

**Understanding
Organizations and
Management through
Triangle Analysis and
Performance**

James Mannie Shuler

Universal Publishers
Boca Raton, Florida
USA • 2006

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through Triangle Analysis and Performance*

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Universal Publishers
Boca Raton, Florida • USA
2006

ISBN: 1-58112-919-X

www.universal-publishers.com

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ABSTRACT

The purpose of this book is to help the reader understand organizations and management, their structure and behavior, and the decisions that are made within. This book introduces triangle analysis as a simple process that everyone can use to understand organizations, how they work, and how decisions are made. Using a derivative of triangle analysis, individual, service, functional, and organizational levels of organizations are examined. These are just some of the internal environmental factors that influence organizational behavior. Some external environmental factors that also influence organizational behavior, such as information technology, the supply chain, globalization, and corporate structure will be reviewed.

Chapter II looks at understanding decision making and change through individuals' roles in choice, personality, power, leadership and decision making. Understanding the planning and implementation of organizational change and overcoming opposition to change are discussed. Additionally, mentoring and teams will be reviewed.

Since all of the above factors are influences on organizations, it is important to know if organizations measure performance in relation to these internal and external factors. Measures often influence the decision making process within the organization affecting organizational change. Therefore, Chapter III looks at performance management and measurement systems, including performance structure, benchmarking, and performance indicators.

Finally, a review of performance systems that have been used in the federal government is included. These are the Hoover Commission, the Planning-Programming-Budgeting System, Management by Objectives, Zero-Based Budgeting, the Government Performance and Results Act of 1993, and other federal requirements. Reengineering and reinvention are lastly covered.

CHAPTER I

UNDERSTANDING ORGANIZATIONS

Introduction

The purpose of this book is to help the reader understand organizations, their structure, and the decisions that are made within. Organization can be defined as the determination of the practices, duties, and functions and the grouping and fitting together or division of the duties into jobs and of the jobs into groups, functions, or departments. It is the definition and delineation of the structure of the parts of an enterprise. Simply put, an organization is a group of people who work together in a structured way for a shared purpose.

This book also attempts to provide, in part, a starting place for answering one of the three big questions of public management posed by Robert Behn; specifically, his question concerning measurement. Behn's question is "*How can public managers measure the achievements of their agencies in ways that help to increase those achievements?*" (Behn, 1995, p. 315). In the context of this book, public managers are to be thought of as managers of public and private organizations, including public officials. Throughout the 1980s and 1990s, accountability of public officials for more efficient and effective deployment of public services has been an important issue (Glynn & Murphy, 1996, p. 125). "Rational approaches to decisionmaking are unlikely to be sufficient in the public environment. Failure . . . to

recognize the nonrational aspect of governance can quickly lead to disillusionment and distrust of the political process. . . .” (Crewson & Fisher, 1997, p. 385). Public sector management can be characterized as “managing on the edges” between politics and administration, administration and operations, and external pressures and internal processes. The edges are the boundaries between operations, stakeholders, and politics (Mintzberg, 1997, p. 151). By understanding how organizations that successfully use performance measurements make decisions that improve their organizations, public and private managers can better implement performance management and measurement systems within their own organizations to improve performance (Kravchuk & Schack, 1993, pp. 348-349).

The accurate measurement of programs is vital to increasing productivity. Good management, accountability, and decision making require the use of performance measures in organizations and programs.

“The basic purpose of decisionmaking is to achieve a set of organizational objectives in the most effective way” (Lee & Shim, 1990, p. 1). “Historical evidence suggests that institutional changes have been both the product of endogenous and exogenous forces” (Haddad, 1996, p. 207). “Powerful environmental forces are transforming the way organizations operate” (Robertson & Tang, 1995, p. 67). There are many other constantly changing internal and external factors that influence organizational strategy and environmental conditions (Nikolenko & Kleiner, 1996, p. 23).

First is the introduction to triangle analysis as a tool to analyze decision making within organizations. Then some of the more important organizational internal environmental factors and external environmental factors are discussed in the following sections using a form of triangle analysis.

Triangle Analysis

An organization can be viewed in many different ways. Graham Allison (1971) created three different viewpoints (or "lenses") through which analysts could examine events: the "Governmental Politics" model, the "Organizational Process" model, and the "Rational Actor" model.

Based, in part, on Graham's work, this author has developed an analysis model to analyze practically all organization. Any organization can be analyzed through three lenses: the political layer or viewpoint, the bureaucratic layer or viewpoint, and the technical layer or viewpoint. These three lenses are detailed below.

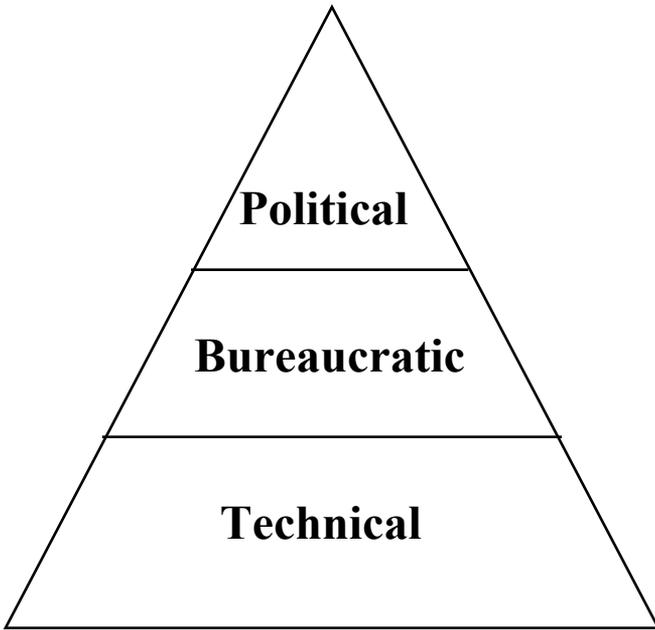
The political viewpoint is carried out for reasons that best serve a desired outcome rather than for other reasons such as being morally justifiable. Members of this organizational layer are the highest ranking members of the organization. In looking at a company, members of the political layer would be the board of directors, the president, and vice-presidents. In a federal government agency, members of the political layer would be the political appointees. If using this analysis technique for a smaller organization within a larger company or agency, the organization leader(s) would be the members of the political layer. The political layer is at the top of the triangle. It has the smallest area in the triangle, since it has the smallest number of people in this layer.

The bureaucratic viewpoint is carried out by applying rules rigidly within an administrative system, organization or government. Members of this organizational layer are the middle ranking members of the organization. In looking at a company, members of the bureaucratic layer would be the supervisors, managers, and office directors, or in other words, lower and middle management. In a federal government agency, members of the bureaucratic layer would be the supervisors and managers, the office directors,

and the non-political appointed members of the Senior Executive Service. The bureaucratic layer is in the middle of the triangle. It is second in size for the area within the triangle, since it has more people than the political layer, but less people than the technical layer.

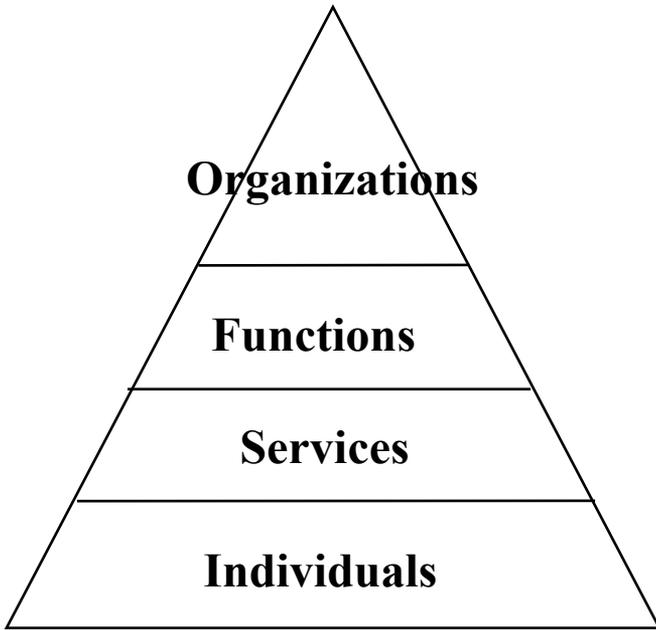
The technical viewpoint is carried out according with a strict interpretation of rules relating to subjects or applied science. Members of this organizational layer are the lowest ranking members of the organization. In looking at a company, members of the technical layer would be the worker bees, the scientists, the engineers, the accountants, in other words the blue and white collar workers. In a federal government agency, members of the technical layer would be the staff members, contractors, and other worker bees. The technical layer is at the bottom of the triangle. It has the largest area in the triangle, since it has the largest number of people in this layer.

The height and base of the triangle can vary based on the number of people in each layer and the levels of management. The figure below shows the levels and their relationship.



Internal Environmental Factors

Another way to use triangle analysis is to assess how organizations operate on several different levels. These different levels are the individual level, the service level, the functional level, and the organizational level. These four levels will be explored in detail in the following sections. The figure below portrays these levels.



Individual Level

The first level is at the individual level. A major influence that regulates the performance of an organization is the individual. These individuals provide, singularly and collectively, energy for the organization to perform. They also provide intellectual, emotional, and physical contributions to the organization. Frohman explains that “policies, procedures, as well as physical, social, and technical arrangements that help the individual make a maximum contribution to achieving organizational goals” are necessary for a successful organizational structure. Organizations must concentrate more on individual performance at various levels, on comprehending all the factors of that performance, and on support and reward for performance (Frohman, 1997, p. 52).

Service Level

The next level is the service level within the organization. This is the first major level for operations management in an organization. This level is composed of various services within organizations. Some of these services, according to Cooke (1996, p. 50), may include:

- Information systems
- Inventory control
- Order fulfillment
- Product assembly/installation
- Product returns
- Rate Negotiations
- Shipment consolidation
- Warehouse management

Functional Level

The services, listed above, usually cut across different functional areas, such as marketing and sales, scheduling, production and plant management, transportation, finance, and accounting (Gooley, 1996, p. 46). These functional areas comprise the third level of organizational structure. This level is concerned with the interrelationship among the functional areas of business as they impact the flow of raw materials and finished goods through the organization. Inventory control, warehousing location and operation, packaging, transportation alternatives, and information processing are some of these major functional areas.

Differing levels of interfunctional coordination affect the organization's information systems. Coordination between logistics and information technology functions creates customer value, process efficiencies, and differential advantage for the organization (Kent, 1996, p. 76). Fox (1996, pp. 18-19) believes that, for an organization to be successful, the strategic planning must include areas such as corporate culture, fleet operations, information systems and security.

A survey of 692 logistics and marketing professionals was conducted by Murphy and Poist to look at the logistics-marketing interface for enhancing coordination between the two functions. They concluded that there were minimal differences in the usage of the 14 coordination-enhancing techniques that were evaluated. These 14 coordination-enhancing techniques according to Murphy and Poist (1996, pp. 15-28), are as follows:

- Top management support
- Situational bargaining
- Mutual goals
- Incentive system
- Joint projects
- Unified department
- Use a distribution specialist
- Job rotation
- Information sharing
- Joint outings
- Coordinating committees
- Third-party intervention
- Education and training
- Philosophy of cooperation

Organizational Level

The fourth level is the organizational level. Tate concludes that strategic alliances between organizations are not merely for competitive advantage; it is increasingly becoming a matter of survival for the organizations (Tate, 1996, p. 7). Wood believes that organizations must be able to offer to their customers the abilities to integrate information, manage people, tailor solutions for clients, and manage change for clients (Wood, 1996, p. 130).

Organizations are now trying to meet their customers' exact needs through knowledge-based manufacturing (Foxlow, 1994, pp. 23-26) and through supply management (De Toni, Nassimbeni, & Tonchia, 1994, pp. 41-50). Customer service programs (Baines, 1996, p. 20) and customer management

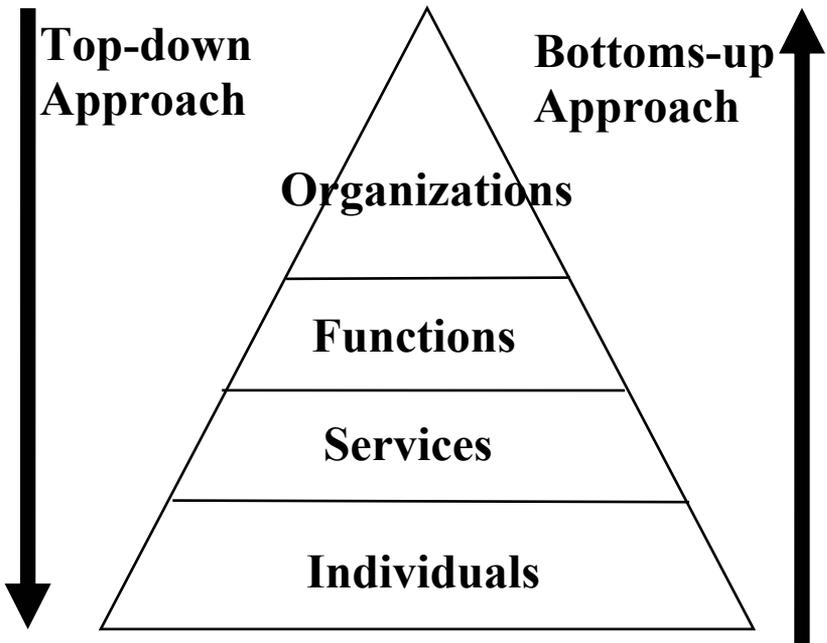
(Ives, 1994, pp. 45-51) are attempts to improve the quality and customer focus in the service sector. Electronic data interchange (EDI) is an example of this new focus, for the mutual benefit of the organization and customer communities, to keep costs down (Robson, 1994, p. 35). Singh concludes the proper management of goods movement yields responsiveness to the customers' demand for overall customer satisfaction (Singh, 1996, pp. 28 and 30).

Integration is a term that organizations often use in an interorganizational context; integration within interdepartmental organizations (i.e., functional areas) is not as prevalent. Integration represents interaction or communication activities, consists of collaborative activities between departments, and is a composite of interdepartmental interaction and collaboration. Therefore, management must consider integration to be multidimensional (Kahn & Mentzer, 1996, pp. 6-14).

Internal Organization Environment

Two approaches that can be used to simplify the understanding of organizational management are illustrated below. The first is the top-down approach to the internal organization environment or top-management-directed environment. This approach starts with the upper-level concepts (of organizations) and moves toward the base-level concepts (of individuals). This is depicted by the arrow on the left-hand side of the drawing below.

The second approach is the bottoms-up approach to the internal organization environment or employee-initiated environment. This approach starts with the base-level concepts (of individuals) and moves toward the upper-level concepts (of organizations). This is depicted by the arrow on the right-hand side of the drawing below.



External Environmental Factors

Significant changes are affecting the business within organizations. Some of the organizations' external environmental factors (Nickell, 1995) are outlined below. These factors have impacted most corporations to some extent. These factors play a key role in changing the functional scope and management expectations for the corporate function.

Organizations are subject to a variety of constantly changing internal and external influences, such as global competition and knowledge-based economy (Nikolenko & Kleiner, 1996, p. 23). "As an organization strives to effectively carry out its activities, therefore, it must take into account a variety of pressures that emanate from its external environment" (Robertson, 1995, p. 78). Peter Bradley states

that the major factors influencing companies are information technology, the supply chain, customer service, globalization, and logistics information (Bradley, 1996, p. 3). Wood and Johnson believe that there are four factors that are causing change in the transportation industry. These factors are transportation deregulation, Just-in-Time (JIT) inventory systems, competition based on high levels of customer service, and globalization of business (Wood & Johnson, 1996, pp. 5-8).

Information Technology

The development of new technology has directly affected the function of the organization. "Information can be used effectively only if it can be accessed and understood by everyone that has an interest in it" (Johnson & Tucker, 1998, pp. 26-27). With new information technology, it is possible to control the flow of freight without actually seeing it. Deregulation has allowed new relationships among the buyer, the seller, and the carrier. This is, in part, due to new electronic linkages between these three parties (Buckley, Pass, & Prescott, 1992, pp. 192-196; Harrington, 1996b, pp. 53-57; Marquardt & Reynolds, 1994, pp. 5-17; Stock, 1996, p. 2).

Logistics uses information technology in planning, scheduling, supply and demand balancing, order management (order shipping, billing, and collection), and fleet management. These are just a few of the logistics applications (Andel, 1996, p. 31). Organizations must seriously invest in information technology to meet the demands of competing in the global marketplace (Harrington, 1996a, p. 52).

Global computer software companies that design enterprise resource planning computer systems to manage all of a manufacturer's internal operations are now being upgraded to integrate transportation and logistics capabilities for manufacturers. (Sparkman, 1997a, p. 4) This allows the manufacturer to electronically link load consolidation, load

planning, and electronic data interchange. “Computers, and their interconnection through telecommunications, have made possible flatter organizations, wider spans of control, and much faster information sharing” (Gore, 1994, p. 318).

In 1996, a study was conducted of 16 Chief Operation Officers of the largest European logistics companies. These executives indicated that the three most significant challenges to logistics are information technology, satisfying customers’ expectations, and fear of change (Gooley, 1997, pp. 112A-113A).

Sheldon theorizes information technology will change the nature of commerce. He explains the new applications of information technology will affect all parts of the supply chain from customer to distribution (Sheldon, 1994, pp. 15-17).

Information technology through the use of the Internet is changing the way organizations conduct business. “The emergence of the Internet has enabled companies small and large to share information electronically along the supply chain” (Bole, 1998, p. 21).

Another example of how the Internet affects companies is through information sharing. Information sharing includes product information that is available to more potential customers through the Internet. It also can include information about the transaction as the product “moves along from manufacturing to distribution to end delivery to customers” (Brandt, 1998, p. 19). In some cases the information about a shipment becomes as important as the shipment itself. This is the case with the U. S. government shipments of foreign spent nuclear fuel being returned to the United States. The information about these shipments has taken on an importance of unprecedented magnitude. Information about these types of shipments is supplied to state governor’s offices and is then sent to law enforcement and emergency response personnel. In some cases, the cost of supplying information is more that the cost of transportation (Brandt, 1998, p. 19).

A relationship between information technology and organizational performance can be understood after discerning the organization, its structure, goals, and objectives. Each organization interacts differently with its external and internal environments (Karake, 1996, p. 5).

Supply Chain

The supply chain is the chain of organizations through which materials flow through several value-added stages to the final customer (Seppala & Holmstrom, 1995, p. 15). “The supply chain is built to satisfy the customer demand” (Hagon, 1994, p. 55). Account information and material resources, in addition to capital flows, must be considered by the decision maker when dealing with the supply chain (Seppala & Holmstrom, 1995, p. 13). Competitive supply chains are becoming very important with the global competition that most organizations face (Harland, 1997, pp. 70-78; Andries & Gelders, 1995b, pp. 25-31).

Globalization

Globalization or globalizing (Grubbs, 1997, p. 96; Jones, 1996, p. 27) is another factor that affects the shape and growth of the corporate function and governance (Kahler & Lake, 2003). Supply lines have expanded from what had been, for many organizations, a set of purely domestic linkages to a global array of supplier and customer relationships (Bell, 1996, pp. 51-56; Buckley, Pass, & Prescott, 1992, p. 1; Marquardt & Reynolds, 1994, pp. 3-4).

Global logistics (Wood *et al.*, 1994), global procurement (Rajagopal & Bernard, 1994, pp. 4-17), and global purchasing (Pooler, 1992) are becoming new areas of organizational concern. In a worldwide survey of more than 12,000 managers, 80 percent indicated that the future business environment would be more complex, dynamic and harder to predict (Kanter, 1991, pp. 151-164). “As a result of the increasing pressures to compete globally, federal policy makers are facing a decision as to how best to be

involved in this changing environment” (Glisson *et al.*, 1996, p. 34).

Two-way trade is more than \$1 trillion and nearly 20 percent of the GNP of the United States, with approximately 80 percent of American organizations competing against foreign competition. This means that cross-cultural negotiations are becoming more important to organizations. The “use of translators, external experts (especially a cultural/country briefer), more pre-negotiating briefing time,” and many other cross-cultural activities are becoming standard practices for many organizations (Gulbro & Herbig, 1995, pp. 18 and 27).

Lessons learned in from numerous countries contribute to the knowledge that organizations can use in their global work. These countries are Australia (Millen *et al.*, 1997, pp. 34-46; Clinton & Calantone, 1996, pp. 98-112), Bangladesh (Razzaque, 1997, pp. 18-38), Bulgaria (Bloomen & Petrov, 1994, pp. 30-36), Finland (Hanson & Voss, 1995, pp. 60-74), Germany (Clinton & Calantone, 1996, pp. 98-112; Hanson & Voss, 1995, pp. 60-74), Korea (Kang & Kwon, 1997, pp. 22-30; Kim, 1996, pp. 6-21), Japan (Clinton & Calantone, 1996, pp. 98-112; Childs and Batista, 1994, pp. 26-34; Pomlett, 1994, pp. 14-16), Mexico (Fawcett, Taylor, & Smith, 1995, pp. 49-68), South Africa (Cilliers & Nagel, 1994, pp. 4-14), Saudi Arabia (Al-Meer, 1996, pp. 56-64), The Netherlands (Hanson & Voss, 1995, pp. 60-74), United Kingdom (Clinton & Calantone, 1996, pp. 98-112; Hanson & Voss, 1995, pp. 60-74; Pomlett, 1994, pp. 14-16), and the countries of the Caribbean Basin Initiative; that is, the 23 counties in the Caribbean and Central and South America (Myers, Fawcett, & Smith, 1996, pp. 20-35).

As global operations continue to increase in the Pacific-rim countries, understanding how globalization and culture are connected becomes important to decision makers operating in this arena. For example, culture plays an important role in China-based business ventures. O’Keefe and O’Keefe postulate three areas for cultural concern.

1. The passive and polite Chinese communication practices are in direct contrast to the Western tendency to be direct and articulate with co-workers regarding business issues.

2. Risk-taking behavior of the Westerners to identify and resolve problems early enters into conflict with the Chinese preference to maintain harmony and peace by avoiding initiative taking.

3. Chinese respect for authority and seniority conflicts with the Western preference for competency-based business practices.

O'Keefe and O'Keefe advocate that both Chinese and Westerners should work to understand one another's behavior from the other's point of view. Understanding the roots of these differences in behavior can help to reduce avoidable conflicts in the operation of joint ventures. In addition, other areas of concern are language barriers and the Chinese state organizations' complex structure (O'Keefe & O'Keefe, 1997, pp. 190-196). Yang describes the basic principles of the Chinese market operations as:

- Decentralization of decision making,
- Freedom of individuals,
- Diversity, and
- Pluralism (Yang, 1996, p. 329).

This is an example of how one country's culture influences the way it conducts business. These factors are important to American organizations as they seek to become competitive globally. Each country has its own culture and individual characteristics that influence the way business is conducted. American personnel must learn these cultures and the individual characteristics of the various countries with which they seek business relationships so that proper and successful decisions can be made. Given the global environment, organizational relationships are being developed on interorganizational cooperation rather than on competing in an adversarial manner (i.e., power and conflict) as in the past (Mehta, Larsen, & Rosenbloom, 1996, p. 32).

Corporate Structure

There are several things that Francis J. Quinn believes the manager must do to be successful in today's organizations. These are to "broaden their understanding of other business functions within their organizations," to "develop a more intimate knowledge of the customer," and to "become more conversant with information technology" (Quinn, 1997, p. 45).

Summary

Maximum productivity, speed, quality, and customer satisfaction can be achieved by the effective use of information technology within organizations. Information technology serves to eliminate functional and bureaucratic barriers to improve communications, both within and outside of the organization (Halhead, 1995, p. 37). Operating in a global environment means operating in a world without walls, being a company without a country, understanding global markets, and managing intercultural conflicts (Zairi, 1996, p. 57).

Since all of the above factors can be external influences on an organization, it is important to know if organizations measure performance in relation to these external factors. If so, do the measures influence the decision making process within the organization in a manner that directly relates to organizational change? If the performance measures of external factors influence change or the decision making process, this information would answer the research question. If the organization does not measure performance in relation to these external factors, there can be no influence on the decision making process.

Little empirical analysis has been conducted on of the effects of the organization's external relationships on its internal relationships, or vice versa (Palmer, 1996, p. 58).

The information cited above provides a basis for the importance of external and internal influences on organizations.

CHAPTER II

UNDERSTANDING DECISION MAKING AND CHANGE

Introduction

For organizations desiring to keep stride with their ever-changing environments and the marketplace, change management is an endless process (Moran & Avergun, 1997, pp. 146-151). “The call for such organizational changes is being made for the private as well as the public sector” (Robertson & Tang, 1995, p. 67). Dealing with personnel and organizational change requires skills that reflect new perspectives on management decision making, management of teams and problem-focused groups, methods of development, and diagnosing the organizational culture whereby change can be successfully implemented. These aspects have a direct and measurable impact on performance within the organization. As most organizations start to compete on the holistic basis of value-added, managers are looking to provide better value for their customers.

Also, significant organizational change factors concerning the internal environment of organizations are found in the literature research. The mechanics of change within the organization and how the organization and the change process are affected by performance measurements must be understood.

In a case study of a major logistics corporation, Chan found DHL International’s corporate culture indicated that

its business success factors are based on its adoption of the culture and structural characteristics of a clan organization. In this context a clan organization is “a business-oriented social enclave consisting of companies and individuals who are bound by strong, non-contractual bonds” that create a more manageable social space that provides the organization with protection and stability. Human asset development is the major focus within the organization, which yields internal stability and resonates the native quality of the clan. There are six fundamental rights each worker has in this organization. These are the right to:

- Be involved,
- Understand his or her career path,
- Be held accountable (sharing in risks and rewards),
- Affect one’s destiny,
- Make a commitment to the organization, and
- [Develop] familial relationship with the organization (Chan, 1997, pp. 94-99).

Change and decision making were viewed through numerous research papers and other writings. Decision making and its relationship to decision makers were addressed. Over the years, there have been numerous attempts to access elements that sort successful individuals, managers, and organizations from their less successful counterparts (Harrison *et al.*, 1996; Grinyer, Mayes, & McKiernan, 1988; Peters & Waterman, 1982). Elements that affect organizational change and decision making and how they involve the individual and groups were reviewed.

Choice, personality, power, leadership, decision making and there relationships to decision makers are addressed. Organizational change and how it involves the individual are reviewed. Senior leadership often includes mentoring to facilitate the development of new management. Mentoring is also reviewed. Since most organizations are broken into smaller working groups, team culture is discussed.