

In this Issue

Kilmann's "Collateral organizations"

What are *collateral* organizations? They are co-existing with, complementing, and amplifying the formal, operational structures of day-to-day organization, designed to provide a longer-term, problem-solving, and adaptive capability to the system. Collateral organizations often emerge in parallel to the existing operational structures, often spontaneously and informally, in response to ill-defined complex problems arising from a changing environment.

It seems that D.E. Zand (who first suggested the concept) and R.H. Kilmann recognize the fact that problem identification and problem implementation require different organizational milieus than problem solving. So how does this concept differ from various task forces, committees, project teams, and so on, which are often designed and employed toward similar purpose? And what about the matrix-organization overlay for special projects?

The answer lies in the focus on ill-defined, complex, ambiguous, long-term, and yet potentially significant challenges and problems of collateral organizations, as opposed to the well-defined specificity dealt with the more traditional parallel arrangements. Does it mean that if you know what the problem is, form a committee, if you don't, design a collateral organization? Should a collateral organization be *designed* at all? Shouldn't it be allowed to emerge spontaneously, assume its working structure, and then either encouraged and enhanced or quickly dismantled?

Kilmann obviously believes that collateral organizations should be designed, and he lists "10 basic steps" as how to proceed in doing so. Of course, one does not want to design collateral organization for solving the *wrong* problem, so again one would expect that some spontaneous emergence be recognized as a precursor to it; Kilmann says, "don't jump into it."

Kilmann talks about *several* objectives pertaining to the identified mission of the collateral design. Actually he suggests anything between five to fifteen. Such a complex of conflicting, differentially weighted, incommensurate, and differentially measured objectives ("goals" would be more appropriate here) is not to be achievable in a straightforward (measurement plus search) fashion. More likely their conflicting nature will have to be addressed and the ramifications of compromise solutions discussed.

Many managers are to be involved in *both* formal and collateral organizations, moving from one culture-style to another, traversing from concerns for efficiency to those for effectiveness and explicability (and back again); not too many people are well equipped to do so in the overspecialized environments of a modern corporation. Yet, having the two distinct and nonintersecting sets of people (problem solvers versus implementers and performers) would be deadly. So the dilemma of the need for well-rounded, well-educated managers, capable of functioning in the environment of narrow specialists, remains.

Come to think of it, designing of a collateral organization is not so complex: identify the problem, specify right objectives, get the right people, and get the whole thing going. That is, form a committee. What is difficult however, is the problem identification, clarification, definition and understanding. Don't work on a wrong problem, don't work on a poorly identified problem, don't form a committee without knowing what it should be doing. There are other, more important and more exciting, things to do in human organizations.

Kilmann concludes with suggesting a perpetual collateral design, sort of general problem-solving group or long-term, strategic "troubleshooters", which would form a base for a "problem management" function in organizations.

Parker and Kaluzny's "Design planning"

Professors Parker and Kaluzny have been, for many years, involved with problems of health service delivery. In this paper they concentrate on the multiplicity and conflicting nature of most human service organizational goals. In particular, how does one design the organization (arrange its activities, roles, positions, and so on) so that the achievement of its multiple goals would be facilitated?

Parker and Kaluzny base their analysis on a couple of unexpected statements: "Organizations, rather than individuals, provide the framework for an ever-increasing set of complex human service technologies", and "Aspects of organizational design, rather than individual characteristics of personnel, are the critical factors affecting organizational performance". Of course, one has to understand how individuals "produce" organizations and how certain types of organizations are only compatible with certain types of individual characteristics. Only then one can explicate the reverse organizational effect on individuals and understand what is meant by the "primacy" of organization over individual. That is, if you as an individual, work harder within a badly designed system, your efforts might not have the desired effect. It might be more effective to work "smarter" rather than harder, i.e. change the organization of your work via superior design.

Another statement: "Organizations pursue multiple goals" is similarly simplifying. Organizations do not pursue *any* goals, only individuals do although often within their organizations. To an external observer the aggregate result of these individual pursuits might appear *as if* the organization itself is pursuing some goals. That is, one has to distinguish between goals *of* the organization and goals *for* the organization. Designated goals and goal priorities are for the organization and often may conflict with goals of the organization.

The task of determining the "best" organizational design for all stated and identified goals for the organization, has been delegated to the linear goal programming model. The authors are fully aware of its theoretical shortcomings, especially its need for a priori determination of goal values to be achieved (extremely hard to do *before* the analysis but extremely simple *after* the analysis), its one-by-one preemptive handling of goals (i.e. one

at a time), and so on. After discussing such shortcomings, the authors opt for the model anyway because of its "simplicity".

The five structural characteristics of the organization to be designed are: formalization, centralization, complexity, vertical and horizontal differentiation. These attributes are defined within this context and their measurements (i.e. their conversion into criteria) suggested. These design variables are to be determined with respect to goals and with respect to "rigid" constraints. It is important to note that the existence of rigid constraints implies that in many respects the system is "given" or determined and that Parker and Kaluzny are not designing a new system but rather trying to improve a given systems by exploiting its potential as much as possible. The true system design would involve not only the calculation of appropriate goal levels (rather than setting them a priori) but also the calculation of the technical and resource constraints (rather than considering them simply "rigid"). Only then one could talk of a design in the true sense of the problem.

An example of the Parker-Kaluzny design planning model comes from a hospital-like setting and some quantitative features of the model are being discussed. The authors conclude with a list of what they consider the advantages of their approach as well as its shortcomings. This type of design thinking is potentially significant and should be followed up by analysis which would be less dependent on a particular technique and its idiosyncracies.

Chan, Park, and Yu's "High-stake decisions"

High-stake decisions involve acute awareness and considerations of substantial future impacts on the deciding agent and its environment. Large risks, large amounts of money, relative decision irreversibility, conflicting criteria, multiple decision makers, potentially disastrous outcomes – all these aspects often combine and interact to create the sense of 'high stakes' being involved. Shortly, these are the decisions of utmost importance and of course one does not calculate an 'expected value' in such cases.

In such high-stake situations one cannot concentrate on the decision itself but rather on the *process* or processes by which humans reach such

decisions. Through such processes, new decision alternatives are being developed, others discarded. Preferences are being formed, adjusted, readjusted, and changed. Criteria are being weighted and re-weighted. Nothing is fixed or 'given' in such a process. Changes are the rule and ossified decision 'trees', 'utilities' or 'given' alternatives are totally inadequate models of human decision-making *process*.

Chan, Park and Yu continue in the recently established tradition of describing the decision process itself, unraveling its crucial stages and their interdependencies, and attempting to enhance and support its positive properties while trying to counter its pitfalls, dead ends, and biases. They talk about 'charges' or deviations between the perceived goal values and ideal values. The resulting tension or simply conflict creates the impetus for its resolution, dissolution, or simply 'discharge'. To that effect they introduce so called 'least resistance principle', i.e. choosing such a set of alternatives for discharge which would reduce the existing charge structures to a minimum.

The case of purchasing a house is used as a demonstration and empirical support for the main concepts of their approach. The reader can readily substitute categories and attributes from his own particular high-stake decision situation in order to follow the methodology in a more personally experienced setting.

The underlying purpose of such studies is to provide more realistic foundations for decision aids or decision support systems. Plugging data into an aggregate, artificially derived superfunction is only a poor base for decision support – it does not support the process itself, although it might 'support', in some cases, a decision reached through such (unknown) process.

One high-stake decision area which authors do not mention is that of *medical decision making*. A doctor gambles not only money (as would the traditional multiattribute utility theory lead us to believe – procedures of 'standard gamble') but he gambles with the health and welfare of others. He weights multiple criteria which are all *irreducible* although they all center on the patient's (and unfortunately on the doctor's) best interest: quantity of life, physical and psychological quality of life, physiological consequences, changes in physical appearance, doctor's reputation and income, and so on. In medicine there are not only goals

and objectives, there are also *finalities*. And there is nothing more 'high-stake' than a finality.

We can simply differentiate the approaches characterized by their emphasis on the decision itself (like decision analysis, utility theory, etc.) and those concentrating on the decision process, by posing a simple question: *Is our aim to improve decisions or to improve decision makers?*

Tropman's "Decision group"

Group decision making has been a concern of theorists and practitioners for decades and its importance cannot be underestimated. One can write about the topic formally and "scientifically" and introduce all kinds of group aggregate utility or welfare functions – which of course does not help a bit, or approach the problem experientially, describing what does happen *before* attempting to propose what should happen in meetings.

Professor Tropman takes the less formal, descriptive approach, capturing what does happen through a series of imaginary dialogues. Then he attempts to analyze them and identify the means of improvement.

One still unresolved issue is that the assumption that committees exist to make decisions. There are many additional explicit and implicit roles of importance and often the decision making itself is only secondary to their symbolic and ritualistic affirmations of continuity, activity and cooperation. Often committees fulfill the role of diffusing responsibility, distributing the burden of uncertainty, and boosting collective confidence and determination. Tropman states that, "the purpose of a committee is primarily to get together to make decisions". Given such assumption, then of course the work of most committees must be characterized as failure with respect to such unidimensional statement of purpose.

Moreover, it can be argued, committees do *not* make decisions, only individual members do. Thus the true problem might not be improving decision-making role of the committee but that of individuals working within the committee constraints and rules. The problem is that in addition to explicit rules (as listed by Tropman) there are some other, unidentified rules of conduct and covenants which lead to a spontaneous structuralization of a committee meeting process. The two

sets of "rules" might be in conflict and the unappreciated strength of one might preclude successful implementation of the other.

Tropman considers *the agenda* to be the most important management tool for committee work. The agenda includes not only the topics and the order in which they are to be discussed, but also the expected levels of response: decision, approval, action, discussion, introduction, and so on. That way the goals and expectations are clearly defined and the sense of accomplishment is more easily instilled in members of the committee.

Tropman also concentrates on the roles of chairmanship and membership in the committee work. His metaphor of a conductor conducting an orchestra according to a written script (the agenda) is only partially appealing. It excludes the possibility of a leadership in a "jam session" of a jazz orchestra. Yet, many committees are in search of creative new ideas, attempting to generate new alternatives rather than simply "agonizing" between existing alternatives. That is, you do not necessarily want to decide between *A* and *B* but look whether any *C* can be brought into focus. Such deliberations require more of a "jam session" rather than "symphony orchestra" type of organization.

Professor Tropman predicts that more, not less, of committee work and group decision making lies ahead for American managers and businessmen. Japanese management style, based on paternalism and collectivism, is expected to erode traditional American values of self-reliance and individualism. It is too early to say, however, that this is going to happen; instead, American system of values can undertake its own transformation without becoming or resembling the Japanese system of values of management style. Of course, group decision making is here to stay but as to what forms it is going to take, especially in view of coming high-technology revolution, still remains to be seen.

Weber's "Boards' governance"

Do corporate boards of directors govern? What are the conditions under which they can govern effectively? *Should* they govern business corporations? These and other questions are raised and discussed by Professor C. Edward Weber from the

University of Wisconsin-Milwaukee.

Professor Weber was the founding Dean of the School of Business Administration at the University of Wisconsin and guided the school through its first ten years. His administrative, business and academic experience with corporate boards of directors is not lost in this article and shows through his thoughtful command of the issues at hand.

Weber lists seven conditions under which strategic issues flow to boards (so that the boards could govern), five conditions under which boards' decisions could stay within the limits of rationality, and four approaches which boards undertake in their decision-making efforts. All of these issues are analyzed one-by-one in a sufficient detail. For example, strategy of a corporation needs legitimacy for its implementation, and high status participants (like board directors) can give legitimacy to strategic decisions. Also, to be effective, the board should have independent links to external information sources rather than directly through management.

Are the board members *capable* of dealing with important strategic issues? It is interesting to note that Weber lists the need for *ambiguity* (or fuzziness) of strategic situations if the directors are to attend to them rationally. Ambiguity however makes causal relations blurred and the directors will attempt to resolve their uncertainty and risk by turning to "trusted" informational networks.

Most interesting part of Weber's paper deals with four basic approaches to boards' decision making: *analysis*, *dialectics*, *bargaining*, and *fortuity*.

Weber suggests that analytical decision making is most effective in bureaucracies of experts—he does not consider it suitable for making strategic assumptions. Actually, the analytical nature of much corporate decision making requires the board to be passive.

Dialectical decision *processes* (through the synthesis of the differing views is more effective in dealing with strategic issues. It focuses on opposing strategies contained in different worldviews and thus reduces inconsistencies between assumptions and information. The collegial board, open to confrontation of ideas, would be an effective form of board organization for dialectics.

Bargaining does not strive for achieving a new, synthetic, common worldview, but searches for a compromise. The directors are more bound by the

views of their constituencies and are less open to their synthesis. Instead, a compromise strategy, *partially* consistent with the opposing sets of assumptions, is hammered out.

Fortuitous decision making allows trial and error as a mechanism for explication of goals, preferences, and means. This mode of decision making is often associated with uncertainty and crisis—but strategic decisions should not be taken under such conditions.

Of course, the board is most involved if the chief executive, key managers, and directors share an ideology on corporate governance. Direction and control by experts seems to be inimical to governance by boards.

The chairman of the board, as different from the chief executive officer, should be in a position to shape and reshape the board's organization and operation.

Kochen's "Conflict management"

Professor Kochen from Mental Health Research Institute at The University of Michigan is proposing computer-linked, action-oriented communities as a means for conflict management in conflict-dominated societies. In other words, computer conferencing and thus enhanced communication is being seen as a prerequisite for successful conflict management.

One of the problems in dealing with conflict research is its definition. What is conflict? Kochen says, "conflict is specified by one or more subjects who experience it". That is, conflict is when you experience conflict. Another issue involves the notion that communication, or lack of it, is at the core of a conflict situation. Yet, very often we encounter non-communicating subjects who do not experience any conflict at all and, on the other hand, subjects who are in full and constant communication – and in a constant state of conflict. Is then communication one of the sources and causes of conflict? Can there be a conflict between non-communicating entities? Is tacit understanding more powerful than explicit communication? These are of course formidable questions and at this time there seems to be a consensus that an improved communication will lead to a better management and control of conflict. Kochen suggests the creation and maintenance of an action-oriented com-

munity of inquiry that would be able to sustain debate, i.e. not break the communication linkages, and thus keep the conflict-related energy 'dissipation' within acceptable limits.

It is a fact that the science and practice of conflict resolution have not got too far and that our understanding of the very nature of conflict is dismal. The need for effective means of conflict management is however very great and in some sense crucial for survival of most advanced societies. American efforts for establishing a 'Peace Academy' reflect this need in more practical terms. Yet the tools for conflict resolution are largely ineffective and even such permanently communicating institutions such as United Nations have a very poor record with respect to their conflict resolution abilities.

There are of course different modes of handling conflict: resolution, dissolution, management, control, inhibition, enhancement, neglect, and so on. Each of these modes arises or should arise in response to different conditions characterizing the conflict situation. Kochen recognizes that conflict could be beneficial, "as long as it is not excessive". What is excessive conflict? Under which circumstances?

Computer conferencing is certainly a new, high-technology based tool, whose potentials for managing conflict has not yet been fully explored. Whether computer conferencing itself, that is, without the underlying theory or even a definition of conflict, could be effective – that remains to be explored and empirically documented. It is certainly worth of trying. There is no doubt that teleconferencing can increase the amount and intensity of communication as well as the amount of information transmitted and shared. But is more information going to decrease *or* increase the intensity of conflict? Is more explicit and expedient communication going to lead to less *or* to more conflict? Such issues are not yet clear and there is little empirical foundation for arguing either way. Kochen himself stresses this point: "Whether such methods can fundamentally change the behavior of persons in actual conflict situations or modify them sufficiently to bring about incremental shifts toward goal revision and the search for common interests is best determined empirically".

It remains to be established whether 'behavior modification' of human being, the examples of which abound both in history and in the current

world, is the ethical and effective means for conflict resolution. Is not the result a conflict accommodation or conflict containment rather than conflict dissolution?

The number of computer conferences is increasing, as is the use of computer-related communica-

tion technology. The spread of personal computers in the USA, where soon each family will have one (like TV, car, or refrigerator), is certainly going to have a significant impact on communication and, hopefully, conflict resolution.