivity of the product. Customer focus and greater individual attention with shorter response times are essential ingredients in this mix. The structural changes in Softco demonstrates the move to flatter, team orientated and responsive units supporting this strategic change.

Ultimately the overriding strategic aim of the company is profit generation and this has changed little through-out the existence of the company. The focus of particular emphasis placed on functional areas may have varied but growth and the associated profit generated has been the key objective of efforts in the company. Growth rates of 40% per annum and a valuation of £37.1 million after 11 years in operation are testimony to the highly focused efforts of the company in realising the market opportunities available. The cornerstone of this strategic achievement lies in the selling and marketing effort. Effective selling derives from having quality products and support available to the front line staff. In this manner the non direct sales orientated departments, i.e. customer services (although revenue generating) and specifically the product department are seen as contributing to the core activity of the company as opposed to being central to that activity. In effect the product development department is seen as the fuel that runs the engine, but it is the quality of the engine that drives the company.

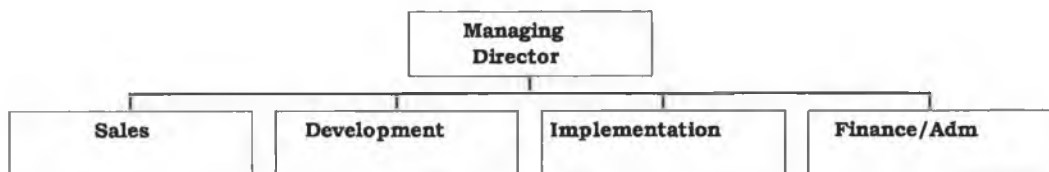
4.3.3 The Evolution of Departmental Structure.

The start-up structure in Softco was very simple consisting of an entrepreneur with some sales help combined with a small design and build team.

Departmentalisation was limited to generic titles, in effect everyone did everything. The hardware deal in 1984 was a turning point for the company as it entered a phase of growth. This led to increases in staff numbers to about 50 and the early stages of departmentalisation. Greater customer numbers and the corresponding demand on support facilities required structural responses.

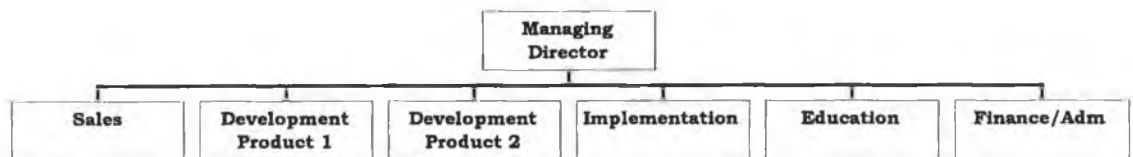
Departments such as support services began to emerge, allowing the build team time to concentrate on producing code rather than dealing with customer queries. The first real department structure finally evolved consisting of a simple functional structure (Figure 4.3.1). The Implementation department was established to free the development people and to focus sales effort on support services as well as product sales.

Figure: 4.3.1 Softco Organisational Structure 1984



In the period 1984-89 the company's growth maintained momentum but also saw the company move away from product sales to surround services sales, including implementation, site consultancy, training and education. This again was driven by the market's need for these services. There was a time delay in implementation and going live which necessitated on-site training to maximise the clients use of the systems. This period saw a substantial reduction in the proportion of product sales to total sales from about 90% to approximately 50%. Figure 4.3.2 shows the resultant change in the organisation structure as the education department was established to consolidate this services income. At the same time a second product came on line and Softco established a new product department responsible for its development and support. The structure in Figure 4.3.2 shows two separate product departments. Each of these departments had responsibility for the commercial development of the product and ultimately the amount of revenue the product was generating. Resource allocation and the extent products were supported or developed related to its immediate revenue generation.

Figure 4.3.2 Softco Organisational Structure 1984-9



To maximise resources, in the early part of the 1990s, the implementation and education departments were merged into the Professional Services department, facilitating the management of customer handling and bringing responsibility for site set-up and ancillary set-up services into one area. The move away from product sales into surround services and the desire to provide added value also provided a logic for the consolidation of these areas and a maximisation of the revenue generation from the consultancy expertise in the company. Once a contract is signed the customer is the responsibility of the Professional Services people who perform site consultancy, implementation, education and training, handing the customer over to customer services once the first site goes live.

Currently the company is in the middle of a product development cycle with the current software packages beginning to age. The internal focus of the company is shifting to product development and the creation of more open and more modern products. After a working party review and a critical evaluation of the current and potential future position of Softco, a new product development unit was established. This was preceded by the recruitment of an external person to contribute to its development. As a result the two product sections that had traditionally been used to drive product issues were replaced with two new departments. Firstly, a customer services section, which would be involved with the modification of existing code, the provision of support and the testing and documentation of software. The second department is the

Product Division with responsibility for the development of new products. This includes replacement of existing software and the development of new product ideas or markets. This redefinition of departments is not a superficial one. Historically, each section (except administration and finance) was revenue generating in its own right. In this new structure (Figure 4.3.3) the product department is not to be measured by a revenue yardstick rather it is a cost center assessed on the basis of its new product creations. This is a fundamental shift in operating protocol providing a new basis for the creation of product development leadership.

Figure 4.3.3 Softco Organisational Structure 1996



The complexity of Figure 4.3.3 underlies the growth the company has enjoyed as it moved from an owner managed company to a 350 employee subsidiary of a UK public quoted company. A natural increase in complexity would therefore be expected. In addition one might expect that this increased size and complexity would require a greater degree of hierarchical command structures. In line with modern management trends Softco is aiming to flatten its structure and create a more responsive organisation. Departments developed into function or product related areas and over time these areas tended to get too large to be coordinated effectively. As a result Softco has on a department to department basis broken down the task groups and created cross task teams or project groups with a combination of skills. This is seen both in Professional Services department who have combined implementation, product consultancy and project management into teams reporting to an individual manager, and in Customer Services who have combined the three current product support groups and product testing into single team structures with each team having expertise in each product area. This also aids a current corporate objective of improved customer response time and better customer services. Project teams now generally have resources to handle all the customer requirements (relevant to their department). Responsibility is also clearly vested in individual team managers rather than a function head. Co-ordination is enhanced and control over all aspects of project through-put is maintained.

Table 4.3.1: Softco Perceived Importance of Corporate Values by Department

Values	M.D.	Cust Servs	Prod	Prof Servs
Profits	1	1	1	1
Creativity	2			
Quality of Service	3			4
Professionalism	4		3	5
Company Individuality	5		2	
Industry Leadership		3		
Company Stability			4	2
Reduce Costs		2	5	3
Open Communication		5		
Competitive Advantage		4		

4.3.4 Values and Communications

The importance of profit through revenue generation is well understood in Softco (see table 4.3.1). The core value of the company was identified as being profit related. Revenue was also seen as the means to achieve profit and the importance of meeting sales targets emphasised. There was total consistency

in the identification of profit as the number one issue in all the interviews undertaken.

This is consistent with well communicated corporate values and strategies. However the perception of communications operationally and strategically was very poor. Communication channels were not seen to either exist or to be used properly. This was explained as resulting from the rapid growth in staff numbers and the corresponding increase in the volume of information available. With too much information to send, people tend to exchange too little. Time is in short supply and this limits the propensity to want to receive or send communications. In addition departments were seen to be discrete and somewhat independent allowing co-ordination to arise from higher levels in the hierarchy and lowering the necessity for information flows. Information was seen to be more task orientated than strategic or general in nature. Communication mechanisms such as the annual staff day, where staff were entertained at the companies expense had been used by senior management as a method of reviewing the year and describing the future direction. While previously effective this was now perceived as becoming more social in nature and less effective at communicating critical corporate issues.

Agreement on corporate values and the importance of business growth notwithstanding this perceived lack of communication, permeates the organisation. While appearing inconsistent the basis for solving the paradox lie

within the wider context of the organisation as a whole. The importance of profit and revenue were often identified in terms of other events/issues that staff had witnessed. The sale of the company appeared to have significant meaning representing the important contribution of profit. The owners received a substantial amount for their stake and the reported reason the UK company bought Softco was its profit potential. There was also comments on the consistent drive to write new business, on lack of investment in product development and in some cases in the offices or buildings. An understanding of 'this could be good for the business but would cost money, money isn't spent yet we make millions' portrayed the image that above all the company valued profit.

Historically, the need for communication was not seen to be great and in part this reflected a more manageable information load. There was also a feeling that mechanisms like the staff day were useful in providing information on what was going on. However since July of 1995 there appears to be an increase in the level and types of communication that are taking place.

Working parties were set up which preceded the latest organisation restructure and since that date a greater number of corporate away days - management meetings held outside of the office- are taking place. Providing 'an open forum, and an opportunity to talk out issues or problems, allowing greater understanding cross functionally and better information flows generally. Indeed cross functional working parties are being established from discussions

at these meetings. Strategic change is important to Softco and greater internal communication is seen as a precursor to successfully repositioning the company.

4.3.5 Power at the Departmental Level

Corporate values are a foundation for the underlying approach to problem solving and departmental contribution to strategic achievement.

Notwithstanding the perception of low levels of communications there appeared to be a high level of agreement on the overall corporate values important in Softco and the basis on which departmental influence or power is exercised. The core aim of Softco relates to revenue generation. Profit was seen as the single most important factor in determining action. The extent to which individual departments were able to influence or could attempt to influence strategic or operational goals was also related to the degree of revenue attributable to their position. In other words department influence was perceived as correlating with the contribution each department made to the coffers of the organisation.

Table: 4.3.2: Softco Ranking of Strength of Horizontal Power by Department

DEPARTMENT	P/S	PROD	C/S
INTL SALES	1	3	2
OVERSEAS OFF	2	4	3
PROF. SERVS	3	5	1
PRODUCT DEV	5	1	5
CUST SERVS	4	2	4
ADM DEPTS	6	6	6
MOST IMPORTANT FACTOR DETERMINING POWER	REVENUE	REVENUE	REVENUE

Again an interesting anomaly appeared to follow, while agreement existed on the basis of influence the three department representatives spoken to could not agree on the individual departments that either generated the most revenue or were capable of exerting the most influence in strategic or operational issues. (Table 4.3.2). Contextually there are a number of relevant issues that may contribute to this. Firstly, many spoke of the influence of sales and marketing in generic terms rather than the individual departments that currently exist. It

would appear that the current department structure is not well understood. Secondly, given the recentness of the change it may take some time for a greater understanding of each department's role and contribution to emerge. Thirdly, the general perception about the state of communications could also be contributing to lack of information within the company about the changes and their impact. Finally the rate of change appears to be high. The environmental factors Softco deals with require rapid response and flexibility. Comments were made about the frequency of departmental changes. Some as frequent as every eight months.

The traditionally adopted structure of departments as profit centers underpins the perceived core value of profit generation. The latest restructure positions product development outside of this structure moving the department away from the traditional profit focus. At the same time the product cycle is commencing on a downward slope necessitating strategic replacement. An opinion of product development as the 'poor relation' of the business even though it produces the product that generates the profit places the department's perceived influence ranking at the lower end of the spectrum. The reality however is that considerable investment is being made in product development. External expertise has been brought in at director level. The department has been restructured and the skill levels of the department are being upgraded through recruitment and training. The centrality of the department is continuing to increase as the need for product replacement

heightens. Greater perceived prominence could accordingly be expected but this was only visible within the product department.

CHAPTER 5:

FINDINGS

5.1 Introduction

The case discussions show a number of areas of divergence and similarity between the cases. The nature of horizontal power differences clearly varies among the companies yet there appears to be similarity in the processes at work which create an understanding of the critical contingencies upon which the power structure is based. This section will firstly explore the contextual factors that explain the divergence that differentiate the companies. Secondly, analysing the similarities will permit some discussion on the generic processes that create horizontal power structures. Finally, existing theoretical frameworks can then be examined in the light of these findings.

Figure 5.1 The Structural Model of Horizontal Power



Table: 5.1 Comparison of Clarity on Critical Contingencies and Existence of Horizontal Power Differences in each case.

Company	Clarity On Critical Contingencies	Existence Of Horizontal Power Differences
Directco	Clear	None
Lottco	Clear	Strong
Softco	Clear	Not Clear

The structural theories of power posit a direct relationship between the control of critical contingencies and the relative power position of departments as illustrated in figure 5.1. Clarity on understanding the critical contingencies facing the organisation should therefore translate into a clearly understood power structure. Table 5.1 compares the understanding of critical contingencies and the existence of horizontal power differences in each of the cases. It can be seen that there is clarity in all of the cases about the critical contingencies. This clarity however does not result in a clearly defined horizontal power structure in each of the cases. Directco had no power differences, Lottco had strong power differences and Softco had no clear perception of which department had the strongest power position notwithstanding a clear understanding that power differences existed and that

the basis which allowed departments to exert their power was contribution to profit. Understanding the nature of horizontal power therefore consists of exploring how agreement on critical contingencies exists and then what factors create the variations in the existence of horizontal power in each case.

5.2 The Nature of Horizontal Power Differences

The agreement on critical contingencies could be expected to generate consistency on the understanding of horizontal power differences. This however was not the position as indicated in Table 5.1. A number of contextual factors were identified that created variations in the nature of the horizontal power in the studies. This section will explore three contextual variables that account for some of the variations identified.

The critical contingencies model of power would posit that horizontal power differences are related to control of key resources or coping with uncertainty. Since consistency exists in the identification of critical contingencies it could be expected that the horizontal power structure should be related to control of the relevant contingency in each of the cases. The powerful departments will be those that control the key resources irrespective of the context in which that control is exercised. In this respect however the structural theories are inconsistent with the case descriptions.

TABLE 5.2: SUMMARY OF CASES

CASE:	DIRECTCO	LOTTCO	SOFTCO
YEARS IN EXISTENCE	9	9	16
SIZE (EMPLOYEE NUMBERS)	30	30	350
TYPE OF MANAGEMENT	OWNER/DIRECTOR	PROFESSIONAL	PROFESSIONAL
TYPE OF DEVELOPMENT	TASK BASED	DEPARTMENTALISED	FORMALISED
PROXIMITY OF LEADERSHIP	HIGH	MODERATE	TASK
TYPE OF INTERDEPENDENCE	SEQUENTIAL WITH LEADER INTERVENTION	SEQUENTIAL	POOLED/SEQUENTIAL
CRITICAL CONTINGENCIES	CUSTOMER SATISFACTION AND REPUTATION OF CO	MAINTAINING AND GROWING AGENT BASE	REVENUE GROWTH THROUGH INCREASES IN SALES REVENUE
EXISTENCE OF POWER DIFFERENCES	POWER VESTED IN MD. DEPT POWER IS SUBSERVIENT TO MD	DEPARTMENT POWER PRESENT BUT FINAL POWER VESTED IN MD	POWER AT TOP IN MGT ELITE. DIFFERENCES IN HP EXIST & REFLECTS PERCEIVED MGT PREFERENCES
UNDERSTANDING POWER DIFFERENCES	MD'S OBJECTIVES ARE CLEARLY UNDERSTOOD THROUGH MEETINGS AND PROGRESS REPORTS	MEETINGS, EVENTS AND ACTIONS HAVE DEFINED IMPORTANCE OF CERTAIN ISSUES. DEPT'S COPING WITH THESE HAVE POWER	HISTORY OF CO AND ITS PREFERENCE AND REWARD SYSTEMS PROVIDE INTERPRETATION OF THE IMPORTANT EVENTS AS BASIS FOR POWER
STRENGTH OF POWER DIFFERENCES	WEAK	STRONG	STRONG PERCEPTUALLY, BASIS UNDERSTOOD BUT NO AGREEMENT ON MOST POWERFUL DEPARTMENT
HOW DO POWER DIFFERENCES ARISE	MD OVERRIDES ANY POTENTIAL FOR HORIZONTAL DIFFERENCES	INFUSED BY LEADER AND HIS COMMUNICATION WITH STAFF	LESS DIRECT COMMUNICATION RESULTS IN INTERPRETATION OF DIFFERENCES
SUPPORT FOR CRITICAL CONTINGENCIES	PARTIAL SUPPORT, ACTIONS ARE IN BEST INTEREST OF CO AS DEFINED BY M.D.	SUPPORTED. COPING WITH CRITICAL ISSUES GIVES DEPT POWER	SUPPORTED. COPING WITH PERCEIVED CRITICAL ISSUE GIVES POWER
PROCESS BY WHICH CRITICAL CONTINGENCIES ARE CREATED	LEADER INTERVENTION	SOCIAL CONTEXT OF ENVIRONMENT AS DEFINED BY LEADER	INFERENCES FROM LEADER ACTION
LEADER INVOLVEMENT	TOTAL	PERVASIVE	TASK

Table 5.2 summarizes the nature of power in each of the cases. The nature of the horizontal power structure differs among the case studies both as to extent and strength. No power differences arise in the Directco case, compared to the strong differences in the Lottco case where the company is of a similar age and size. The larger Softco organisation provided difficulties in translating a clear understanding of what created horizontal power differences to what department was most powerful. All companies are similar in so far as there is agreement about the core critical contingencies facing the organisation. These contingencies are understood as the basis on which decisions will be assessed.

The variations in the existence of horizontal power differences suggests that some factors must be mediating the critical contingencies - power relationship. Three contextual factors (figure 5.2, p137) emerged that provide some explanation for the variation in the nature of the horizontal power differences. These are

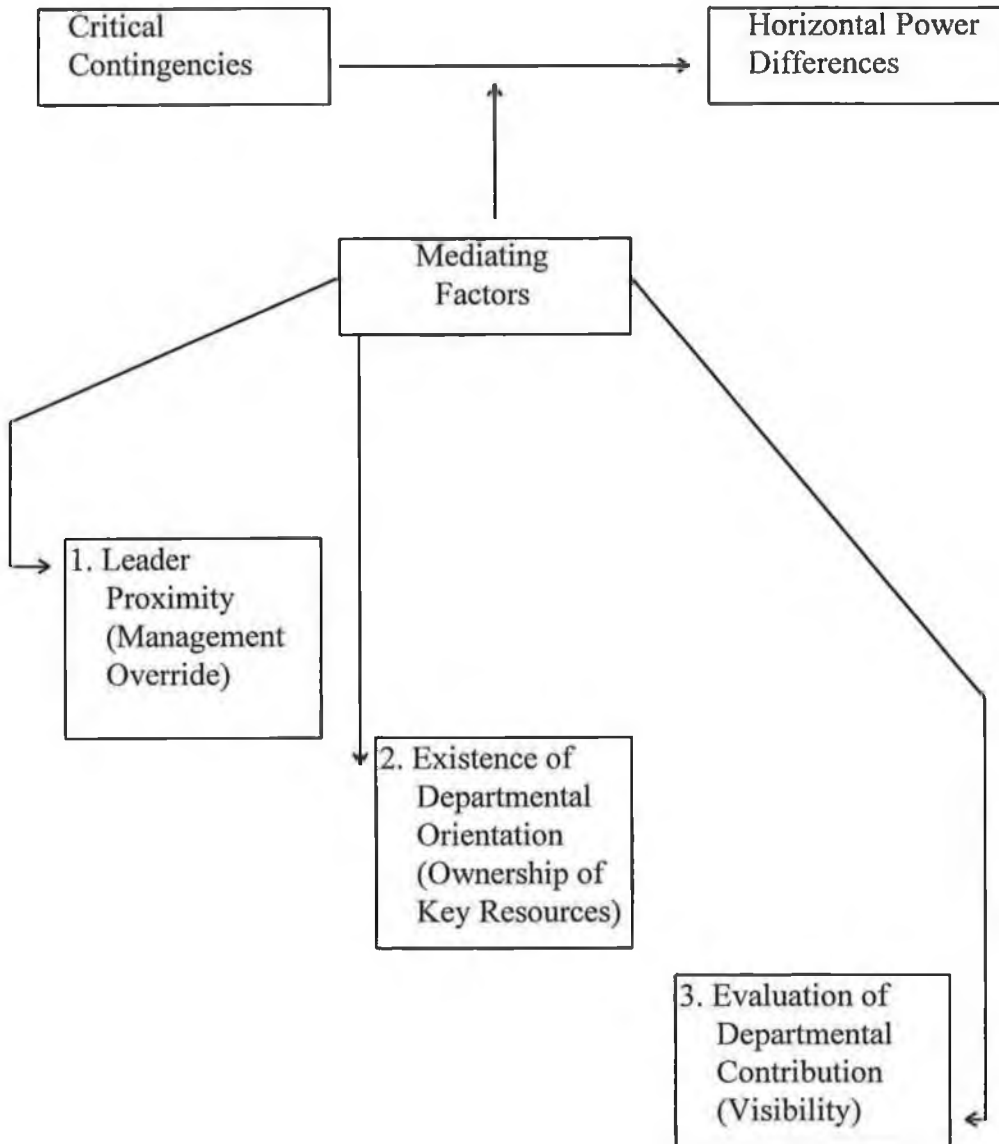
- a) The type of leadership. Close involvement of the leader can override the dependence of one unit upon another through the centralisation of power in the leader position.

- b) The stage of departmentalisation. Distinct departmental orientations are necessary for departments to have a legitimate right to deal with the critical issue facing the organisation and to control the key resources.

- c) The level of interaction among departments. There must be a clear understanding on what contributions departments make to satisfying critical criteria. This requires visibility of departmental activity which flows from interaction between the departments.

The identification of these factors highlights a potential deficiency with the structural theories. It would seem from the cases that different situations and contexts will combine to create differing types and strengths of horizontal power differences. Horizontal power is not a simple question of dependence. There can be mitigating or accelerating factors that also affect the relationship.

Figure 5.2 Mediating Factors on Nature of Horizontal Power Differences



5.2.1 Type of Leadership

This section will argue that leadership can play an important role in mediating the structure - power link. Direct involvement of the leader in the activities of staff centralises authority and eliminates the interdependence between departments. High proximity of the leader to the activities of the organisation accordingly moderates the development of horizontal power differences.

In Directco the leader is close to the activities of the staff. She is involved closely in all the decisions that are made, has a high level of understanding about the task activities of her staff and has a high degree of communication with subordinates on a formal and informal basis. In all respects she has a high proximity to the staff and their activities. Proximity affects the activity of the subordinates in a number of ways. Power stems from the ability to influence or affect decision outcomes. When leadership proximity is high the involvement and understanding of the leader produces an autocratic decision arena where access at the departmental level is limited. Lines of reporting link directly to the leader, who maintains overall knowledge about operations. Work and information flows in passing between departments must firstly pass through the leader who channels it onwards to other departments. This creates a pervasive role for the leader connecting them to all activities. Consequentially, the decision structure is strongly centralised, with both knowledge and

position power. Moreover this pervasive interconnecting role has a strong impact on the level of interdependence. Effectively the proximity of the leader, breaks the interdependent links between the departments. Channeling all the work through the leader serves as a control mechanism facilitating co-ordination of tasks by the leader. Interdepartmental dependence becomes minimised through this intervention and leader co-ordination.

Thus leader proximity provides a good explanation as to why horizontal power differences are not observable in the Directco study. The expected horizontal power differences are subject to leader override. The proximity of the managing director to the activities and the role she plays as the ultimate decision maker focuses departmental activity on the tasks facing them, not within an interdepartmental relationship but within a superior - subordinate relationship. This eliminates any dependence between departments. Her involvement also establishes a visible decision process. Power is clearly accepted as residing in the managing director and her control over activities generates a rationality in the decision process. She makes the decisions and everyone follows. This process moderates any opportunity for individuals or departments to exert influence in the decision arena as they are task based, satisfying the criteria established by the leader.

The professionally employed management of Lottco provided for differences in the level of involvement the leader has in the operation of the company.

Directco started with just the owners who by definition had to do all the tasks. Departments evolved around them as needed. Lottco in contrast started with a functional structure, a planned organisation with functional specialists. The proximity of leadership is less pervasive here than in Directco. While the leader has a strong involvement in the activities and is an ultimate decision maker, a clear distinction is that functional responsibility is delegated to staff resulting in greater dispersion of knowledge. The leader's involvement while extensive is more general than in the Directco case. The leader is involved with all of the activities indirectly through the reporting systems and the formal and informal communication networks which centralises power and decision making in the chief executive. The proximity is lower because this centrality is not generated from the absolute knowledge of operations or from the direct intervention in activities. The leader allows a degree of autonomy within the functional areas based on established criteria. The chief executive sets these criteria and manages by exception. Functional responsibility exists among the management team and this subsequently permits functional preferences to emerge.

In addition the departments in this company must deal to a greater extent with one another, there is no intervention by the chief executive on operational issues. Problems are solved before they reach the CEO. The lower proximity of leadership limits the amount of management override. Sequential interdependence therefore creates a level of dependence between certain

departments. Power differences emerge as departments attempt to cope with this interdependence. The case shows that the sales and marketing department exercises great influence over the others in the company. The department is seen as central to the achievement of the objectives of the company. The understanding of why the sales and marketing department is strongest is very evident in the case. The critical success factor is competing in a highly competitive environment. All departments must recognise the importance of customer service to achieve greater effectiveness in this competitive environment. The company therefore shows strong power differences with a clear understanding of which department is the strongest and the reason why the horizontal power differences legitimately exist.

The involvement of the leader in organisational issues can be seen to be a potentially strong mitigating factor in the critical contingency to power link. It can either negate it through the centralisation of power or accelerate it through the delegation of responsibility to the departmental level.

5.2.2 Stage of Departmentalisation

Horizontal power differences can only emerge where the organisation has separate departments each providing a different perspective on organisational action and events. It must be possible to link departmental activity to control

of the critical resources of the organisation. The cases here suggest however that the manner in which departments are formed influences the degree to which they generate a cohesive departmental focus. Without a clear perspective existing for each department there can be no dominant department.

Differences emerge in the stage and type of departmentalisation each company had undergone. The cases differ in the way departmentalisation developed.

Directco developed a task based approach assigning roles and responsibilities to individuals. Jobs were created as a response to the work that needed to be performed and staff were task orientated rather than department orientated with their activities often spanning more than one functional area.

Departmental orientations were consequently less developed limiting the potential for cohesion in forming departmental perspectives. Accordingly organisational members perceived issues in the context of task effects and horizontal power differences were limited because members did not think in departmental terms. Responsibility for dealing with the critical issues did not rest in one particular area. When restructured for efficiency, tasks became more grouped which led to the development of its current functional department structure. Where a functional structure might suggest greater divergence in orientations and preferences, evidence of departmental power differences are still not present. The functional structure present in Directco has evolved from a history where clear functional separation has not been present. Organisational members still do not conceptualise events in a clear

departmental manner and they do not accordingly have a clearly defined functional orientation which limits the ability for horizontal power differences to develop.

The fact that staff do not think in departmental terms could be related to either the small size of the company or the recentness of the structural changes.

These are issues that are not really accounted for in to the structural contingencies theory (Hickson et al, 1971). Power difference should exist through the imbalance in the importance of resources under the control of departments. Clear understanding exists in Directco on what are the important resources. In addition they contrast with the Lottco case which is the same size as Directco and has demonstrated horizontal power differences from early in its life. Lottco did however have a different departmental evolution pattern with a more developed departmental structure.

Lottco was formed at the same time as Directco. It employed a professional management team from inception and developed a departmental structure from the beginning of operations. Task activities developed within this departmental structure. Tasks were designed by the functional specialists in each department heightening differentiation between the orientations of each department. This was in marked contrast to the Directco situation where the activities were defined and designed in task terms. Clarity on critical issues facing Lottco exists which translate into the horizontal power structure providing strong

agreement on who is the most powerful department. This agreement arose concurrently with the departmental structure. The importance of the sales and marketing activities were well understood and the continued expansion of the sales and marketing department was seen as a natural progression in their activities. From an early stage each department was seen to have a range of activities and responsibilities over functional areas. Unlike Directco intradepartmental cohesion existed within this structure which allowed a specific departmental orientation to evolve for each department. Departments and activities could be grouped into a particular perspective and this facilitated a clear linking of important critical issues to the departments that had responsibility for them and ultimately that department's power.

To a certain extent the development of departmental orientations is related to the degree the leader delegates functional responsibility. In this regard there may be some interrelationship between leader proximity and stage of departmentalisation. It is not however possible to identify the effect of this potential relationship within the cases.

A clear difference between Directco and Lottco is the level of departmental orientations that has development. Where clear differences do not exist between the departments it is not possible for specific departments to be associated with or take command of key critical areas. Horizontal power differences therefore requires lines of departmental demarcation to exist.

5.2.3 Level of Interaction Among Departments

The existence of departmental orientations is necessary for the development of horizontal power but in addition to variations in perspectives and clear demarcation there must exist some level of interaction between the departments if strong power differences are to emerge. This is a question of visibility. Lack of clarity on domain and range of departmental activities prevents an understanding of the relative power positions of each department developing. Interaction provides the arena in which the diverging orientations surface and a visible pattern of success at influencing events develops that creates the understanding about which departments are powerful. The cases show differences in the way the departments interact with one another. In the case of Softco the lack of interaction seems to create confusion as to who is capable of best coping with the critical contingencies. The organisational members in Softco acknowledge the existence of horizontal power differences but are inconsistent in identifying the most powerful department.

A significant difference emerges between the Lottco and the Softco studies. Softco was at a mature stage of departmentalisation. It has a formalised and established structure, reliance on rules and operating procedures and differentiation in the orientations of departments. It might be expected that this company would demonstrate strong horizontal power differences. There was

strong agreement on the critical success factors driving the organisation with congruity in the value set of the company and on the basis power was exercised. However while the critical value is clear and consistent and is associated with sub-unit power differences the perception of what unit has most power is not widely shared. There was no clear consensus on what department exerted most influence.

In Softco the various departments are reasonably autonomous. There is no real critical element in the workflow. Departments must work to customer requirements rather than the input needs of another department. Work does flow between the departments but usually in a completed format where its transfer commences a new discrete operation on which the receiving department is not dependent. For example, the implementation department completes the site work and establishes a live site which is subsequently passed over to the customer services department for maintenance. Sales sell current systems regardless of the pending enhancements coming from the development department. Thompson's (1967) pooled dependence best describes this structure. Each department contributes to the overall performance of the organisation but in making this contribution is not dependent on others. Departments are reasonably autonomous and do not openly compete among each other either in resource allocation or in determining decision outcomes. The activities undertaken in each department are therefore not well understood by other departments. The lack of interaction

among departments helps to explain why clarity does not exist on which department is most powerful. Without a certain level of interaction, departments are unsure of what is the range and extent of other departments activities and therefore cannot judge their potential power.

In the case of Lottco the sales and marketing department are central to the work flow and they are highly visible through out the organisation. All departments wait for the input from the sales force to maintain their operations. Orders stem from them, returns are collected by them, queries can only be sorted by reference to them. This provides them with pervasiveness, centrality and since they are the front line knowing the customer, a level of non substitutability, the factors posited by the structural contingency model. Consistent with this model the sales and marketing department is indeed the most powerful. The level of interaction between the various departments provides for clarity on which activities are the responsibilities of each department. The range and scope of departments are therefore visible. This facilitates the linking of critical contingencies to horizontal power differences. The sales and marketing department's domain and range of activities include dealing with the important competitive issues on which the survival of Lottco depends. They therefore have a legitimate right to impose their perspective on organisational action. This is in marked contrast to the position in Softco where no department emerges as having a quantifiable contribution to the activities central to the organisation's success.

Interaction between departments therefore helps organisational members to understand the contribution each department makes to the success of the organisation and accordingly their relative power position. Assessing the power position of departments requires a visible exchange of perspectives between departments and a clear understanding of the domain and range of activities for each department. Where lack of interaction exists the ability of organisational members to perceive which departments are power will be limited. This is not to suggest that horizontal power differences do not exist but only they will not be consistently perceived nor well understood.

5.3 A Process View of Horizontal Power

The second objective of the study was to explore the process through which horizontal power is created. Arising from Latchman (1989) finding that the control of critical contingencies is the manifestation of power it has been argued that knowledge of the process that creates an understanding of the critical contingencies facilitates an understanding of the process creating horizontal power.

5.3.1 Identification of Critical Contingencies

A consistent theme in the three cases is that there was strong agreement on critical success factors facing the organisation (Table 5.1, p132). Directco had the issue of customer care, Lottco had competitive forces to overcome, and Softco was driven by profit. The consistency in understanding these issues was pervasive in all the interviews conducted and was in all cases seen as a natural order, which served to legitimise actions. Important events, actions or communications from management were seen as explanations for critical issues. The attention paid to particular issues by the managing director of Directco and the information staff collected were examples of cues the staff interpreted in assigning value to their actions. Similarly, the actions taken by the chief executives of Lottco and Softco provided inferences to staff as to important events. This view implies that the critical contingencies are socially constructed from the context in which the organisational members participate. The context serves to provide cues that can be interpreted by members, these can be remuneration structures, training, decision criteria adopted or information collected. In all the organisations these cues came from the leadership of the company.

The importance of generating a common understanding of critical issues is the legitimising effect it has on the activities of the organisation. In Lottco it is

well established that customer welfare must not be compromised. The competitive demands means that customers are highly valued and must be treated accordingly. This provides an unobtrusive base of power for the department coping with that issue. They have a legitimate right to insist that actions must meet their criteria for customer care. The point however is that this legitimising effect stems not from a physical control of a resource or from coping with uncertainty per se. It comes from the leader's definition of the reality of the present situation.

The strength and accuracy of these interpretations differed in each of the cases. In Directco the leader makes the decisions, is closely observable and her preferences are highly visible due to her close interaction with staff. There is considerable opportunity for communication, direct and indirect, and the leader's preferences are clearly well know. In Softco the leader is more remote. Lower levels of direct interaction leads to fewer cues and greater reliance on historical interpretation of the actions or events. The importance of cues therefore becomes greater. Without a high level of direct communication organisational members must to a larger extent interpret from remote actions or events that occur the importance of specific organisational issues reducing management control over the process creating the understanding of critical issues.

This line of argument indicates that leadership plays a key role in defining the critical contingencies facing the organisation and draws attention to the way in which critical issues are understood in the organisation. The contingencies are the perceptions of organisational members rather than a tangible reality.

Discrepancies can exist between actual and perceived critical contingencies, in other words organisational members may not perceive the real issues facing the organisation. It has been argued that organisations do not operate in a perfect world with perfect information and that the environment in which they operate is enacted (Weick, 1969). It is possible that contingencies are incorrectly enacted or changes in contingencies are not perceived or responded to by the organisation. Contingencies become enacted only when sufficient cues are created to question the existing enacted environment and to replace it. This again draws attention to the cultural models of horizontal power differences. Attention needs to move away from the issues of control of key resources to how those resources become defined (or enacted) as key contingencies.

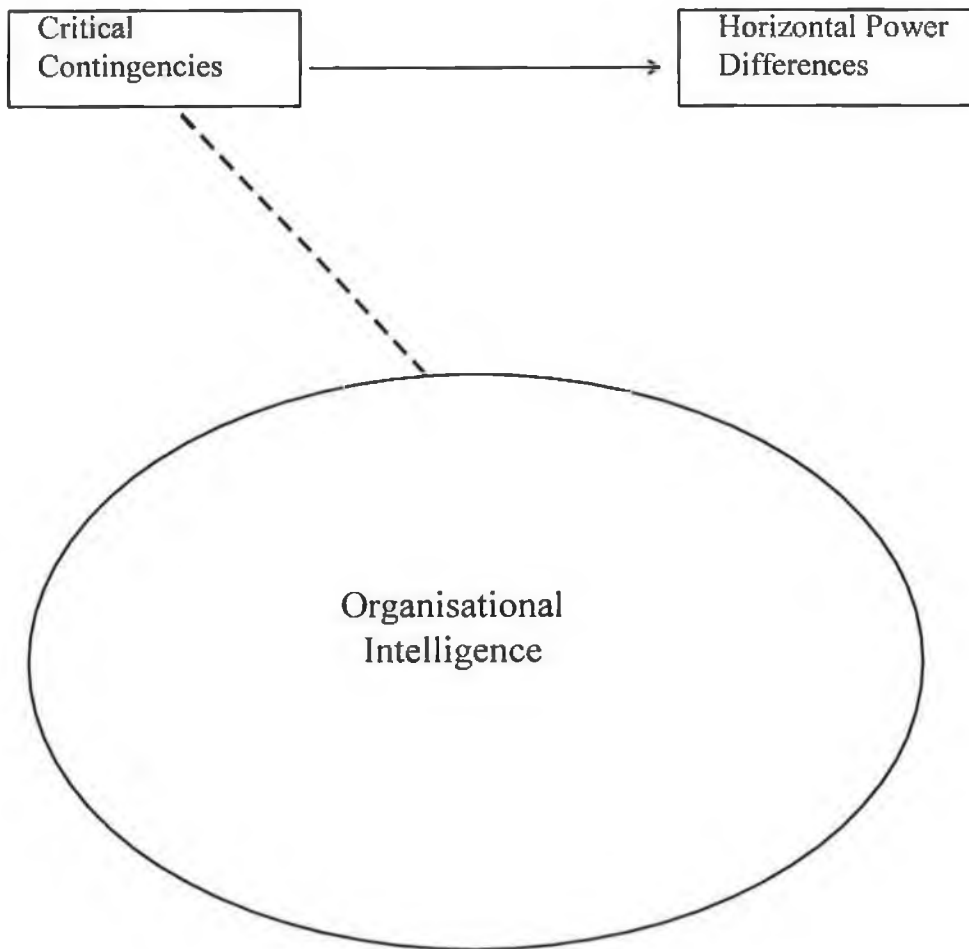
5.3.2 The Process Creating Horizontal Power

The critical contingencies facing the organisation appear from the preceding discussion to be interpretation of the social context in which the organisation

operates. How these interpretations take place provides an answer to the question how horizontal power differences emerge. The Lottco study provides an opportunity to explore this process in some depth and generate some rich descriptions of how a common understanding emerged that positioned the sales and marketing department as the most powerful in the organisation. An organisational intelligence, a common frame of mind, was created through the generation of cues and symbols that were reinforced to institutionalise a legitimate dominance by the sales function.

There is a clearly defined consensus on the locus of departmental power within the Lottco organisation, and this matches with the critical contingencies model of power dispersion. An analysis of this case studies leads to the identification of a process that appears to have created a sales and marketing department and then brought it to the pinnacle of departmental power. There appears to be an evolutionary process embodied in the creation of a shared understanding and corporate bureaucracy, that institutionalizes the interaction and dependencies of one unit to another. The process creates an organisational intelligence, a common framework for members to understand what is happening and how to respond to events. Understanding success factors becomes a function of the processes of education and reinforcement through culture, symbols and shared understandings. The process is outlined in figure 5.3.

Figure 5.3 Force Creating an Understanding of Critical Contingencies



5.3.2.1 *Organisational Intelligence*

Organisations don't act, people do. But while organisations make decisions and take action through people, these people are taking decisions not within their own personal context but within that of their organisation and bring to bear on the decision all of the beliefs and knowledge they have gained as an organisational member. They therefore don't act as individuals but as part of a collective intelligence, often subrogating their own values to those of the organisation. Operating systems often emerge and become institutionalised into the organisational 'way of doing things' establishing protocols and ideologies specific to the organisation. These delimit a way of looking at the organisation and the activities that are legitimate for it or its members to carry out, acting as a cognitive model for them.

The process of how an organisational intelligence develops and defines critical contingencies and institutionalises horizontal power differences can be presented from the Lottco case. There are a number of key elements within this process. The process starts with sending educational cues to staff and the subsequent reinforcement of the educational cues so that staff interpret the critical issues. Central to education and learning is the role of symbols, communication and the development of culture.

5.3.2.2 *Creating Cues:*

Significant numbers of cues were created within the Lottco case. The starting point was the appointment of the operational CEO. His background in the marketing area coupled with his highlighting of the sales and marketing issues critical to success and the quick actions taken to redesign systems in the area, clearly set the tone about the importance of the area. Attention was focused on attaining greater sales volumes and the need to be customer orientated through a number of initiatives. The involvement of the CEO in day to day issues that focused on these areas was the first step in demonstrating their key importance to the organisation. Soon after his appointment all of the systems and modes of operation were questioned starting a sequence of rationalising what took place in the company. The basis on which systems would be judged, how they supported the sales effort, was set by the CEO and this was communicated through the analysis of operations. This carried on into the staff meetings and the staff away days all of which had sales orientations. The restructuring was built upon processes that educated the staff about the need for improvements, the need for training and the need for customer orientation. Education should not be considered as confined to training but was tied into the actions and expectations of the CEO and how he communicated them throughout the organisation. Another way education took place was through the importance the managing director assigned to particular events. A good example is the

significant celebration which took place after an unfair trade ruling against the National Lottery. This had no ultimate benefit to the company but because it was celebrated it is still rated as a major event in the history of the company.

5.3.2.3 Reinforcement:

Closely allied to the creation of cues is the process of reinforcement. As the organisational members experienced more and more of the communications directed at creating a consumer responsive organisation and coupled with internal structural changes focusing the operations of the organisation, a greater acceptance and understanding of what was required of staff emerged. These learning experiences occurred from continual exposure to consistent cues reinforcing the importance of issues that were perceived as critical. These perceptions in turn created an institutionalised power structure in line with the perceived important areas. Note again that this is fundamentally different to the structural theorists who argue that power will rest with those who control the critical contingencies. Here it is the perceived importance of contingencies as communicated through the context and symbols of the organisation that is creating power, not purely the structural reality of the operations. This implies that the locus of power could be incorrectly positioned. This could arise if the critical areas facing the organisation change but the internal structures are slow or incapable of generating the necessary

communication to restructure.

Reinforcement can also arise through the operating systems in place in the organisation. The best example of this is the remuneration system where pay can be tied directly to key success factors. Lottco moved to commission based schemes that provided incentives to sell more but also to add new clients, the two critical issues facing the organisation. Likewise there was a number of promotions for the sales and marketing person that again reinforced the key responsibilities of that department.

5.3.2.4 Use of Symbols

There is evidence of a number of symbolic occurrences that help to explain the horizontal power differences. Initially, the recruitment of the CEO revolved around finding a marketing orientated person. The individual appointed was at that time Chairman of the Marketing Institute and this provided a broad perceptual cue that the organisation was to be more marketing dominated. Lottco is a small operation in staff number terms, and this necessitated an informal structure over which the CEO reigned. The events he initiated, such as staff meetings or training, all had strong symbolism and this gave greater force to the dominance of marketing through his association. He spent most of his time on these issues, and specifically liaising with the Marketing Manager.

This elevated her in the eyes of other staff through her association with the CEO and through her involvement with matters he rated important.

The layout of office space also provided cues to the importance of dominant power structures, the only departmental manager with an office was the sales and marketing manager. She also had the apparent use of flexi- hours, as she often came in late and worked late, this being tolerated in her case but not for others. Her remuneration package was visibly better with the use of a company car and parking space, items hotly sought by others.

5.3.2.5 Communication: Culture and Understanding

The key to all of the areas discussed is the method and frequency of communication that flows around the organisation. Communication is not restricted to the spoken or written word but is far more encompassing. The holding of a staff meeting or a sales orientated away day is in itself a communication portraying a message about culture and creating a perception of importance. The Lottco study is rich in communication aimed at creating understanding. There are coordinating attempts through staff meetings, away days and general meetings coupled with staff activities such as competitions. These create a sense of culture and commonality, while also portraying the critical messages about the contingencies or important issues that the

organisation must address. The point is that generating information through enough channels and as often as possible achieves a learning effect through exposure. In creating or changing horizontal power differences communication is therefore a critical factor.

5.3.3 Changes in Horizontal Power Differences

The Softco company was undergoing strategic and structural changes at the time of the study. Substantial changes had taken place within the departmental structure as well as changes in the core success factors facing the organisation and a new strategic direction was emerging based on newer products and larger customers. Implicit in the change is a need for a change in the orientations of the company. It needs to become more customer focused, recognising the changing role the company is likely to play in the customer's business. It also needs to appreciate a greater input from product development as the importance of this department increases. However, while these issues are known in the company they are not viewed as new contingencies but as a means of achieving the existing strategy of profit generation and not necessitating changes to the values of the company. In other words the importance of the issues are not well understood. Fundamentally, there is a divergence between the consensus on the critical factors and the actual direction in which the company is moving. The perception of the critical

contingencies and the reality are therefore out of kilter. This might appear surprising. There is agreement that strong power differences exist but this is not based on the realities of the present leader enacted contingencies. The wrong critical contingencies are seen in Softco as generating power.

Power creation identified in Lottco showed an evolutionary process based on the intelligence generated by the leader through communication and cues. The Softco changes however are only a number of months old. Communications demonstrating these changes are visible, the recruitment of an external director, greater team building at senior levels, restructuring of departments, consolidating into a new corporate headquarters, but they are only starting to surface. It could be hypothesised that at this point in time insufficient communication is present to breakdown the existing beliefs and replace them. The low proximity of the leader is a clear hindrance to this change. The greater remoteness of interaction on a day to day basis requires greater time for cues to permeate down the hierarchy and creates less force in breaking down existing beliefs.

The Softco position contrasts starkly with the structural view. Changes in critical contingencies should be reflected by changes in the horizontal power structure. This is the central point in the structural models. Horizontal power differences are considered an equilibrium state arising from the fit between the existence of critical contingencies and the department best able to control or

cope with them. Softco is contrary to this and suggests that there may be a time lag between the origination of the critical contingency, the need to develop new products, and the creation of an equilibrium horizontal power structure.

A similar theme is visible within the Lottco study. The critical strategies of the company have changed over the past 3 years, and the importance of the ever declining retailer base is now of primary importance. This was not properly reflected within the organisation other than by the Financial Controller who reported to the board and so had greater access to information. The perception of strategy and critical contingencies was more in line with historic events and communications. All members of the organisation felt however that over the past 3 years the level of communication had died down with a significant reduction in the level of regular meetings, staff meetings and other communications. It would appear this lowering of the amount of communication has resulted in no further learning taking place and the solidifying of existing perceptions. This has a direct impact on horizontal power differences. If the critical contingencies on which the power differences arise are enacted then once communication levels diminish the existing equilibrium becomes institutionalised because cues and reinforcements are not available to challenge the existing beliefs. When times change however and new contingencies emerge the organisation will enter a state of disequilibrium until such time as new cues, reinforcements and symbols question and replace

existing enacted beliefs. This is consistent with the state of events in Softco where disequilibrium exists. From a practical point of view this has significant implications for trying to manage the horizontal power structure.

Disequilibrium implies that the focus of organisational activity is out of line with the core success factors the organisation faces. Leaders must accordingly recognise the role they have in defining the critical contingencies and ensure that once core contingencies change part of the response needed is to generate awareness of those changes. They must also take cognisance of the time lag between origination of the new contingency and the change in the perception of organisational members.

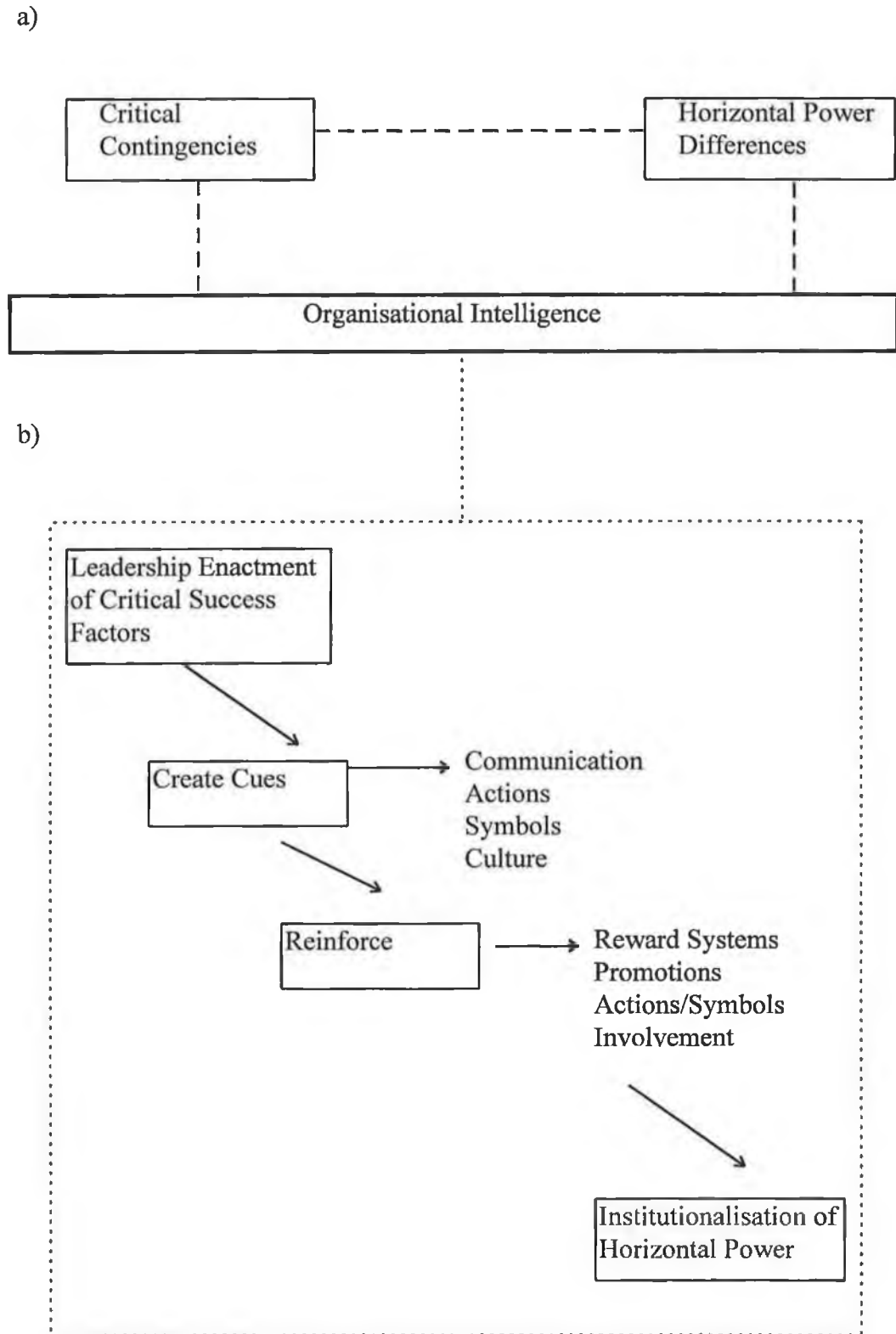
This line of reasoning suggests there is a pattern to the cycle of communication taking place in these two organisations. Lottco demonstrates the substantial amount of communication generated to focus the organisation on the critical factors the leader construed important. Once the understanding of this became evident there appears to be a reduction in general communication, sufficient to permit minor changes in strategic contingencies to be ignored at departmental level. There is also a feeling that communication and understanding is not as effective as it used to be. Softco on the other hand is starting from a basis where the perception of communication is very poor. Evidence indicates that communication, direct and symbolic is beginning to concentrate. These two companies are at different stages in a cycle of change but they do suggest that the process of communication creating the

understanding of critical contingencies follows a two stage cycle. Firstly, communication creates an institutionalised understanding of the core critical contingencies facing the organisation. Once this is created the level of communication needed to perpetuate the understanding is reduced leading to lower communication levels. When changes occur the communication levels need to be picked up again in order to commence a new process of learning leading to an understanding of the new contingencies. This point will be developed further and a tentative model of communication cycles and the creation of common understanding will be proposed in section 6.1.1.

5.4 A Process Model of Horizontal Power

It has been proposed in the preceding section that the understanding of critical contingencies is socially constructed from the context in which people work. The enactment of the critical contingencies by the leader is disseminated through out the organisation by the communications, actions and symbols that form the wider organisational culture. This is reinforced through the systems in place that reward or censure behaviour. In this manner an institutionalised understanding emerges that interprets critical issues. The argument presented allows a process model of how horizontal power emerges to be developed (figure 5.4). This model suggests that the critical contingencies to power

Figure 5.4: A Process Model of Horizontal Power



relationship is based on a social construction of the leader cues permeating the organisation. There are three interrelated elements to the model, critical contingencies and horizontal power differences, identified by the structural perspectives, and organisational intelligence or shared values and beliefs that permeate the organisation. The enactment of critical success factors by the leader and the subsequent dissemination of those values through-out the organisation in the form of cues and reinforcements serve to institutionalise the horizontal power structure through the creation of an organisational intelligence.

The model has been developed based on the Lottco case where strong horizontal power differences were present. The analysis is however consistent with the Directco and Softco cases. Both companies have strong consensus on important issues facing the organisation. The age and amount of changes that have taken place in Softco does not permit the isolation of factors that created the perceived power structure. It does however link the core contingencies to the perceived preferences of management. The perception was that profit generation was the critical success factor that the leader was concerned with and this was discussed in terms of historic events and activities. The two takeovers of the company, the growth rates achieved and the market position of the company were important successes. Similarly, direct leader cues were interpreted as reinforcing the importance of profit generation. There was a lack of investment in people and buildings highlighting the preference of profit

over staff. At a performance level staff were pressurised to continually generate more business and there was ever increasing targets of greater profits. Corporate communications also reinforced this image, the staff social day usually reported profit achievements in the previous year and the targets for the following year. The company also generated a significant amount of public relations press, usually around significant account gains and the rates of profit growth. Remuneration structures likewise reinforced the importance of revenue generation. The highest paid staff were seen as those contributing greatest revenue to the company and the key to career progression was tied to the ability to deliver profits to the management.

The link between these events and the identification of critical contingencies supports the process analysis of Lottco. The cues coming from leadership directly, and indirectly, provide a social context in which people interpret the preferences of the leaders and use these interpretations to infer the critical contingencies.

Directco also presents support for the model suggested. Notwithstanding the lack of horizontal power differences there is clear agreement on the critical success factors and accordingly the critical contingencies. Again this was understood within the boundaries of the social context of the organisation. The closeness of the leader very clearly focused attention on key issues. The critical issues therefore related to the areas she spent most time on, the types of

reports she requested or information she got, issues on which she intervened and how the structure of the organisation and the responsibilities of staff changed. The areas on which most information was generated and the area the managing director was most involved with revolved around customer growth rates and customer care. This was also clear in her decision making criterion which placed customer service and product quality as overriding constraints on action. Again a process of interpreting the social context created by the leader generates an understanding of the critical contingencies facing the organisation. In this case however it does not generate a power structure.

Common to all of these cases is that leadership cues and their interpretation serves to generate an understanding of the critical contingencies in the organisation. Communication, verbal and symbolic, creates meaning which legitimises and rationalises the action of organisational members providing a common shared understanding of critical contingencies. The enactment of the critical success issues facing the organisation lead to the formation and dissemination of cues and their reinforcement which in turn create a common organisational understanding that underpins actions and interpretations, the intelligence of the organisation members collectively.

5.5 Theoretical Analysis

The third objective was to examine the existing theoretical perspectives as explanations of the nature of horizontal power differences in the cases considered. The main argument that will be presented is that while the structural explanations of horizontal power can be supported it is deficient because it ignores the underlying role that the social context of the organisation plays. Organisational culture is seen as creating the perception of the critical contingencies upon which the structural theories are formulated. This allows a model to be presented that suggests that the critical contingencies - structure link is preceded by a social enactment of the critical contingencies.

Two perspectives on horizontal power were discussed earlier. On the one side the structural theories of Hickson et al (1971) and Pfeffer and Salancik (1974) posited a relationship between power and structural facets of the organisation, specifically control of resources that are central, pervasive and non substitutable and controlling or providing resources on which others must depend. Augmenting the structural theories are those that considered the cultural aspects of the work environment. Enz (1986) linked value congruity with senior management as a force influencing the power distribution and Pondy (1977) argued that information processed in the social context of the

organisation determined responses of organisational members. It is the interpretation of the social context that creates power distributions.

All the cases clearly identified a critical contingency which constrained the actions of the company. The contingency was a strategic issue that had to be addressed to ensure success. The most powerful departments were those that contributed most to the achievement of that strategy save for the case where high leader proximity overrode power asymmetry. Relationships between coping with the critical contingencies and power are strongly evident in both Lottco and Softco. In this respect the case analysis supports the structural view. Moreover the powerful department was seen as having a natural right, by virtue of dealing with the critical issues, to have greater power.

The examination of the process of creating the general understanding about the critical contingencies suggests a number of forces are at work in creating the power structure. Most notably the process described a cultural evolution of the power structure based on a created shared belief built through the actions, communications and events originated by the leader. The critical contingencies are therefore created through a social interpretation of the work environment fashioned by the leader. Perceived leader preferences are critical in organisational member's assessment of what decision criterion are or are likely to be. Departments that can visibly deliver the leaders wishes are those that are perceived as powerful in the organisation. Since they control the decision

criterion they automatically become more central and pervasive. The linking of values to power has been noted by Enz (1986) but the view here is somewhat different. Enz (1986) considered values as a static set to which certain departments will naturally have similar or dissimilar orientations. The case analysis shows that leaders can shape and create the dominant organisational value set. Given that leader values can change as contingencies change the relationship of power and values is not a static one. Leaders can determine which departments have value congruity with them.

Pondy's (1977) information processing perspective shows many similarities with the case analysis. Communications, actions and events create a common understanding and interpretation of critical contingencies. Through observations and interpretation of events staff get to understand the success factors set by the leader. Preprogramming of behaviour is taking place. The leader is educating staff and creating an 'intelligence' in the organisation where people are aware of how to respond to particular situations. In all three companies this intelligence is evident. Directco's decisions cannot prejudice customers or product quality, Lottco's decisions must be constantly aware of the market place and fighting for a competitive angle, and Softco's decisions must always be governed by the bottom line profit. Behaviour is therefore established before action is needed. Organisational behaviour is a two phase process, setting the parameters through preprogramming and then evoking the relevant behaviour when required. This is an institutionalisation process where

meaning is created through providing sufficient information and cues to facilitate a common interpretation of events.

5.5.1 A Synthesis of Theoretical Perspectives

Tying the theoretical discussion together support has been generated for both the structural and cultural arguments. These views however have not been put forward as competing in any regard. Rather, as Enz (1986) has noted, they can be complementary. The cases suggest that there may be a relationship between the various perspectives and that they are all explaining the same phenomenon but from different directions. The analysis suggests that the control of critical contingencies and power structure are related but that the understanding of the critical contingencies is a socially constructed process stemming from the leadership in the organisation. There appears to be a sequential interaction between the cultural and structural views. Cultural cues create the shared understanding of the critical contingencies leading to the rationalising of coping with that issue as the legitimate basis of power. This allows a synthesis of the existing perspectives to be presented as per figure 5.5. The combination of leadership and strategic direction result in an enactment of the critical success factors required to achieve the strategic goals. These core issues are communicated, directly and indirectly throughout the organisation. Members construe the importance of communications, symbols, the rewards or

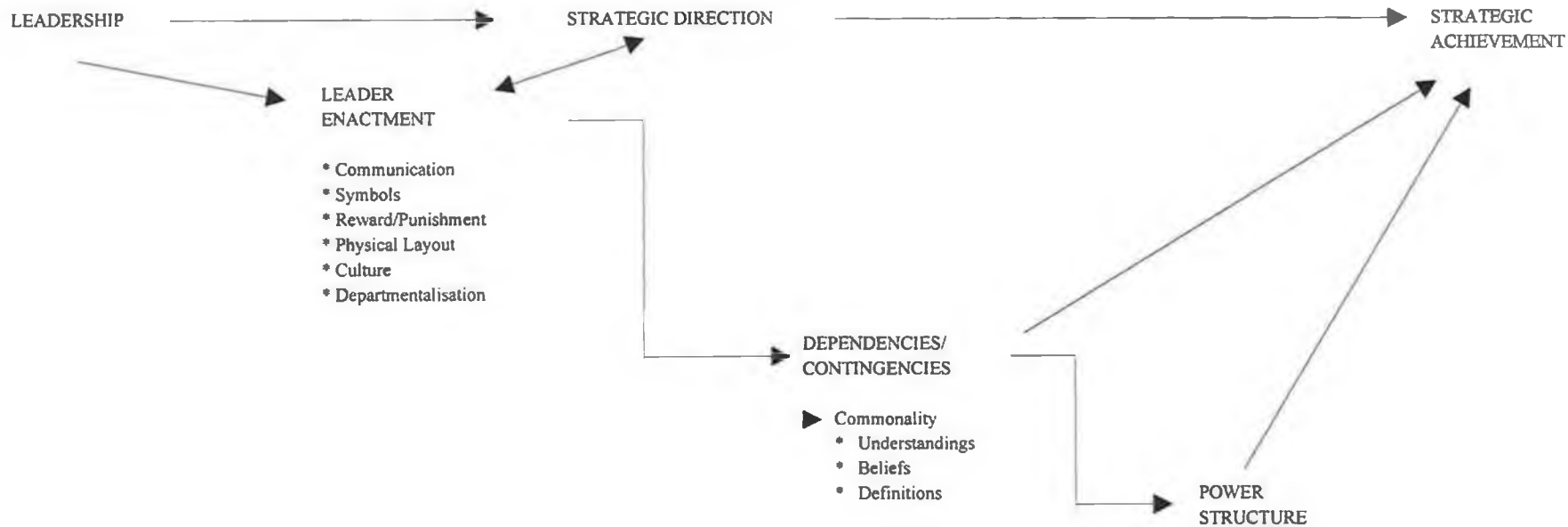


FIGURE 5.5 A SYNTHESIS OF THEORETICAL PERSPECTIVES OF HORIZONTAL POWER

punishments allocated, physical symbols of success or failure, the general culture or the type of departmentalisation adopted. This in turn leads to a common understanding of critical contingencies which institutionalise the power structure. A further link can also be considered. One which is critical to successful management. The process enacting the critical contingencies ultimately results in the establishment of a particular focus in operational and strategic issues. If therefore the enacted contingencies are not consistent with the leaders original direction, either strategic goals will not be achieved or different strategic achievements will be realised. This is consistent with the idea of emergent strategies posited by Mintzberg (1978) and reinforces Hardy's (1996) call for attention to be paid to the role of power in achieving strategic intent. Softco demonstrates this position. Currently, the focus of organisational members is on profit generation but the critical success factors for future growth revolve around innovation in product development and customer service. In decision making at the functional level profit is likely to override customer service as the critical criteria on which decisions are based. The actions members of the organisation undertake may not be consistent with the intended course of the leaders.

The proximity and strength of leadership has not been specifically addressed in the literature and it seems the literature is deficient in this regard. It appears from the empirical analysis that leadership has a very strong role to play in determining the power structure. Leadership creates the perceptions on which

the enacted critical contingencies rests. The proximity of the leader will therefore have direct effects on the power structure. Firstly, where proximity is very close to the hierarchical level a clearer and more current picture of the critical contingencies will be present. When proximity becomes more remote less communication will filter down the organisation causing a slower response to changing factors. Additionally, where leadership involvement is both close to the hierarchical level and is very pervasive, it would appear to negate the structural link between coping with the critical contingencies and power. In this instance leader involvement overrides dependence and creates a rational decision point at a higher authority level which removes the perception that others can exert influence.

A common criticism of the structural theory is the fact that it implies constant changes in the power structure of the organisation, in line with the changes in the critical factors the organisation must manage. This has however not been supported (Latchman, 1989). The argument posited in relation to the sequential interaction of cultural and structural factors provides an explanation. It has been argued that it is not the structural factors per se that create power rather it is the perception of the critical issues. For the power structure to change therefore it is necessary for the perceptions of organisational members to change first. This requires sufficient communication to replace existing beliefs with newer realities. A time lapse

will therefore take place between the occurrence of the new contingencies, their enactment and understanding in the organisation.

5.6 Chapter Summary

There was clear agreement within all of the cases considered on the critical contingencies facing the organisation. Notwithstanding this agreement variations emerged in the nature of the horizontal power in the cases. There were strong power differences in Lottco, differences did not exist in Directco and departments in Softco could not agree which departments were most powerful. Three contextual differences were identified that provided some explanations for the variations in the nature of horizontal power. Firstly, the level of involvement the leader has in the activities at the department level was seen to influence the distribution of power by eliminating or accelerating the level of dependence between the departments. Secondly, for horizontal power differences to emerge departments need to have a clear divergence in orientation. Without differing preferences no department can claim legitimate rights over coping with the critical issues. Finally, divergence in perspectives is not sufficient to develop an understanding of horizontal differences. Without a certain level of interaction between departments there cannot exist clarity on the range and domain of departments activities and accordingly their

contribution to achievement of corporate objectives cannot be assessed. Both ownership and visibility are therefore necessary.

A process view of how horizontal power differences emerge was then proposed which has its roots in the social construction of the organisational context. A process of creating cues that educate staff about critical issues and reinforce these issues was seen to emerge from the communications, symbols, and actions of the organisational leaders.

Examining the existing theoretical perspectives in the light of the case findings allowed a model synthesising the perspectives to be presented. While limited support for the structural contingencies models was found, the process seen to emerge was cultural in nature arising from a social interpretation of the organisational context. A sequential interaction between the perspectives therefore appears to exist where cultural interpretation of critical issues precede the critical contingencies to structure link.

CHAPTER 6:

CONCLUSIONS

6.1 Synthesis of Dissertation

The first objective of the research was to compare the nature of horizontal power in three different types of start-up companies. Clear differences emerged in each study in regards to the existence, understanding and strength of the power differences between departments. Explanations were sought from the proximity of the leader to the department level, the stages of departmentalisation, and the level of interaction between departments. In each case the interrelationship between these variables created a different type of power at the horizontal level. In one case the proximity of the leader to the operational issues negated any horizontal power differences. The discussion supports the argument that the nature of the power structure at the department level will depend on contextual factors. This should not be a surprising result considering the discussion on the multifaceted nature of power. The concept of power is a complex construct and is situation specific. Many issues will bring force to bear on the opportunity for power differences to arise and the capacity to exercise that power.

The second aim of the thesis was to shed some light on the process that creates the horizontal power structure. The role of leadership is posited as being central to that process. Leadership has been largely ignored in the horizontal power debate. The link between critical contingencies and horizontal power

has been well established (Hickson et al, 1971; Hinnings et al, 1974; Latchman, 1989) to understand the process it is therefore important to understand how the critical contingencies are understood by organisational members. Consistently throughout the cases there was common understanding about these critical factors. Members identified these contingencies through an interpretation of the context in which they worked. Contingencies were therefore socially constructed from the history of the organisation and the cues and events which were defined as important in the organisation. Leaders played a key role in defining these important events or in setting preferences for decision outcomes. Ultimately, the leaders establish the social reality of the organisation by imposing a preference set on the organisation. The proximity of the leaders, their involvement in decision making and operational issues coupled with their level of knowledge about the functional areas, are contextual factors that will directly affect the nature of the power structure. When proximity is high the leader is centralising power and limiting the interaction between functional units. Their close involvement will therefore override dependence and conflict among functional units creating a rational framework in which people operate. The leader becomes the oracle of rationality to whom everybody looks. Authority becomes the basis for power. When proximity gets more remote specialisation creates greater divergence between the departments and less understanding about the activities each perform. The process that creates critical contingencies is still present, the creation of organisational meaning, but as leadership gets more remote there is

less opportunity to create cues and communication to institutionalise the common understanding. It would appear that smaller companies with closer leadership proximity can more easily create meaning. This could explain why organisational cultures and beliefs survive long after their founders. Having made the transition from small owner company to large professionally managed company creating the cues to generate a change in culture becomes more difficult and problematic.

The final research issue was the examination of structural and cultural theories as a framework for explaining the nature of power in each organisation.

Support was found for the strategic contingencies model (Hickson et al, 1971) but the analysis of the process in creating horizontal power points to a social enactment of the power structure arising from the interpretation of critical contingencies. The cultural models specifically, Pondy's (1977) information processing perspective, best fits the analysis of the case studies. Leaders establish common understandings of critical contingencies through the systems of meaning and culture which serve to preprogram behavioural responses, rationalising and institutionalising a power structure. This suggests that a sequential interaction whereby the process of institutionalising creates the critical contingencies on which the power structure rests.

6.1.1 A Model of Communication Cycles and the Creation of a Shared

Understanding

Central to the enactment of the critical contingencies is the process of communication. Clear communication cycles can be seen in two of the studies. The fact the cycles were at different stages suggest that the communication process creating or changing the shared meaning goes through a number of cycles. Initially the institutionalisation arises from direct and symbolic communication aimed at education and reinforcement. Once a common understanding is created however the need for communication reduces. Beliefs and values are perpetuated among organisational members until such time as they are challenged. Education and reinforcement are no longer necessary. Once however a new critical success factor is enacted by the leadership then an imbalance between understandings and contingencies develop requiring a change in the value and belief systems. To effect a new understanding a new cycle is needed where communication to challenge and replace existing beliefs must be created. Given the time frame needed to generate sufficient informational cues to effect this new understanding a gap between the institutionalisation of the new beliefs and the origin of the new success factor is likely. This process is demonstrated in model form, as illustrated in Figure 6.1.

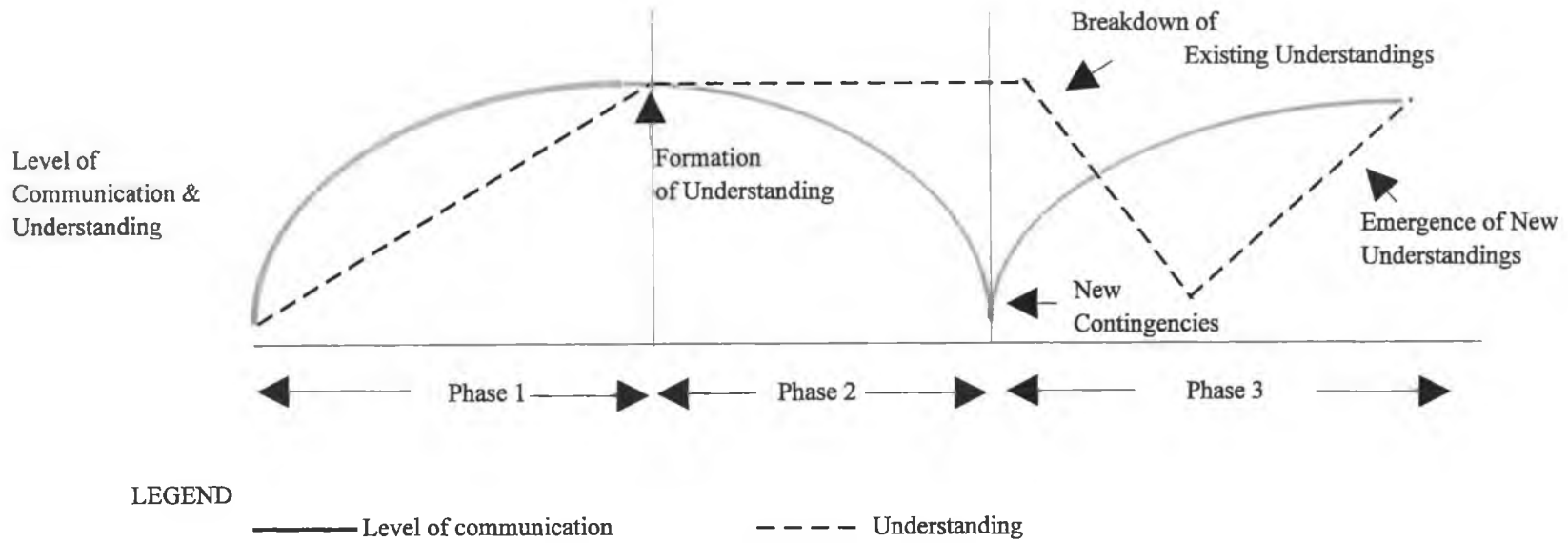


FIGURE 6.1:
PROPOSED MODEL OF COMMUNICATION CYCLES AND SHARED UNDERSTANDING

Communication cycles emerge to create a substantial amount of cues and form a common understanding. Once formed the level of communication dies down but the common understanding remains. Only when new contingencies develop will the communication cycle increase as existing beliefs are broken down and replaced with the new understanding. This creates a gap between the identification of new contingencies and the emergence of the new understanding. This gap in turn will be affected by the proximity of leadership. As leadership becomes more remote the time differential will be likely to be greater.

While the model is consistent with two of the cases and fits with the discussion on the creation of horizontal power differences, it must be noted that the cases on which it is based were both at different phases in the proposed cycle. Notwithstanding this applicability of the model to the cases, the limited number of cases on which it is based suggests the model must be viewed as tentative in nature.

6.2 Implications of Research

The implications of this work can be considered at both the practical and theoretical level. At the practical level the trend in modern organisational design is to favour more decentralised structures where the importance of

departmental interaction is likely to be increasing. It is therefore important to understand the nature of the power relations between these departments and more specifically, how those relations can be managed. This work shows that critical contingencies and power are socially constructed realities and that leadership plays a key role in defining the reality on which the social construction is based. By definition horizontal power structures can therefore be managed and manipulated to achieve organisational objectives. Power is the ability to get things done and if leaders position power in specific departmental areas, then that unit will exert greater influence and their orientation in decision making and action is going to be predominant. In this manner management action can make a company become financially driven or sales and marketing orientated depending on the enactment of the critical issues. As Max De Pere wrote (1989, p. 11) 'the first responsibility of a leader is to define reality.' A secondary point here is that the reality of the critical contingency and the perception of it, are quite separate concepts. The perception is an enacted reality based on the cues and stimuli present not on the reality of the situation. Leaders should be mindful of the processes creating horizontal power and the implications they might have for organisational performance.

At the theoretical level the thesis adds two new dimensions to the existing literature. Firstly, the role of leadership and its proximity is a new concept that has not previously been explored. The consistency in the way leaders created

the realities of the organisation in all three companies indicate that leadership has a powerful bearing on the nature of horizontal relations. While it is not possible to generalise beyond the specific three companies it would appear that this contextual variable might help to explain some variance in the nature of horizontal power. Operationalising this variable and undertaking cross sectional analysis might be a worthy further study.

The second theoretical contribution lies in the approach taken. Case study analysis has been useful in looking at the process creating the power structure. This allows a synthesis of the existing literature and a conclusion that both structural and cultural theories have validity but that there is a sequential interaction between them where by the critical contingencies in the organisation must first be constructed before the locus of power can be settled.

6.3 Limitations of Research

The findings and conclusions presented relate to the case specific situations. They are not generalised conclusions and have not been posited as universally applicable across other organisations. The research was designed to be exploratory not a conclusive statement about the nature of horizontal power. Indeed an attempt to generate such a conclusive or generalistic statement is fraught with danger. Much of this dissertation has been focused on the

complex and dynamic nature of power generally. The context in which it is embedded and used is consequentially central to understanding it. The disagreements on micro or macro level research approaches and the contradictory findings that have been generated underlie this difficulty in attempting a universal conclusion. Perhaps we are better trying to understand power in a specific situation context. Notwithstanding this the consistency in the cases provide for some support in hypothesising that the findings have a generic validity. The three contextual variables identified are likely to be present in other situations and the process of creating horizontal power is similarly likely to be found in other cases.

Secondly, while three contextual variables were isolated in the case analysis it is probable that additional contextual variables can influence the critical contingencies to power relationship. An obvious contextual variable is the ability of the departmental managers to utilise political sources of power to further departmental goals. No evidence of this is however present within the studies. The analysis therefore is not intended to be an exhaustive list of contextual variables. It highlights some contextual differences that mediate the critical contingency to horizontal power link. Other contextual variations are in addition possible.

Thirdly, the case findings are based on the interpretation of the three case narratives. While the analysis fits consistently with the cases and links to the

theoretical frameworks developed it does not suggest that it is the only interpretation of the events. Others may be possible.

Finally, the research methodology adopted is not optimum for an analysis of the phenomenon investigated. Time frame requirements demanded a retrospective longitudinal study. It would have been preferential for a full longitudinal study exploring the process over time as they unfolded. The retrospective view suffers from the potential problem of interviewees retrospectively rationalising the occurrences and putting them within the context of later events. Given however the findings of the research and the importance of linking events to create a construct of the context, this does not appear to be a problem. Indeed in some respect the dissertation is measuring how the rationalising of events create the current context and so is aided by this potential problem.

6.4 Implications for Further Research

There are at least three implications for further research that arise from the dissertation. Firstly, the case approach looking at the process by which power has been created has proved valuable in looking at the issues. This supports the arguments in favour of case study approaches to explaining organisational development and change (Mintzberg, 1979; Pettigrew, 1990) and suggest the

analysis of power dynamics is well suited to this approach. A longitudinal case design might allow greater depth of analysis and interesting exploration.

Secondly, the literature would appear to be deficient when it comes to the role leadership has in settling the locus of power. A number of potential research issues can be developed from considering the role of leadership. The constituent elements that create proximity of leadership, the involvement of the leader in decision making, their level of operational knowledge, and their pervasiveness throughout the organisation could all be operationalised and their affects on power quantified. Finally, the hypothesised cycle of communication, increasing to create a shared understanding and then reducing until a new understanding is required has been put forward tentatively and needs to be fully tested. This is important if managers are to plan for and develop successful power structures.

6.5 Concluding Remarks

It is important that managers recognise the importance of power in organisations. Power gets things done, it focuses action and creates direction. It is a resource an organisation must manage. The importance of power at the horizontal level, among people who have technically the same authority, is increasing as organisations become flatter and more consensual. This dissertation has demonstrated that power is a complex and dynamic facet of

organisation life and is situation specific. However it can be managed and managing power will ensure that things get done in the manner and the direction necessary to achieve the goals of the organisation.

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APPENDICES

APPENDIX: 1	SEMI STRUCTURED INTERVIEW GUIDE
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SECTION A: HISTORY & CHANGES

- a. Could you please describe what '*the company*' has done since it was set up, particularly any important events or successes it has achieved.
- b. What major changes have taken place in '*the company*'?
(prompt - markets
 management
 staff
 products)
- c. Why did these changes take place?
- d. Where they of benefit?

SECTION B: STRATEGIES

- a. How would you describe the strategy of '*the company*'?
- b. What strategic issues are important to the future of '*the company*'?
- c. Have different strategies been pursued previously?
- d. What is your opinion of the strategic direction the company is taking?
- e. What are the key success factors the company must achieve?

SECTION C: VALUES AND BELIEFS

- a. Attached is a list of values that a company might think are important please rank the top five in order of importance, both to '*the company*' and in your opinion.
- b. Are these corporate values well understood in '*the company*'
- c. How would you describe to a friend what working for the company is like.
- d. Are there important things a person needs to know to succeed in 'the company'.
- e. How are values communicated to people in '*the company*'.
- f. Are there historical events that demonstrate these values.

SECTION D: DEPARTMENTS

- a. What changes have taken place in departmental structures?
- b. Why have those changes taken place?
- c. Where there factors that had to be overcome to effect those changes?

SECTION E: DECISION MAKING:

- a. How is strategy formulated, by whom and how often
- b. What issues or problems must '*the company*' face and deal with to be successful.
- c. Are committees used, how do they arise and how are members chosen

SECTION F: DEPARTMENTAL INFLUENCE

- a. What influence do each department (vis a vis other departments) have on decision making.
- b. If different, why do you think certain departments exert more influence

SECTION G: UNCERTAINTY

- a. Are there areas of uncertainty in the environment that '*the company*' needs to manage.
- b. Which are the most important to the success of the company.
- c. How do critical issues that must be dealt with by the company get identified.

LIST OF VALUES

Please list the 5 most important values for the *company* and also what is in *your opinion* the 5 most important.

	To The Company	Your Opinion
Professionalism: Behaving in a business like manner.	_____	_____
Company Individuality: Being regarded as unique in the industry.	_____	_____
Aggressiveness: Being regarded a bold. enterprising company.	_____	_____
Ethics: Concern for honesty and Integrity of all employees in conducting company matters	_____	_____
Creativity: Being imaginative and innovative in development of products and in handling business activity.	_____	_____
Efficiency: Operating without wasting resources.	_____	_____
Industry Leadership: Being considered no. 1	_____	_____
Quality of Service: Meeting customer needs fast, friendly and without delay.	_____	_____
Company Stability: Maintaining the existing operation over time	_____	_____
Social Well Being: Concern for community at large.	_____	_____
Company Growth: Increase turnover, employee numbers etc.	_____	_____
Profits: Make money.	_____	_____
Low Staff Turnover: Low number of staff who leave.	_____	_____
High Moral: A positive feeling for all staff about company.	_____	_____
Employee Satisfaction: Fun company to work for.	_____	_____
Survival: Staying In business.	_____	_____
Adaptability: The capacity to change operations to respond to external factors or events.	_____	_____
Reduce Costs: Maintain low overheads.	_____	_____
Open Communication: Ease of giving and getting information in the company. The importance of informal communication.	_____	_____
Diversification: Spreading operations as wide as possible.	_____	_____
Employee development: Enhancing skills of employees.	_____	_____
Environmental Control: Ability to influence things that happen outside the organisation but that effects what happens inside.	_____	_____
Competitive Advantage: Always seeking better marketing and selling procedures.	_____	_____
Company Profile: Successful public image of company.	_____	_____
Improving Procedures: Looking for better ways of doing things.	_____	_____
Team Orientation: Creating and fostering Team work.	_____	_____
Value for Money: Providing value in products.	_____	_____
Offer Choice: Give consumers Choice of Products.	_____	_____
Others: (Please Specify)	_____	_____