Organizational decision-making in a changing environment: Introduction and overview

This book brings together theoretical views and empirical evidence on organizational decision-making. The common denominator in the contributions is that they all reflect on decision-making in organizations and institutions under changing environmental conditions.

The notion of a changing context and its importance for organizational processes and decision-making is, of course, anything but new. In fact, it is a major theme in most textbooks and manuals on organizational growth and development of the last decades. What is dramatically new in our time, however, is both the momentum of the changes that take place as well as the diversity of the spheres in which they occur. It is difficult to overestimate the impact of these changes on the structure and inner dynamics of organizations. Managers and employees, employers’ associations and trade unions, national and international governments and legislators, all experience the pressure of present rapidity of the change in environments, and the need to adequately cope.

First of all, there are the changing conditions inherent in the work organizations themselves. A steadily increasing number of new tasks, functions and jobs emerge as a consequence of the introduction of new technologies. New information technology, automation and robotization replace a large percentage of old tasks and create numerous new ones. In addition, the classic stereotypical worker is being replaced by an array of new types of workers: more educated, different attitudes and aspirations with respect to work and leisure time, less life time commitment and more preference for temporary employment and project contracts. The composition of the labour force is also changing: more female workers, more migrant workers, more white collar and professional employees, and a generally older work force; the gradual disappearance of blue collar workers goes hand in hand with delays in the shift of workers from obsolete vocational fields to emerging fields due to technological change.

But changes in the wider environment of industrial organizations also have their impact on organizational policy and decision-making. The political and economic context is of particular importance here: first of all, of course, the economy; we see strongly increasing international competition, a shortening of product life-cycles, a greater differentiation within product markets, a growing importance of the service sector coupled with a decrease in the importance of the manufacturing sector in the Western economies. We also see an increasingly important role of multinational firms and international joint ventures. At the same time most national economies, certainly in the Western world, have suffered from the economic recession since the beginning of the eighties, sometimes resulting in devastating unemployment figures. The recession has led to pressure for greater productivity, attempts to cut labour costs, calls for flexibility of working hours and wages, and a restructuring of poorly competitive industries (see also Rojot, 1989).

In spite of some improvement in the international economy in the nineties, high rates of unemployment have remained considerable in many countries. In fact, regarding the new international division of labour and increases in general productivity we have to endorse the conclusion of Tavitian (1985) reached ten years ago, that, for Western Europe at least, full employment is no longer an achievable target and that social protection systems need to be substantially overhauled.

The economic recession has often been accompanied by a shift to the political right and an increased influence of conservative forces. Governments plagued by deficits, inflation and mass unemployment have often responded with more restrictive legislation as far as workers’ rights and industrial democracy are concerned,
by imposing far reaching income policies, by responding to the growing demands for deregulation or by trying to integrate strong social forces in what has been called 'new corporatism' (Blanpain, 1990).

In many countries the political and economic developments just described have led to a dominance of the policies of the employers and to a less hospitable attitude towards trade unions and legislation designed to protect workers’ rights, autonomy and industrial democracy (IDE, 1993). The trend which Albeda (1984) observed at the beginning of the eighties, that trade unions are losing their power in organizations as well as in the political field, has continued. The power of the unions on the labour market has decreased by their loss of membership in general, and has been further undermined by the growing reluctance of workers to strike for wage increases.

It will be clear that, in addition to a changing balance of power, the roles and orientations of the actors in the field of industrial relations also changed significantly. Managers in the nineties are less concerned with job security, quality of working life, workers’ participation and the like, and more with competition, flexible adaptation to the demands of the markets, cost control and reorganizations. Trade unions have to face loss of power and membership, a much greater diversification of needs among the various categories of workers they have to represent. Furthermore, both have to deal with another almost paradoxical development: the internationalization and globalization (markets, organizations, legislation (EC, ILO, OECD etc.) on the one hand, and decentralization and delegation to regional or more specific categories of industry, or even to the enterprise level, on the other.

So far we have spoken only about political and economic changes in the Western world. A totally new dimension is added to the discussion if we take into account what has happened in Central and Eastern European countries and in the Far East. The revolutionary change in the political-economic system in the countries in Central and Eastern Europe has upset almost any traditional structure and process in public and private life. The change from a centrally determined to a (more or less free) market economy was, of course, much more than a single change of the economic parameter in the system. It affected decision-making, daily operations, future planning, relations between employers and employees, the role of government, individual behaviour and attitudes of managers, workers and staff, in short almost every fibre and cell of public or private organizations.

The same applies to China. Other Far East countries distinguish themselves almost without exception by impressive economic growth, investments and trade. In China there is the additional change from central planning to market orientation. Given these developments, and in view of the enormous resources on the labour market a prediction that the GNP of East Asia will surpass the sum of the European and North American GNP within the years 2005–2020 does not seem unrealistic.

Needless to say that the general socio-economic changes described above enforce the permanent need to modify operational as well as strategic decisions, hence, organizations are forced to change continually and traditional insights and practices do not suffice. But, as yet, many questions have remained unanswered and many problems unsolved. Managerial demands for more individual, decentralized arrangements form a threat to the classical practice of collective bargaining, but proper replacements or supplements have not been suggested as yet. Internationalization and globalization require more general and supra-national approaches, and yet the legal and social embeddedness of transformation processes require a sensitivity for socio-cultural factors to be taken into account. The long upheld ideas about the importance of direct or indirect influence of workers and industrial democracy are being challenged by the economic recession, the more conservative political preferences or the no-nonsense policy of today. And yet an increased level of motivation, commitment and performance through higher levels of participation and involvement would be welcome in times of economic and financial hardship.

These and other questions were addressed at
a conference under the same title as this book ‘Organizational Decision-Making under Different Economic and Political Conditions’. The conference was held from May 31st through June 3rd, 1994, at the Royal Netherlands Academy of Arts and Sciences in Amsterdam. The conference was held under the auspices of the Academy and the Kurt Lewin Institute, Amsterdam. The present book comprises the contributions for this conference, first drafts of which were written and distributed among the participants beforehand. At the conference itself they were briefly introduced and thoroughly discussed, almost always resulting in a revised version of the paper.

The various contributions discussed a variety of aspects of the organizational decision-making process, as determined or influenced by the changing internal or external conditions. They can be grouped according to a number of main themes which are prevalent in the present day discussion.

**Participation and functional democracy**

The first group of contributions focussed on the subject of participation in decision-making. In the 60s and 70s this theme became the subject of both intensive political debate and extensive research. Participation is a rather broad concept and to be conceived as the totality of forms (i.e. directly in the form of a supervisor-subordinate relationship or indirectly through representative organs) and of intensities (i.e. ranging from providing minimum and post hoc information to comprehensive co-decision schemes) (see also Wilpert, 1987). There has always been a somewhat different emphasis on and definition of participation between Europe and the USA. The latter focussed more on leadership styles and practices, whereas the former believes more in rules for participation and industrial democracy, and in legislative or other forms of formal protection of workers’ rights. In both the original and the replication (10 years later) study of the IDE-international research group on the determinants and conditions of industrial democracy practices and participation in Europe, the formal and legally prescribed rules turned out to be the strongest predictor (IDE, 1981, 1993).

An important trend emerging from the discussions of the 80s and 90s is a tendency to emphasize the functional view of democratization. This term refers to a distinction which Lammers (1975) made in an early article on two concepts of democracy in organizations. He referred to structural democracy as the view on democracy in terms of power equalization as an ‘ideological necessity’. Power equalization, also in (work) organizations is seen as an end in itself and control over one’s (work) environment as a basic human right. In the functional view on democracy, participation in organizations is defended on the basis of its potential contribution to the efficiency or effectiveness of the organization. This can occur either directly through higher levels of motivation and performance, or indirectly through a higher organizational flexibility, lower level of conflicts, higher satisfaction or better control of workers, and the like.

From the functional point of view there is still a good case to be made for increased involvement of workers and better utilization of their skills and experience. In his contribution, Miles\(^1\) makes it convincingly clear that in the new complex organizations of today with the high demand for flexibility, adaptation to the increasingly dynamic and global markets and extended networking, participative management has to be viewed as essential rather than optional. The same conclusion is reached by Qvale. Participative forms of management and organization are prerequisites for the development and utilization of human resources, and hence, of organizational competitiveness. No longer, however, are the industrial relations the generative force in determining the imperatives for (in his discussion Norwegian) work life. At least in advanced economies the modernized industrial policy will be the major force. Resistance to change is not found primarily at the level of the workers but at the level of middle managers and staff personnel, whose functions and competences are no longer adequate or,

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\(^1\) If no reference is made to a specific publication we refer to the chapter in this volume.
sometimes, even needed in the present changing industrial life.

The functional view on democracy has also led to an analysis of the shortcomings and limitations of participative schemes and industrial democracy. Rus describes how the utopian Yugoslav self management system has been hollowed out by the separation between the formal rules and the actual decision-making. The formal rules were transformed into rituals and the most important decisions were taken without paying attention to these rules.

Pusic is somewhat more positive and claims for instance, that the reasonably satisfying continuity in Croatian companies despite the difficult war circumstances was due to the experience with the self-management experiments.

In an analysis of an interesting case of participation 'avant la lettre', Lammers shows that all actors should be involved and should agree on the principles of a system of participation to be introduced. He describes an attempt by the Dutch Minister of Transport during the second World War to introduce co-determination within the Dutch merchant marine. The proposal completely failed to get endorsement. Labour and government did agree on the proposed measures, but 'capital' was insufficiently involved in the preparation and refused its blessing.

Russell shows that the original ideals of workplace democracy to be linked to workers' ownership were quite unrealistic. The empirical record to date for all three forms of ownership transformations (i.e. producer cooperatives, employee shareholdings and privatization) has made it increasingly difficult to cling to the original high, sometimes even grandiose, expectations about their likely effects.

Wilpert presents strong arguments for a climate change from bureaucratic, hierarchical and centralized into an open, learning, two-way communicating organization-form, particularly in complex systems of high hazard potential. Such a change goes beyond the technical analysis of safety conditions, and also beyond the analysis of human safety behaviour and errors. It requires a socio-technical approach, in which it is surmised that the whole organization in all its components determines the safety and reliability of the system.

On the basis of a case study of decision-making on significant reductions of personnel, Koopman points out that the present day business oriented no-nonsense style in organizations leaves little room for the idealistic company democracy ideals from the 70s. After a careful study of negotiations and decision-making with respect to a very sensitive issue (major reduction of personnel) he concludes that there is, however, room for participation for negotiating partners if something is to be gained for both of them. Coetsier also deals with decisions on reduction of personnel. He shows that participative decision procedures alter the original 'prejudiced' ranking of 'vulnerable' groups of employees. He shows also that participation in such delicate decisions also enhances the responsibility for the reached agreement among the actors; one can no longer play the role of the pure advocate of the interests of the constituencies.

Rus presents the functional argument in more depth by distinguishing the acceptability and the feasibility of decisions. Active involvement of employees in decisions would promote acceptability; better utilization of skills and knowledge enhances feasibility. The two types are related to two different types of conflict: social and systems conflicts. Rus makes it clear that the furthering of both types of outcomes are important for the viability of organizations, but that conditions that promote the one do not necessarily benefit the other.

Contingencies

A second trend in discussions of the last decades on the efficacy of decision-making conditions, including participation, is an increasing emphasis on the role of contingencies. In the meantime it has become abundantly clear that the extent to which participation will be successful depends on a number of conditional factors. This applies in cases of direct participation and leadership (Drenth and Koopman, 1984) as well as with respect to indirect,
representative participation systems (Lammers and Szell, 1989).

Many contributors to the present volume express similar opinions and offer convincing empirical evidence for their view. Strauss criticizes the usefulness of overall comparative or meta-analytical studies with the question 'whether participation works'. Much more interesting is the attempt to identify conditions under which it works and conditions under which it does not. He emphasizes among others management style, reduction of payment and status differences, job security, training in human relations and a proper participative infrastructure. Noteworthy is also the importance of the introduction of participative schemes through participative means!

Andriessen develops an interesting argument with respect to the contingency 'networking technology'. On the one hand, networking technology increases professional autonomy and the widening of relations and access to information, but on the other it also leads to growing external control, diffused decision-making and higher production pressure. Paradoxically, the new freedom implies also loss of power, and users are not only initiators but also victims of increased access and contact. Pusic also argues that new technologies have changed both the classical hierarchical structure of organizations as well as created new forms of power distribution and autonomy, through significantly increased access to information.

Another interesting contingent factor in decision-making, and particularly if this pertains to a major change in the existing social structure, is the role of the internal or external professional. Stern and Darr describe two options for the professional/consultant: either emphasize the authoritative, professional autonomy (non-expressive) or be a process counselor and let the organization speak (expressive). They found that professionals such as lawyers and accountants tend to opt for the first role and give priority to financial success and stability, even contradicting the preferences of the organization for a different participative and control system.

Bass suggests that the type of organization will be an important contingent factor in organizational decision-making, distinguishing the garbage can organization, the virtual family, the bureaucracy, the high contrast organization and the coastal organization. The effects of the types of participative culture in organizations, described as either transactional, transformational, both or neither, are shown to be clearly distinct in the different types of organizations.

**Political environment**

A third theme which groups together a number of contributions is the different or changing political environment in which organizations operate. The importance of the political and legislative context in general was pointed out in the introduction. And here, again, we deal with an increasingly complex condition, which is becoming increasingly international in character. The long and controversial discussions within the European Union on social security and social benefits for workers, and the disagreement in Europe about the desirability of a European Works Council for international firms with affiliates in different European states are clear cases in point.

The importance of the political system in which an organization has to operate becomes pre-eminently obvious in countries where extreme political and economic changes and transformations have taken or are taking place. Balaton presents a description of the problems and difficulties in strategic organizational decision-making during the transition from a strongly centrally planned economy to a more free market economy. It did not use to be general practice in Hungarian firms to have corporate-level strategies. There is, therefore, no tradition or experience in strategic decision-making at company level. We see that, due to the enormously high level of organizational and personal uncertainty, the making of important strategic decisions is avoided and where possible abandoned. Internal organizational and external market developments are thrown on each other's society and should keep pace with each other.

We have also referred to the extremely diffi-
cult circumstances under which the Croatian economy and industry is struggling to survive. In times of war and political unrest almost all 'normal' rules and economic laws seem to shake. In this light, Pusic finds it remarkable that Croatian enterprises still function. He suggests this to be due to efforts of the workers. It is true, stress creates solidarity, but it is also true that years of self-management experience have changed people's attitudes; they have appropriated psychologically the enterprise, and they are willing to put up with privations for it.

Of course, an even more striking illustration of the importance of the political-economic context is the case of China. Wang describes the changes in the management system reform in this country during the last 15 years, with the following four phases: 1) an experimental stage in which some aspects of management power were decentralized, 2) an expansion stage, in which in some larger companies decision-making power in ten major areas, such as production, sales, personnel, was delegated, 3) the management system reform stage of implementing management responsibility systems in some 90 percent of the enterprises, and 4) the transformation and legislation stage with full and formal delegation of decision-making power and responsibilities in all, including State-owned, enterprises. These changes, of course, have changed dramatically the organizational structures of Chinese enterprises.

Warner points out, however, that as far as the HRM-practices are concerned the lack of experience and knowledge come home to roost. In the Chinese state-owned firms a HRM-approach is virtually non-existent. The same is true for the (50%) township and village-owned companies. Only the (5%) joint ventures show some advanced developments in the HRM-area. In fact, what was concluded on the basis of the Hungarian experience also applies to the Chinese case: external socio-political and internal organizational developments should keep abreast with each other.

### Cultural differences

A fourth major theme in the presentations and discussions was the role of culture. As said above, internationalization is a key-word in present day market-orientation, strategic policy, competition and cooperation. This applies to most sectors of the economy and is not restricted to the multinationals.

In view of the importance of national and cultural differences, the fact that so much research restricts itself to organizations in only one country is surprising. Many of the research results on the basis of single culture studies do not have general validity. Country, or better still, culture is another important contingent factor in understanding the determinants and effects of organizational decision-making. Fortunately, this fact is acknowledged more widely in writing (Drenth and Groenendijk, 1996) and research (Hofstede, 1980).

A number of contributors also address the issue of the influence of culture on organizational decision-making. Drenth tries to analyse how the influence of culture on organizations and the behaviour of organizational members takes place. On the basis of empirical evidence he surmises that culture affects the attitudes and values and, consequently the behaviour, of organization members. The latter, then, shape organizational processes and indirectly the structure of organizations. There is little evidence for a direct effect of culture on the nature of the organization.

Stymne hypothesizes that organizational innovations, in his opinion the most important drive behind economic development, can be regarded as an independent factor in economic and social development. They can neither be seen as deterministically preconditioned by contextual factors, nor as an outcome of negotiations between different actors. With respect to national culture an important question then arises: do we have to adapt innovations to a specific culture in order to be effective, or is such an adaptation a hindering factor (see the success of the MacDonald, or Holiday Inn formula)?

Guest studied what happened to HRM-practices within establishments of foreign firms in the UK. Comparisons were made between UK, American, Japanese and German owned establishments. Apart from other interesting
findings in this study (HRM pays off, little impact of presence of unions, little evidence of 'browning' of greenfields) it was shown that the HRM-tradition in the country of origin does have a major impact on the 'success' of the HRM practice in the new country. The greatest misfit was found between the German co-determination tradition and the Anglo-Saxon HRM-philosophy.

Warner questions the universalistic claims of HRM, both theoretically and in terms of its applications. He distinguishes four models with strongly varying characteristics: the Western traditional IR model, the Western HRM model, the Japanese model and the Chinese model. The varying HRM model characteristics clearly relate to macro-cultural, political and economic characteristics of the (groups of) countries in which the models are prevalent.

Pugh et al. try to provide some empirical evidence for the well-known convergence debate, initiated by Clark Kerr and his colleagues at Harvard University. The idea behind this hypothesis is that the internationalization of trade, the universal acceptance of insights of management science and the world wide diffusion of advanced technology will cause organizations, in whichever culture, to become more and more alike. The debate, therefore, is concerned with the impact of culture on organizations: culture free (similarities) or culture bound (differences). The evidence from this study suggests that organizational structures and processes are an outcome of the interaction between global impact and culture specific imperatives.

Pennings et al. address the difficulties that a firm may encounter if it decides to expand abroad: what cultural barriers exist? Do they disappear or can they be demolished after establishing? One of the important findings in their comparative study is that longevity is negatively related to the cultural distance between the country of origin and the country in which the organization ventured abroad. Investment in countries with greater cultural distance is more risky. Moreover, learning helps but incremental progress is a lot better than rapid change.

Dr Frank A. Heller

There is another main thread through this book which we gladly present at the end of this introductory chapter. All the themes and research subjects covered in this volume have been central in the work of Dr Frank Heller, Director of the Centre for Decision-making Studies at the Tavistock Institute of Human Relations in London. In fact, he has spent a good deal of the over 50 years of his active and creative career both as a researcher and a professional consultant dealing, sometimes struggling with these subjects. He has always tried to improve understanding of the processes, dynamics and determinants of these complex phenomena, in order both to expand theoretical knowledge in the field of organizational science and to further develop the practical insights, necessary to help organizations develop and perform well.

All the contributors to this volume have in some capacity worked or published together with Frank Heller. They all have gladly accepted the invitation of the organizers to pay tribute to their friend and colleague, who has reached the age of 75, by their participation in the conference and their contribution to the book which is dedicated to him.

Rather than give a full account of his long and productive scientific life we would prefer to give a short characterization of his views and scientific style by referring to his closing remarks at the conference, in which he typified his work as being influenced greatly by the thinking of Kurt Lewin. A variety of inspiring notions and themes of Lewin have found their way to the thinking and the work of Frank Heller. We mention the following (and give at the same time a selected number of references from the publication list of Heller):

- The importance of combining practice and theory. In his writings and in his personal career Heller always emphasized the fruitful, even necessary interaction between the two (Heller, 1986, 1990). In his personal life, having been a researcher and academic as well as a consultant, among others in Latin America, the Far East and
Eastern Europe (Adorjan et al., 1995), he illustrated the importance of the combination of the two.

- The inclusion of the environment in the life space. Heller has often questioned the value of the study of isolated phenomena in artificial experimental environments for a real understanding of the complex world. Even real life studies often lack ecological validity because of the isolation of the object of study. The socio-technical approach of the Tavistock Institute, therefore, strongly appealed to him. Also the study of decision-making, one of the main themes of his research and writings, was always done ‘in situ’ (Heller and Wilpert, 1981, Heller and Misumi, 1987) and preferably longitudinally (Heller, Drenth, Koopman and Rus, 1988). In keeping with this is also the emphatic attention he gives to the variable ‘culture’ in the studies he undertook or participated in (Heller, 1985).

- A proper balance between objective measurement and a qualitative, ethnographic approach. According to Heller each has its own and valuable contribution to make. In the method of ‘group feedback analysis’, that he worked out and used frequently in his research, an admirable attempt to combine the two aims is made (Heller, 1969).

- Interest in causality over and above correlations. Heller detested the mere correlational, cross-sectional studies, because of their apparent shortcomings in providing real insight in causal relationships, in spite of the frequent implicit suggestions or explicit claims of the authors. At the same time he realizes that causality is not an easy objective in the complex field of organizational dynamics. In line with the previously mentioned theme are Heller’s interest in change studies (Heller, 1970) and his affinity to Lewin’s idea of ‘action research’ (Heller, 1976).

- Preference for multidisciplinarity. Heller realized that many relevant problems being studied in social sciences can be studied only through the input of a combination of disciplines. Most of the key social problems are multi-disciplinary. He himself was well equipped to carry out multidisciplinary studies: trained as an engineer, a degree in economics and with a final specialization in social and organizational psychology he loved to work in interdisciplinary teams and always had a significant contribution to make (IDE, 1998a, IDE, 1993, MOW, 1987).

- Concern about the ethics of science, utilization of scientific results, and professional responsibilities. Science in itself is not good or bad, but can certainly be used for both good and evil purposes. This places a special responsibility on the shoulders of the researcher and the professional practitioner, and it is here where the problem of values comes in. Values have to be made explicit by researchers, clients and even funding bodies, and their role in decisions on the nature and direction of the research should be analysed. Only then can honest and fair choices be made (Heller, 1986a).

References


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