4 Basic considerations on organizational concepts

4.1 Toyota’s Just-in-Time: an organizational success story

An historical overview on the Japanese automobile industry at least indicates that success models of process organization don’t appear from nowhere but have to be practically and theoretically developed.

Example: In 1933 Toyota and Nissan were founded during a funding phase of the Ministry of Commerce and Industry (MCI). Only in 1949 the American occupying power in Japan allowed the production of cars again. In 1952 the Ministry of International Trade and Industry (MITI) as successor of the MCI established its policy of protectionism and technology transfer for the Japanese automobile industry, which served as protection from American and European competition. As it was prohibited to found foreign companies in Japan after 1946 and foreign companies were only allowed to invest up to 20%, Japan was not an interesting target country for foreign investments. Therefore licensing to Japanese automobile producers was the only way to conquer the Japanese market with European and American automobiles. Between 1952 and 1953 four Japanese automobile producers were able to find foreign producers who licenced some car makes.

Nissan’s licence agreement was designed in such a way that Nissan firstly received all pieces necessary to produce a car from Austin in Europe. From the second year of the agreement on, Nissan was capable to gain providers in Japan, in order to produce the Austin 40 on its own. To achieve this aim the Nissan employees were intensively trained and advised by the Austin engineers. Already at the end of 1955 Nissan achieved the aim that 100% of all pieces were produced in Japan. From the necessity to be obliged to obtain components from other countries
and later on from a large automotive supply industry arose the revolutionary, organizational “just-in-time-system”. I.e. when cars are ordered and sold and only as many pieces are ordered and received as needed for the present production of the cars ordered, this process is called “just-in-time process”. In order to underline just some business-management side effects, it should be pointed out, that the Japanese car manufacturers therefore needed no land or promises for purchase and logistics, no storage for the single pieces of the car to be mounted, no storage personnel or administration. This saved a lot of capital and costs.

Toyota and Nissan were the first Japanese car manufacturers to try to develop and export own (innovative) cars. At that point in time both manufacturers believed that their small, simple Japanese cars were no match to the European and especially American competitors. When European small cars as the VW beetle achieved long-term export successes on the American market, also Toyota and Nissan considered exportation of small cars to the US. Toyota faced several problems at that time: a) how does a competitive car look like that could compete with e.g. the VW beetle and would adapt to the American market. The success of the VW beetle could be attributed to several factors? It was well constructed and manufactured and had low gas consumption and a low sales price. Therefore, it fulfilled the needs of many Americans in the 1950s and 1960s, namely of a more economic car as the American ones. However, the decisive success factor of the VW beetle in the US was that Volkswagen recognized the necessity of high service quality at an early stage and built up a comprehensive network of garages with reliable customer service. This way, VW could respond to the image and prejudice that foreign cars would generally cause high maintenance costs and spare parts were hard to obtain. Nissan and Toyota found out that the penetration rate of foreign cars was highest in the Pacific and Atlantic coast of the US, which was convenient for them. Furthermore foreign car makes benefited from the fact that car sellers in the US were not restricted to sell for a certain car manufacturer and that the US had no protectionism against foreign car manufacturers. Toyota and Nissan took the VW beetle as model and fixed the biggest weaknesses of the VW beetle.
4.1 Toyota’s just-in-time success story

with their cars. The American customers desired a bigger motor in order to be able to manage large distances in the US with more ease as well as a better interior design. The Toyota Corona, which was introduced in 1965, was especially produced for the American market with some interior design extras, which could not be found in other imported small cars. The car seats for example were softly cushioned, the flooring of the cars was covered with carpet and they had tinted screens. Furthermore the motor of the Corona was with 90 hp twice as powerful as the one of its direct competitor – the VW beetle. When the Corona was launched it was the only imported small car in the US with automatic transmission. With innovative cars like the Corona and the Corolla (1967) Toyota laid the cornerstone of its worldwide fame and for its future pole position on the world market. Until 1967 Toyota and Nissan managed to adapt the prices of their small cars to the level of comparable European cars. In 1967 the Toyota Corolla was offered for 1374 USD, whereas the VW beetle was sold for 1375 USD. Nissan’s Datsun 310 was with 1339 USD even cheaper than the comparable Austin Mini Deluxe which was sold for 1375. Regarding the retail of their cars it was advantageous for Toyota and Nissan that American car manufacturers were not allowed to oblige licensed dealers to exclusively sell their makes. In order to conquer the US car market Japanese car manufacturers offered profit margins between 18% and 20% of the final retail price as compared to margins between 12% and 13% offered by Ford, General Motors and Chrysler. Toyota was the first automobile importer in the US which used TV spots for its makes. 1971 Toyota had the biggest advertising market share of TV advertising amongst all automobile companies in the US.

b) How was Toyota able to achieve this success, when in 1960 only a total of 165000 cars per year were produced in Japan, while in the same year 6.6 million cars were sold in the US? This is what the Japanese car manufacturers take as starting point for the organization and quality assurance in the production and purchase logistics.

In comparison to Japan the US were motorised very early in the 1910s and 1920s. This was possible with the process organization
and of the technical success model of the assembly line by Taylor/Ford in the automobile sector. 1914 Ford transferred the workmanship of individual production of automobiles into a process-oriented assembly line production under conditions of scientific business management in accordance with Taylor.

With the innovative, **Tayloristic production method** with the assembly line it was possible to produce small cars of simple construction cost-efficiently in mass production. With the help of mass production it was possible to specialise personnel and to decrease staff costs. The personnel costs decreased with the increase of productivity through learning and practice on the work site and through the joint production organization. With the help of Taylorism exact working times per employee, organizational unit and work site could be determined and material consumption rates could be calculated and therefore planning costs for the construction of a car could be determined and controlled. In modern terms: Ford 1914 and Toyota 1967 have practiced and successfully implemented cost leadership in accordance with Porter (1982) via putting the experience curve (Henderson, 1972) into practice.

Also the Japanese car industry has tried from the start to materialize the Law of Mass Production, in order to decrease fixed costs. Ford had first achieved this through the model T with the help of the assembly line and the sale of cars in the United States. Toyota and Nissan counted on an aggressive exportation to the US, Asia and later to Europe, in order to achieve high production quantities.

Toyota and Nissan knew the success story of Ford’s and Taylor’s assembly line in 1914. Via the innovative process organization and through the experience curve Ford could decrease the price of the model T from 850 USD to 450 USD and by 1926 even to 310 USD. Through the implicit strategy of cost leadership the model T as mass car was affordable for the first time also for middle class customers. This amplified the car market and its growth opportunities enormously. The production of the VW beetle and the production of the Corolla took over the Ford’s and Taylor’s organizational success model.

The reason why Toyota became even more successful than Ford and VW, could be ascribed to its innovative product policy and its Just-in-Time concept with the new **controlling instruments**, like
target costing and process cost calculation, which helped to have a better economic control over the process organization. Moreover, the Japanese car industry perfected its retail organization for their exports.

Between 1978 and 1985 European and American theorists tried to explain the success of the Japanese car industry with the Japanese mentality and company culture. They realized much later that the Japanese had translated the American literature on quality assurance but also Kosiol’s book on organization regarding organizational and operational structure, in order to perfect the logistical Just-in-Time concepts and Lean-Management concept for the operational structure.

Furthermore, they introduced an examination of strategy implementation in the analysis of operational structure in connection with cost accountancy, in order to continually achieve productivity improvements. The Japanese mentality and company culture has supported the structural change only in a psychological way, this however does not explain the economic success. This can be proved via a fictitious return-on-investment calculation in the example below, which shows the connection between accountancy, cost centres, organizational units and cost object accounting.
Fig. 28: Connection between accounting, organizational units and cost object accounting
4.2 Organizational Targets: no performance measurement without targets

There are several answers to the question as to why companies have a certain form of organization, i.e. a form of structural and process-oriented organization, which imply implicit organizational goals:

[1] The company is an organization. The company is for example an incorporated company which has to be registered with the commercial register. Internally as well as externally it acts as legal person, being represented by the chairman of the board when interacting with banks, fiscal authorities, trade unions, labour courts, supplier and customers. This is the institutional organizational terminology.

In this case the organizational aim is a legal aim, namely enabling the company to take legal action. Internally an incorporated company needs a managing board, a supervisory board and has to organize a shareholders’ meeting once a year. A work council and a women’s representative have to be elected etc.

[2] The company has an organization. If the company has an organization and is managed by a board as organ of e.g. an incorporated company. The managing board then uses an organization in order to be able to manage the company successfully with regard to operative and strategic challenges. This is the instrumental organizational terminology.

The organization helps the managing board to implement the goals and strategies bearing in mind the aim of value creation. Therefore a primary organization (structural organization) e.g. via functional organization, business area organization or matrix organization and a secondary organization (process organization), e.g. product-oriented, process-oriented or customer-oriented process organization needs to be effected.
Some examples for the improvement of company management could be as follows:

- Implementing a strategy of a business area (product, product range etc.) in a value-creation-oriented primary and secondary organization (cf. Porter Approach) in order to guarantee its profitability (ROI; EBIT, EVA, Berlin Balanced Scorecard etc.) and in order to analyse it with the help of accountancy and controlling.

- Jobs and cost centres are created in parallel in the structural/primary organization. On the one hand the holders of the position can be made responsible for the resulting costs and revenues. On the other hand, it can be examines with the help of full costing and direct costing, whether the actual costs correspond to the target costs. The deviation analysis is a starting point in order to start organizational change e.g. based on behavioural science (change management).

- In order to remain competitive, industrial organizations try permanently to implement new products in a more or less flexible organization with the help of innovation management. Approaches of the process organization/secondary organization are for example Lean Management, organizational suggestion schemes and quality management, which try to increase company productivity by 5% per year. This means for the company management, that with the same production staff 5% more sales have to be effected or the rationalisation leads to staff reductions. Especially these organizational targets are not popular with employees, the work council and trade unions.

- For the secondary organization/process organization there is also proof of the connection of accountancy and organization with regard to rationalisation and lean management. Target costing with process cost calculation or direct costing are concepts for the measurement or productivity and efficiency of individual processes and the overall process organization and permit to analyse them constantly with the help of controlling and to question the current organization.

- The structural organization also serves to incorporate the consultation rights and co-determination rights of the work council in committees for the target setting and enforcement of the
4.3 Organizational Targets

board. Otherwise, the instruction right prevails, which is easier to implement in a hierarchic organizational structure.

[3] The organization is being organized (activity-oriented organization terminology). The target of the activity-oriented organization is to make the workplace or the production more efficient in the sense of Lean Management.

Organizational targets are for example the organization of the workplace in such a way that it corresponds to the workplace requirements and job security of the employee. The employee of the position may make suggestions on the organization of the workplace, which leads to more motivation and loyalty to the company. But also via quality management (Quality Circles, Kaizen) and a company suggestion scheme productivity improvements are supposed to be achieved and suggestions for improvement to be implemented. This way the efficiency and profitability of the Working Capital in the current assets are meant to be improved.

4.3 On the necessity of organizational concepts

Especially the instrumental organizational concept of primary and secondary organization is coined by interdisciplinary perspectives on organization. This is due to the fact that academics have been examining the organization phenomenon for decades or even centuries. They pursue and study different organizational goals and therefore underline different perceptions on causal connections with regard to organization (quasi-theories), which again can serve as basis for the organizational conception.

The necessary precondition of each instrumental organizational concept is the structural approach, which means that the managing board has to take decisions on the structural/primary organization. The focus of this concept lies on the execution of task and the supply of information via the company. On the basis of the primary organization also the decisions on the secondary organization/process organization are taken. The structural approach sets the purposeful and technically reasonable option
for the primary and secondary organization. Without the structural approach there is no instrumental organization and progressive management for the company.

Sufficient condition(s): with the structural organizational approach, further organizational theories can be considered individually or additionally. The first concepts to be taken into account are the psychological-behaviour-science based organizational approach and the human oriented organizational approach. Employees want to be psychologically supported in case of reorganization of the company for innovations and in the context of Lean-Management. Otherwise, enormous resistance can occur. Becker and Laburcay (2012, p. 2) show this in their definition on organizational development:

Organizational development is a holistic, management driven process of design and change of organizational units and organizations. It contains all measures of direct and indirect target oriented influence on structures, processes, persons and relations, which are planned, implemented and evaluated (via organizational controlling) by the organization (i.e. the management/managing board).

Therefore, the structural approach is linked to organizational change, reorganization and the structural organizational development in the primary and secondary organization.

The structural organizational development can be and has to be supported by a labour psychological, behavioural organizational development, as it is postulated by Becker for personnel development and Laburcay in organizational development. The labour psychological behavioural science-based organizational development is supported by the company culture, which can be considered a special case of behavioural science based organizational development and change management. It is also supported by symbolic interactionism, in order to solve intercultural problems in international companies. Also in this book the symbolic, company cultural organizational approach is analytically and conceptually covered as own organizational approach with own models (cf. Schmeisser/Kirchhoff 2013).
The last concept which is discussed and analysed in this book as supplement to the structural approach is the legal-political concept, which can be subsumed under the institutional as well as instrumental term of organization. According to Nitschke, (2012, p. 10), politics and law can connect and identify the following ideas on the organizational phenomenon:

[1] In the sense of an institutional understanding of organization:

- A public law organization which can be connected with the corporate governance approach, i.e. legal status, shareholders’ meetings, general assembly, advisory board, managing board, work council, proportion of women, shareholder-value oriented remuneration management with stock option programs etc.
- A regime for everybody which is created with the help of rules in an organizational book, referring to labour law, social law etc., e.g. on the protective clothing, breaks, vacation, engagement, filling in vacancies or company agreements on old age pensions.
- Representation of the company by the management (managing board) in relation with customers, suppliers, banks, shareholders, employees, fiscal authorities, social security authorities in order to be able to take legal actions.
- A more democratic or monarchical constitution in order to be able to determine the targets of the company and to implement them with or without executive rights.
- The question on ethic principles for target determination in order to foster the welfare of the organization and the well-being in the life of people/employees.
- The “government actions” in or by the organization constitute the company politics or company management.

[2] In the sense of an instrumental understanding of organization:

- In the classic concepts of primary organization questions on leadership and power are clarified and legitimized via the law. Those who have the money are in authority and determine the corresponding legal status to secure the leadership and to control the company politics.
Nonetheless, the target setting and implementation can become a matter of power of external and internal satellite groups or stakeholders.

In determined companies the question arises in the context of the company constitution as to how the different interest groups are represented in the organization, via legal regulations or via power games or persuasion via the communication approach of the Harvard Concept. Conflict management and mediation as instrument of conflict solving and communication in the context of conciliation institutions receive their own significance on this basis.

There are also political challenges for the companies, which shall guarantee and healthy, successful and good life to each member of the company organization (cf. business ethics, ethics.

## 4.4 Organizational concepts and assumptions

Figure 29 gives an in overview on the organizational approaches.

![Diagram of organizational approaches](https://doi.org/10.24053/9783739800523-83)

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4.4.1 On the structural approach: metaphor – organization as “machine”

The classic, structural approach on organizational theory by Taylor, Fayol, Max Weber, Nordshireck, Kosiol, Dale, Drucker etc. all contain the following organizational targets:

- Expediency
- Productivity in relation to the technology in use
- Economic efficiency and profitability, the Return on Investment in accordance with DuPont 1919.

At least in the sense of Porter the modern, structural organizational approach requires cost leadership with the help of the learning curve and/or a differentiation strategy per business unit in accordance with portfolio management and the organizational implementation of the target strategy with the product.

The central challenge of the company management and of an organizer is the implementation of business units (segments, business units, branches, projects etc.) and the selection and implementation of a corresponding organizational form. The value creation chain as process organization is meant to guarantee the Return on Investment and the Shareholder Value. This is an approach, which is also suggested by the Berlin Balanced Scorecard Approach in order to measure performance (cf. Schmeisser/Clausen).

The assumptions of the “structural organization approach” are as follows:

[1] Departing from an engineering and business informatics understanding, the organization is seen as machine or management information system of a computer.

[2] The company organization is not influenced by the social, political, cultural and economic environment.

[3] The business management targets limit the organization to a rational, quantitative purpose-means model of Max Weber’s (positive) bureaucracy model and ends up in a structural organization. Max Weber’s rational bureaucracy model would demand for a strategy implementation in the sense of a value creation chain, which can be
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found in the Berlin Balanced Scorecard Model and a process organization.

Taylor postulates more or less implicitly a mechanistic, instrumental idea of man (homo oeconomicus). People are just a “cog” in the clockwork organization of the company. The employee motivation is oriented towards the homo oeconomicus or the shareholder value.

In the sense of Max Weber technology is considered to be a given, passive element or an active element, e.g. in project organization, which is coined by (technical) innovation and organizational change (cf. Burns and Stalker: The Management of Innovation, London 1961).

In accordance with Max Weber only the political top, i.e. the management has the right to determine company targets and therefore organizational targets, strategies and visions. All other organizational members are subordinates in the sense of the monarchic principle.

Given organizational targets and efficiency are in the focus of structural organizational conception via (organization) controlling and strategies, organization cultures and organization processes.

Organizational activities which are not contained in the value creation and do not serve the competitiveness of the company and do not increase the company value (shareholder value) may not be considered.

4.4.2 Behavioural science and labour organization based organization concept

What is meant is that companies are an instrument for the satisfaction of cognitive, emotional and social needs of organization members.

The “rationality” of the natural science and engineering based on the machine model of the traditional management understanding on organization departed from the assumption that employees would adapt with their behaviour without problems to the formal
structures and process, just like cogs in a clockwork. Already with the introduction of the conveyor belt by Ford this assumption of the Taylorism falsified. The employees suffered from the monotony and psychological saturation and tried to escape from the labour conditions by means of absenteeism and fluctuation.

Since the Hawthorne-studies this perception has been integrated in organizational theory and research. With Barnards (1938) stimulus-contribution theory, organizational issues are not only seen as coordination problems of the structural approach, but also as motivation problem of the behaviour science based organizational approach. It is assumed that an employee is only motivated to carry out an expected or defined work performance, if the organizer or the engineer of labour studies does not only determine the performance, but also the organizational contribution, the personnel management incentives, which have to correspond to the employee’s expectations.

The organizational stimuli are the collective, labour law obligations of the agreed organizational and personnel management rules of the labour agreement and of the needs of the employee. It has to be assumed that the productivity of an employee increases, if the organizational member fits via labour division, specialisation and professionalization a certain organizational task, perceives it as interesting work and considers the salary, work place security and future career perspectives in the company as safe.

It is no wonder that the labour psychology and behavioural science based organizational approach are seen as contrary to the structural approach on the one hand, and are seen as “mending institution”, i.e. as complementary approach to structural approach on the other hand, because it sees people as needing, social beings. Employees still want to be treated like human beings despite of technical needs and company structure.

In the sense of Cyert, March and Simon (Cyert/March 1963, Simon 1976 and Schanz 1978) the labour psychology and behavioural science based perspective of organization makes the following assumptions:
The approach chooses the “methodological individualism”, because higher behavioural science organization units, like groups, leadership or organization as social unit, can only be subject to a social-psychological examination as aggregation of individuals. This constitutes a methodological deficit of the behavioural science approach.

Organizations exist in order to satisfy human needs and motivation and achieve contentment with work.

Organization and employees need each other in the context of strategy implementation in structures and processes.

If the collaboration between individual employees and/or aggregated organization units and/or of the overall organization is insufficient, one of them or both are affected.

It is advantageous for both sides, if organization and individuals/employees are well-adapted to each other.

Conflicts are disruptive factors under behaviour science and have to be solved in a harmonic, psychological way. I.e. conflicts are undesired and have to be disclosed, discussed and settled with the help of coaching, mediation etc. (conflict management in the sense of the political organization approach is not desired).

**The behavioural science based organization approach** focuses the individual behaviour of employees in the organization, group behaviour and/or interactive group conduct in the organization, leadership behaviour in the organization, communicative, harmonic interaction in the organization and the behaviour of all employees in the organization, which is also known as behavioural science based organizational development.

Organization problems in behavioural science arise when e.g. a motivational offensive on the individual level fails due to group pressure or group dynamic. The different aggregation levels individual, group, leadership conduct, communication network and
organizational development of the behavioural science based organizational approach are in constant contradiction and are hard to direct in a labour psychological organization directive.

Especially the situative approach a part perspective of the behavioural science based approach, empirically examines situation variables and their effect on the formal structure (cf. Kieser/Walgengbach 2007). However, it can be doubted whether this analysis and empirical organizational research can be used in practice.

- On the one hand because the situation variables, especially the legal status, company targets, strategy and efficiency criteria are set by the company management.
- On the other hand it is not usual that the company purposefully directs its organizational conception and orientation on such situative organizational results of organizational research.

**Info:** Often the organizational development is only driven via personnel development and motivational development. An example is the humanisation of the working life in Germany since the 1970s. It has become usual in companies to organize job enrichment, job enlargement and job rotation as well as part-autonomous working groups instead of the classic conveyor belt work. Especially for the new forms of work organization the structural and behavioural science based organizational approach has started a narrow cooperation.

### 4.4.3 Legal-political organizational approach: companies as governance instrument and political arena for interest groups

Organizational labour division and specialisation increases the wealth of nations and increases productivity in organizations, as Adam Smith reported already in his famous pin production experiment of 1776.

He also brings up the question whether with the upcoming manufacturing production more exchange and coordination processes have to be implemented in companies instead of relying on markets. Also the question comes up as to when a free market is neces-
sary for the exchange and coordination, and when a company needs an organizational structure in order to regulate the coordination process internally via its process organization. Industrialisation and mass production have resulted in assembly line work and large-scale enterprises like Ford, Siemens, Toyota and other companies in the sense of a structural organizational approach.

An interim explanation is that labour division and specialisation of production processes are easier to achieve in companies than on markets, in order to create productivity advantages. However, stipulations of the neo-institutional approach coined by national economics are maintained. Furthermore, the legal institution and the power maintaining measures are in foreground of this approach.

**Info:** at the beginning of the 1990 economic organizational approaches were developed, e.g. by Picot et al. The basis was provided by microeconomics, where corporative actors were understood as rationally acting individuals who dispose over complete and safe information on the market. The actors pursue the target of profit maximization as producers. The organization helps them to gain power and defend themselves against competitors.

The neo-institutional organizational approaches start with the assumption of partially rational actors, who dispose over limited knowledge, limited capacity to process information and a limited morality.

In order to solve the coordination, moral and motivation problems, legal institutions, namely **laws and organizational regulations** are implemented. It is essential to create a juristic framework (institutions) for business regulation framework, i.e. for the management and control of the company. The spectre of legal institutions is here exemplified for an incorporated company.

**Info:** the legislation determines the legal framework of the institutional company organization with the help of laws like the Civil Code, the Commercial Code, the Corporation Law, the Works Council Constitution Act, the Co-determination Law or the Labour Agreement Law, to name the most relevant examples. In Max Weber’s (1920) understanding, the legal framework

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legitimizes the executive rights of the top management organs. The managing board can for example in the sense of a limited “monarchic power” determine the strategy and implement it into a corresponding process organization/structure of the company.

With the organizational and personnel separation of the strategic decision-making on the one hand, e.g. of strategic management, strategy setting, e.g. of business units/segments, a conflict-oriented coordination process develops on the other hand with operative management organization levels, bargaining partners and controlling.

**Info**: Machiavelli, Max Weber (1920), French and Raven (1959) and Fisher and Ury (Harvard model of communication) have examined how power could be secured with the help of power poles in the organization. In contrast to the psychology, behavioural science oriented organization approach, the starting point is an interest oriented coalition model. Conflicts between internal and external coalitions and interest groups, like employers and employees are not putting organizational harmony at risk, but are understood as an absolutely normal organizational phenomenon and therefore as human right, which is reflected in the legal institution of collective contracts, in the constitution and the right to collective agreements.

The legal-political organizational approach begins with a company, which has to be part of a legal and institutional company framework. This legal-institutional framework has to be supported and complemented with further legal institutions like the Works Council Constitution Act, the Co-Determination Act, and a compliance management system, in order to create a “good” Corporate Governance-leadership in the organizational structure of the company. Hence it shall be guaranteed that the executive rights of the board of directors are protected, and that on the other hand the co-determination possibilities of interest groups in the company decision-making are taken into account. The classic “monarchic principle” of legal protection of power via the structural organization is made democratic with the co-determination rights of the interest groups.
With the legal, conflict-oriented organizational approach the organization is defined as political arena of target and strategy setting. There are for example negotiations on the allocation of budget to the areas, segments and departments, on jobs and the distribution of company profits to the different interest groups.

Company constitution, conflict management with the help of power utilization and interest conflicts via communication are underlined in this organizational approach.

The legal-political organizational approach makes the following assumptions:

- Company strategy decisions are always related to the allocation of scarce company resources.
- A company is an organization, which can be considered as coalition construction. Coalitions are formed with internal (managing board, advisory board, works council, functional areas etc.) and external interest groups (banks, trade union, state).
- Coalitions/interest groups are individuals and/or groups.
- Coalitions pursue different goals and strategies in dependence on personal values, norms and attitudes.
- Company goals and therefore organizational goals and strategic decisions result from the interaction of these coalitions, via constant bargaining, negotiating, threatening and competing for power positions in the organization.
- Due to scarce resources power games and conflict-oriented discussions with regard to strategy setting and implementation are the rule in business organizations.
- Conflicts between coalitions are normal and should not be solved in psychological harmony. The political creation of an institution – a contract, e.g. corporate constitution, organizational directives, company agreements, labour contracts etc. are timely limited solutions of conflicts.
4.4.4 On the visionary, symbolic cultural organizational approach

Here: organization as theatre of visions and myths.

The success secret of innovative companies is for example the Lean-Management System in Toyotas process organization.

*Info:* For more than 30 years there have been attempts in international management to detect the success secret of creative products with the help of the company culture. Among the most important works on company culture are “In Search of Excellence” by Peters/Waterman, the “Theory Z” by Ouchi (1982), “The Art of Japanese Management” by Pascale and Athos (1982) and “Corporate Cultures” by Deal and Kennedy (1982). Schein (1984) however, is the source and trigger of the company culture debate. Schein’s “Three Levels of Organizational Culture” presents first insights into how an organizational culture analysis can be undertaken and how the corresponding company culture should be created.

Especially in case of company mergers on a national or international level, this is a constant issue, e.g. in the case of technology companies that have to conduct permanent innovation management. In this case change management, i.e. the permanent structural and process-related changes in the organization are caused by technological innovation and represent a perpetual challenge.

The innovative strategy development is compared to the metaphor of acting, because the organization coalitions, the company staff and the trade union have to commit to a symbolic leadership, to cooperation and readiness for change.

*Example:* new visions, like the iPad presentation by Steve Jobs for Apple in 2011 are not only good innovation marketing, but also represent new screenplays for employees in organizational units, in order to prepare them with masquerades and new stage design for Apple’s new company organization. Innovative company culture permits the conflict-free implementation of new structures and processes into the organization.

The creation and change of company culture also means the creation of another structural and process-related organization for new
products, which changes the work place of every employee. Personnel development is becoming organizational development with the help of a changed company culture.

The symbolic organizational approach makes the following assumptions:

- Not the (marketing) event is important, e.g. the introduction of the iPad by Steve Jobs, with a company mission, vision and strategy, but its significance for the company organization.

- The events or the strategy gain only significance on the basis of the interpretation by the employees (with the introduction of the iPad as result of research and development by Apple, also the organization of production and marketing with Apple is changed, in order permit an improvement of mass production of the iPad and to sell it).

- Most visions, targets and strategies of an organization cannot be explicitly interpreted by the management or the staff.

- The symbolic organizational approach and symbolic leadership wants to evade the uniqueness, in order to draft the conflict oriented organizational change with less controversy with the interest groups, e.g. concerning the maintenance of jobs or the closure or preservation of production facilities.

- Versatility of strategies and aims fosters rational problem solutions, undermines political coalitions and /or facilitates innovations and their strategy implementation in an organization, in order to obtain a new structural concept of the company.

- Confronted with the uncertainty and ambiguity of job maintenance and production facility closure or preservation, members of an organization tend to develop symbols of solidarity and unity, in order to make company strategies easier to understand even if they might violate own interests in the coalition.
4.4 Organizational Targets

In the sense of the Chandler Hypothesis “Structure follows Strategy”, a change of strategy implies organizational challenges, which can be solved with fewer conflicts with the help of a manipulated company culture.

4.4.5 Corporate organizational theory as approach for the recognition, analysis and design regarding organizational problems

A quote of Immanuel Kant with regard to the application of organizational theories could be: what can you know on organizational theories? And: what can you do in case of organizational problems?

**Info:** Kant makes reference to Hume in theories and theoretical approaches, who examines the causality problem for the explanation of theories critically and in detail: In the human, conscious idea of a phenomenon, here organization, there is an intuitive causal connection, i.e. the idea that each (organizational) effect is necessarily connected to a cause. The critical question is how the interim, “correct” causal connection was obtained.

Without discussing the logical, epistemic and empirical research problem in detail, for this book the decision was taken to solve the corporate organization problem with the help of four organizational approaches and their causal understanding, in order to provide help to companies with regard to organizational issues. As not all organizational approaches can be discussed in their totality, an academic “trick” is used, which the readers and business management students might know from national economics, namely the Ceteris-paribus clause. For each organizational problem one variable, in this case one organizational approach, is separately examined. The Latin *ceteris paribus* means under otherwise equal circumstances. Transferring this clauses to organizational concepts, it means that not all causes and effects can be observed, described, analysed, explained and conceived at the same time. In the theoretical examination of one organizational approach the others are automatically suppressed, even though in business reality they all exist at the same time.
With the organizational approaches at first axiomatic theory systems are created, which consist of an interim, inductively gained pre-understanding of the practitioner and/or theorist of an organization. They have a certain point of view and perspective when observing, describing and explaining organizations. They develop a first technical basic terminology on organization as well as deduced terminology from their perspective or organizational approach.

The formation rules of logic determine how the terms are defined. Terms are grouped, classified and systemised in expressions. A classic example in the context of the structural approach is the system of traditional organization theory by Kosiol (1961) as well as the Lean-Management-System/Kanban-System as Toyota’s specific logistic system. The structural approach as “theory” consists of (quasi) laws, which are known as “organizational principles” in the organizational theory. In case of (quasi) laws, i.e. organizational principles, there are two logical classifications:

- Axioms or assumptions of the organizational approach, i.e. (quasi) laws which are not deduced from the organizational approach but fixed (e.g. the starting point of the structural approach is the tasks, today the information).

- Organizational principles of the organizational approach, i.e. (quasi) laws, theorems/organizational principles which are deduced from the organizational approach (cf. traditional organization theory by Kosiol: from the task the analysis and synthesis of the structural organization and process organization are deduced).

The deduction of organizational principles is regulated by deduction rules, which can afterwards be examined for “causality” on an empirical, i.e. inductive-statistical basis. Popper refers to falsification rules in this context (cf. Popper 1976).

Organizational principles or hypotheses, e.g. the object principle in the configuration model of object organization or divisional organization, are subject to a causal relation of productivity, economic efficiency and profitability of the product programme of a company.

The following figure presents the basic knowledge discovery process of a theoretical organizational approach, which can be especially controlled with the help of a hypothesis.
Confirmed **hypotheses** and therefore theories, which show a causal connection between assumptions, organizational theories and effects, are appropriate for a purposeful business management structure of the organization and for a change management approach (organizational change, if the organization had not been efficient before).

![Knowledge creation process of a theory or organizational approach](image)

**Fig. 30**: Knowledge creation process of a theory or organizational approach

### 4.5 On Kosiol’s traditional organizational theory

… as starting point of a “multi-contextual organizational theory”:

Kosiol (1961) adopted the concept of Nordsieck’s (1928) traditional organizational theory and developed organizational principles for the analysis and synthesis of the structural and process-related organization for business management and a mathematical-logical “closed” overall concept of organization.

The traditional organizational theory chose the task as axiom. All other “multi-contextual” organizational approaches, like the politi-
cal-legal approach, the symbolic approach and the behavioural science-based psychological organizational approach can only be used complementary to the structural, traditional organization approach. Without structure and process of organization the other organizational approaches cannot be used.

Kosiol assumes for the organizational considerations a free market that assigns a task from real economics to an industrial company. The market demands for cars for example. Thus, the production and sale of cars becomes the company task and therefore the quantitative organizational task.

As modification and complement strategy has to be added to Kosiol’s organizational system, i.e. for example the cost leadership in the sense of Porter (1982) has to be integrated into the value creation chain. The strategic fulfilment of the task means a cheap production of cars, a strategy which Ford had intuitively chosen with the help of the assembly line. With extreme labour division and low qualification of employees with high job and work place occupation rates at the assembly line, a high level of productivity was meant to be achieved and personnel costs to be reduced in order to make economic profit with the sale of products. Organizers followed Taylor’s Scientific Management approach and introduced in all car companies a process organization with assembly lines as well as a functional management system (today matrix system) as process organization. The structural and process-related organizations were not only instruments in order to fulfil organizational demands. The structural organization also shows the hierarchical structure of jobs and positions and the process organization describes the work process, namely who cooperates with whom in which order of place and time, in order to solve the task and to produce and sell the car.

The company task becomes the organizational task which needs to be solved purposefully, technically and economically with the structural and process-related organization of the company. The task (today the information in the information and communication technology) is the basic axiom and assumption of all structural organizational theories.
Besides the axiom “task” from which Kosiol develops the traditional organizational theory, his methodological procedure and his general performance-goals for the organization of an industrial company are underlined. Kosiol examines the overall task methodologically by dividing it into smaller part tasks until receiving the individual movements at a special work place. He then synthesizes purposefully smaller movements of a work execution to sub tasks of the overall company task or a bundle of tasks of a position, then of a department, a main department and then of a function or division. He follows the same procedure with regard to the process-related organization, where the work execution is analysed in order to combine it in a synthesis, e.g. in form of a machine work place, a workshop or a conveyer belt.
In accordance with Kosiol
- the task analysis and synthesis have to be undertaken in a purposeful way, which includes thinking about causal purpose-measure-relations and the contribution of each position to the overall task in the structural organization.
- the purposefulness has been directed by the technical requirements and possibilities, in order to develop meaningful, technically feasible organizational forms in the industrial company. The organization has to fulfil economic requirements, i.e. it has to be productive, efficient and profitable.
Kosiol asks the question in accordance with which principles and norms the organization has to be analysed and synthesized. He names five organizational principles for the analysis and central synthesis.

In a first step the overall task of the industrial enterprise is described, in order to carry out the quantitative and qualitative analysis in accordance with organizational principles.

Kosiol names five organizational principles for the structural organization:

1. the execution
2. the object
3. the phase
4. the rank
5. the purposefulness for the analysis of the overall task and the synthesis
Execution (also function or “task”)

Typical tasks in an industrial business are procurement, production and sales in the operational sphere. In the financial and administrative sphere accountancy, personnel management, organization and IT, general administration or supervision of buildings could be named as tasks. In the synthesis after the execution Kosiol obtains a primary organization of “functional organizational structure”.

Object (for Kosiol objects are products, product ranges and divisions or business areas, countries, regions, continents etc.):

A car manufacturer can analyse and synthesize the organization with respect to small, middle and big vehicles, trucks, busses, motocycles, sport cars, in Spain, Germany, Asia, USA etc. With the help of the object principle Kosiol receives a product organization (synonyms are division organization or business area organization etc.). However, Kosiol also suggests the combination of organizational principles, e.g. of the execution and object principle and therefore receives the primary organizational form of matrix organization.

Phase (with the phase-organizational principle in the sense of Fayol, the management process is described by its management functions: target setting, planning, personnel management, organization and control):

Cohesive large-scale tasks that have to be managed and performed are typical success models in the economy. With the analysis and synthesis in accordance with the phase principle Kosiol obtains the primary organizational form of project organization.

Rank (the Rank describes the hierarchy of the structural organization):

Kosiol follows Max Weber’s and Taylor’s idea that organizations “always” want to protect the monarchic principle of power maintenance of the entrepreneur via a legal right to give directions in the company.

Purposefulness (Kosiol distinguishes a primary and a secondary purpose):

- The principle of purposefulness is based on several considera-
4.5 On Kosiol’s traditional organizational theory

...ations: a) the company has to be analysed and synthesized in its purpose-means-relation in such a way, that the organizational institutions can be used as cost centres in accountancy, e.g. in order to be able to attribute costs and performance, caused by such positions, departments, functions etc. to those institutions.

Primary purposes of an industrial company are always fulfilled in the operational sphere, in procurement, production and sales. These spheres have to be given a productive and efficient organization, in order to create Return-on-Investment. Therefore, the product-related costs occur in these organizational units and the cost units have to be identified as potential turnover- and contribution margin units.

In accordance with Kosiol secondary purposes arise always in the sphere of the finance-administration area. These areas are unproductive and reduce efficiency and decrease the contribution margin. Kosiol assumes that overhead costs and fixed costs occur in these spheres.

For the process organization Kosiol suggests eight organizational principles for the work analysis and synthesis: These are the five organizational principles of structural organization:

1. Execution
2. Object
3. Phase
4. Rank and
5. Purpose

Based on Scientific Management three further organizational principles are added: namely how tasks have to be executed with regard to

1. Time
2. Place and
3. Personnel

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Time organization principle (key words could be working hours and transition to flexible working hours in the context of analysis and synthesis of the work):

On the basis of Scientific Management the timely order of the individual work elements on the conveyor belt or in the Just-in-Time system are analysed and the order, as well as the corresponding duration is determined. Further aspects are shifts, starting and termination hours for jobs in accordance with working hour regulations etc. On this basis the timely, personnel and factual interdependences between the work elements are organized.

Place organization principle

The place organization principle analyses the work places, their distribution, attribution to processing stations, e.g. the assembly line production, in order to minimize the cycle time and transportation distances. It clarifies the ergonomic requirements of work places, of machine tools, of interior design and work place security etc.

Personnel organization principle

On the basis of organizational requirements with regard to the desired employee, who shall fulfil a certain profile, the task is assigned to a certain person. With this person the structural and process-related organization is connected with personnel management.

4.6 Organizational analysis

The trigger of an organizational analysis is for example communication problems in an international project, often due to

- emails
- language problems
- cultural misunderstandings.

A further trigger of an organizational analysis is when the organizational change is not accepted by the employees because the existing attribution of resources could be put at risk. There might be additional fears that with the structural and process-related
organizational change expert knowledge and competences in the fulfillment of a task could be endangered by the reorientation of the organization, that existing power relationships with employees, colleagues and leaderships are threatened, that group activities in project groups could lead to unwanted results. Those fears could lead to a reaction of structural idleness to the psychologically perceived “threats” and the undermining of the desired results of the company etc. In addition to the purely technical-structural “organizational change” due to an organizational analysis, the

- psychological
- political and
- cultural organizational problems

have to be solved with the help of change management.

In an organizational analysis different procedures can be selected in order to describe and explain organizational problems and in order to draw conclusions for the primary and secondary organization:

- a traditional organization theory by Kosiol related to task, technology, ergonomics and IT or the structural organizational approach

- an organization and labour psychological, political-conflict oriented and company culture based organizational analysis, e.g. by carrying out the “organizational change” with innovation, in order to introduce change management as support for the structural organizational change.

- An organizational analysis via empirical organizational and personnel research via questioning the potential and/or current staff, in order to reach hypotheses (principles) e.g. on career planning of women, with the aim to render it possible to combine family, work and career in an organization. The organizational concept in the process organization could for this purpose render the working hours more flexible and/or introduce a kindergarten into the company.

- Today it is possible to carry out an economical-financial organizational analysis with the help of selected instruments of organizational controlling in addition to the above organizational analyses. In the context of process organization activity-based cost-
ing and target costing could be employed, but also the Berlin Balanced Scorecard would be appropriate. It is also possible to examine procurement, production and sales processes with selected key figures or the working capital management approach.

In this chapter, however, only the first possibility of organizational analysis in the sense of the traditional organizational theory will be explained.

In accordance with Kosiol the organizer has to divide the overall task of the company analytically into organizational principles, in order to synthesize them later in accordance with purposeful organizational principles in organizational positions, departments, main departments, divisions, strategic business areas/business units.

First organizational errors occur immediately, namely when task, competence and responsibility needed for a certain position are not congruent with a certain employee. In practice employees also fulfil tasks, gain competences and take over responsibilities of other positions or try to, which again results in conflicts.

Every organizational analysis or system analysis in the IT-area has the object to describe and detect weaknesses, to find possibilities for improvement for the organization and/or IT-area, to evaluate them and to deduce recommendations for the organizational concept (cf. Lean-Management or Just-in-Time concept of the Japanese car industry).

According to Acker (cf. Acker/Weiskamp, 1977, pp. 11) the organizational analysis consists of three main phases:

- The examination and presentation of the organizational status quo (via checklists, questionnaires, inspection catalogues, multimoment procedures, job descriptions, organigrams etc.)
- The critical examination of weaknesses and mistakes in the structural and process-related organization (via interviews with the concerned persons, action charts, communication analyses etc.)
The development, assessment and evaluation of alternative solutions for the structural and process-related organization via utility analyses, decision tree processes, target costing, activity based costing, investment calculations etc.

There are two basic stages in the methodological process of organizational analysis:

[1] Examination of the details of an organization for erroneous or meaningless conception


Fig. 34: Organizational analysis of the problem of delegation of task, responsibility and competence with the potential conflicts in structural and process-related organization, which puts the cooperation of positions at risk
Fig. 35: On the problematic connection between task, responsibility and competence in the analysis of a position and position matching in the context of the organizational analysis.
4.6 Organizational analysis

Fig. 36: Methodological procedure of organizational analysis

**Literature**

This chapter is based on:


Related Literature:


