OLEG KONOVALOV

ORGANISATIONAL ANATOMY

A Manager's Guide to a Healthy Organisation

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By

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Cambridge Scholars Publishing

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PREFACE

The tremendous growth in the number and scale of organisations over the last few decades reveals tough challenges for managers of all ranks in terms of higher demand on their capabilities, managerial skills and performance. Globalisation and contemporary technologies help organisations to expand and get closer to customers, but at the same time they may cause increased competition over market space, the acquisition and utilisation of resources, outcomes of organisational performance standards and the quality of products and services. As a result, the continued existence and wealth of many organisations are at stake and they face the need to develop superior capabilities and skills to make them stand out from the crowd and be successful. Competition for resources (particularly 'focal' organisational resources) and changing customer demands redefine the "rules of the game" which necessitates new skills, sophisticated understanding of internal and external processes, effective managerial practices and well-balanced, decisive programmes of action.

Success in twenty-first century commerce demands the development of surgically precise organisational strategies which are based on a clear understanding of organisational characteristics, available resources, and knowledge accumulated in order to exploit an organisation's potential to its fullest in the ever more competitive race for exceptional performance and survival.

Albert Einstein said that "everything should be made as simple as possible, but not simpler." In developing an understanding of organisational processes, managers cannot afford to make things even more complicated and fail to provide answers to their new dilemmas that may lead to expensive and unproductive results that will cause organisational failure and death.

This book offers a reconceptualisation of the organisation using the lens of "organisational anatomy" to consider organisational structure, functions, inputs, and outputs, viewing it as a human body. Opening a new era in exploring organisational processes, organisational anatomy explains ongoing internal and external organisational processes and suggests an optimum configuration of different organisations. Organisations are seen as living entities that can be taught to breathe, function, move and develop inside their specific environments. Through classifying the different types of organisations and looking at their biological functions, existing theories can be linked to this new approach. It allows stakeholders to understand the organisations where they work and with which they interact by using biological examples that offer a good way to make sense of complex ideas, because they can be related to their daily existence.

This book proposes a discussion of five archetypes of organisations – producers, knowledge-dependent, location-dependent, donor-dependent and state-affiliated organisations – and their specific features, operational principles, sizes, characteristics and different ages and levels of maturity. Whilst discussing access to resources, nature and the strength of external relations, the role of each organisational function in the access and effective utilisation of resources, the organisational anatomy approach allows for a classification of organisations and the development of a holistic approach.

The main use of organisational anatomy is to empower managers to recognise problems and difficulties by considering organisational pathologies and diseases, and enabling managers to diagnose or predict problems and overcome them. Simple problems may arise at a stage when the organisation is already weakened by an organisational disease which can seriously threaten its very existence. Many of these diseases are fairly common and can be treated if correctly diagnosed and cured, therefore managers should be capable of diagnosing organisational problems and diseases, particularly at the early stages, to secure organisational health, survival and success and to spot more sinister trends early. In

today's world, where management are being held accountable for gaps in the organisations' knowledge and performance, this new approach can offer useful insights for organisational wellbeing and survival.

The book is designed for a wide audience of leaders, entrepreneurs, and decision-makers of all levels in private, public and non-profit sectors. It is also of interest to the academic community and general readers. It supports those interested in developing an understanding of organisations as a whole through effective structures and processes, both internally and externally facing.

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CHAPTER ONE

INTRODUCTION TO ORGANISATIONAL ANATOMY

Why this book was born

This book is for both ordinary and extraordinary people - those who are looking for an integrated approach to help them understand their own organisations and those they deal with in everyday life. It is for entrepreneurs and managers who focus their energies on their personal development and that of their colleagues, clients and their organisations - those who often go through sleepless nights and supported only by their own courage, dreams and ideas. It is also designed to indirectly ease their long suffering families in the hope that it helps answer those difficult questions and allows them to devote more time to non-work-related activities. Whilst we make no claim that this is a panacea, we hope that this novel approach may help clarify thinking and thence generate insights for problem solving.

Modern commerce is driven by outcomes and metrics. We tend to look at headline figures and financial ratios without actually realising why process failures can mean that the resources invested (including people, money and human effort) are not delivering the anticipated returns. Thus, we may not really understand the real basis of failure of potential and of promising new ventures. Whilst this is an important question for those in practice, with management experience, it is also equally important in day to day interactions with other organisations. Why is there no milk on the supermarket shelf? Why can't my car be fixed today?

The view or thesis of this book is that academic tradition and

practice have resulted in people looking at organisations as a collection of independent parts of an entity, without considering it as a whole. Though this idea is not entirely new, our approach, using ideas from clinical practice and considering organisations not merely as hard or soft systems, but as living bodies, offers a useful metaphor in determining how to optimise performance and develop a useful classification for problem diagnosis and solutions. Business or commerce represents the majority of resource provision supporting human life. However, organisations also suffer from issues, diseases and pitfalls which can be categorised in order to select the appropriate treatment. A systematic approach is needed, as recent crises show that economies can continue to grow while remaining unhealthy, which will eventually lead to crisis.

Co-operating corporations

The word “corporation” is derived from the Latin word *corpus,* meaning body. This is not accidental. Historical references suggest that this dates back to the time of the Roman Emperor, Justinian, referring to an entity that has an independent existence above and beyond its members, as well as enjoying rights and privileges beyond those of its members. A corporation is, however, virtual. While we may view it as a thing or "reify" it, this does not allow physical life, and equally, because it is a virtual entity, it may not be experienced by observers in identical ways. Therefore, there is no single understanding of the nature of organisations even though we talk (and write) about them as if this is so. Additionally, organisations consist of people and function as the result of processes where internal and external stakeholders interact. In other words, people and outside organisations become involved in sustaining the life of a corporation. These interactive processes are vibrant and dynamic as well as interlinked and mutually related, and they operate continuously.

The idea of a unified whole that is made of components that function together can also be identified in armies. This offers a plausible reason for modern managers and business leaders to adopt the use of military strategies and the work and concepts of military

strategists. This explains why bookshelves containing business literature also feature analyses of the works of famous strategists and tacticians such as Sun Tzu, Julius Caesar, Alexander the Great, Napoleon, Nelson and Genghis Khan. The common feature they share is that they viewed their armies as a single live body, placing emphasis on developing a sense of belonging and integration amongst their people with success or failure being communally shared. Refusal to support other regiments was heavily penalised and thus they were able to develop powerful armies which were manoeuvrable, strong and controllable. Corporations or organisations are cohesive wholes too, not merely collections of individuals and processes.

A ship's crew is a good example of a self-contained "live" organisation, where all crew members are interdependent in terms of their functions and roles. Let us imagine a ship where navigators are having trouble understanding what is happening in the engine room or on the deck. Would you like to be on such a ship at rough seas? Unless you are a risk lover, we assume not! However, it is rather common that managers and staff have a very vague idea of what their colleagues from other departments are doing. What will happen when the first strong storm comes along to destroy their ship (organisation)? Would you like to work in such an organisation?

Organisational Anatomy

Organisations are vitally important for human life, as suggested by Etzioni (1964), who pointed out that "we are born in organisations, educated by organisations, and most of us spend much of our lives working for organisations." At the same time, organisations are created by humans and reflect the human nature of their creators. The structures and constitutions of the organisations that Etzioni was thinking about are fairly similar to human beings in several ways. The human body is developed to be able to survive in different conditions and environments through adaptation to local conditions. Similarly, organisations are built for survival and profit-making in different environments and

conditions, i.e. countries, markets and industries. However, organisations are also different from humans in terms of their adaptability to different conditions and this begs answers to several questions:

- Are there differences in the types of organisations, as a result of long term adaptation, that are similar to the different human populations in different environments?
- If so, can we expect the anatomies of such organisational types to be similar, but with different functionality; will we see organs assuming different forms as they exist in different conditions?
- Will we observe an integrated organ level variance where types are created to withstand different conditions, where endomorphs, ectomorphs and mesomorphs, or different resources, consumption, energy development and resource-utilisation effect the organisational anatomy?

The science (or art) of anatomy was developed from research carried out to understand and explain the structure and functions of the human body. Even so, it took many centuries (and indeed theories that we can now dismiss as preposterous) before any development of a clear and agreed understanding emerged and still, there is much that remains unknown. Whilst anatomy explains the role and functions of organs, limbs, muscles, brain functions, senses, nervous systems, blood systems and digestion, we cannot treat the human body and internal problems without understanding anatomy as a whole. Often the malfunctioning of a single part of the body causes pain in other parts as well.

Continuing the metaphor, corporations or organisations are equally complicated. Smaller organisations may appear to be less complicated than the human body, and larger organisations and states possibly more so. However, if we concentrate on the smaller processes, we can see that similarly to anatomical studies of human patients, it is a matter of size or degree, rather than innate complexity. An organisation is like any other body which has a skeleton of a certain type, has complex central and peripheral

nervous systems and has organs with specific functions which are responsible for the transformation and transmission of resources. The skeleton depends on the type and pattern of processes, and the nature of resources utilised by each organisation that makes them different. The brain of organisations exists in the physical map of its governance structure - the board of directors and management structure are responsible for the coordination of all internal processes and the development of external relationships, as well as developing the organisation as a strong and resourceful entity. Functional departments are not single and independent units but valuable and vital parts of the eternal process of resource-transformation, which must be designed to produce the best of organisational potentials and secure successful development.

We can also consider that organisations possess an invisible "soul" or "spirit" that offers a moral compass and underpins the choices made in strategy and interpersonal interactions that meet the requirements of external codes of conduct and their attitudes towards all stakeholders.

Underlying this dissection is an assumption that all organisations from all corners of the world are similar in their shapes, structures and principles of trade. We can argue that the legal forms of organisations are fairly similar in all countries and that all organisations share common characteristics, a goal or purpose of existence, but this ignores their "birth" or genesis. People often ask how an American company would be different from a Chinese company in its formation and whether that affects its future survival and interactions - its "path dependence".

Organisational peculiarities

Most of the materials written about organisations suggest that it does not matter whether the organisation is located in London, New York, Dubai, Beijing or Frankfurt. Organisations will have the same aims and problems as any other organisations - even the ones in another hemisphere. They will be constantly challenged by competitors for access to, and control of, better resources and

market position. The prevailing image of the "market" is of a horde of wolves where the position is important, space is premium and there is little or no place, food or support for the weakest members of the pack. As a result, organisations adopt strategies to secure the most comfortable position in terms of the flow of resources (food) with minimum internal energy and resources being spent. Organisations also interact with each other using verbal and non-verbal forms of communication to exchange resources and information around the clock, from day-to-day affairs, generation to generation and - for long lived organisations - from century to century.

We know from biology that active interaction is easiest between members of the same family or form, who speak the same language and send the same signals. On this basis, we cannot expect a retail shop to exchange much information with a steel plant in terms of business practice. This might appear to confirm the difference between different forms of organisations. However, such exchanges may be valuable because they offer new insights into processes. A good example is the exchange between a Formula One car team and a team from the National Blood Transfusion service. Both need to deliver accurately and at speed, and valuable lessons were taken from the experiences of both groups. This type of exchange, if facilitated carefully, can lead to a jump in organisational evolution, rather than the gradual change that we often see. Unlike the seamless processes in our own bodies - where we do not need to instruct the pancreas to process that bar of chocolate, or the liver to deal with the burger, because it is all automatically done for us - in the organisational body, different departments that are supposed to support each other’s functions may be working hard, but not always together. Thus, there may be a loss of efficiency as resources, energy and effort are wasted or utilised sub-optimally or is lost as the outcome may not be beneficial.

Organisations do not exist in a vacuum or in tranquil, contemplative surroundings but in a very noisy and busy environment known as the market. Have you ever tried to listen to a market? Find a few minutes, relax, listen and think. You are most

likely to hear strange, wobbly noises as millions of different messages come across and most are not easy to decipher. Managers need to filter these messages to pay attention to the useful and screen out noises that are fake, murky, misleading and illogical. Intuitively, we tend to trust messages which come from reliable sources. In the same way, in an organisation the role of organisational senses and organisational sense-making was identified by Karl Weick as affecting intra-organisational and inter-organisational relations. Organisational survival in such a noisy environment depends on the ability to develop a healthy internal structure and strong, healthy and effective external relations to allow information to be transmitted into the organisational body for processing through these external sense-making organs, which are well-supplied with nerve endings.

Organisations also receive and transfer resources across this external boundary or skin where the maturity and specific conditions of these external relations either allow or disallow the resources to flow, which affects the survival of the organisation. The relative importance of body functions may vary in response to different environments, but it is also crucial to consider an integrated whole under those conditions to see if compensatory mechanisms exist. As part of this, we may also consider: the rate of growth of the number of businesses; incidents of strong and unfair competition (direct and diffusive); scarcity of and constraining conditions around resources, whether in terms of human resources, land, commodities or even household bricks, changes to industry and other external standards compared to previous centuries; and finally, the demand for higher quality of products and services.

Organisational health and wellbeing

Organisations often have different functional disorders, whether imprinted from the moment of establishment or gained during their life, which directly influence the organisational performance, therefore lying in the area of interest of organisational anatomy.

In medical terms, clinical anatomy allows the classification and

treatment of diseases based on systematic knowledge of the whole body and the interdependency of all processes. Organisational anatomy has a similar aim of finding effective treatments for different organisational diseases. Thus, organisational anatomy can help in understanding the different organisational functions in different types of organisations, providing a clear classification of organisational types and the differences between them, development of strong and efficient organisations, and helping to avoid mistakes in corporate problem solving.

In clinical practice, medical history or case history is collected from the patient by asking specific questions either of the patient or stakeholders with the aim of obtaining information that is useful in formulating a diagnosis and providing medical care to the patient. The medically relevant complaints reported by the patient or others who are familiar with the patient are referred to as symptoms, in contrast to clinical signs, which are ascertained by direct examination by medical personnel. In organisational practise, the organisational history or case history is collected from the organisation by investigation with the aim of obtaining useful information in formulating a diagnosis and providing support to the organisation to overcome the challenge to its health. Often performed by external consultants, this may be heavily "pre-scripted", bringing existing attitudes and filters to the data collection process and thus symptoms may be potentially missed.

A summary of all the information about a patient obtained on a single or several occasions after the end of his or her initial period under observation is usually prepared after the patient is discharged from the hospital or after their final examination or treatment. A similar approach is adopted by some - but not all - organisations, whereby a summary of all information about an organisation based on observations may be prepared through the “lessons learned” routine in management after a challenge to its wellbeing or survival health.

This book will address the following areas of study: forms and types of organisations, ageing process, resources access and

utilisation, processes coordination and internal strength, appropriate structures and functional effectiveness, classification and description of typical and atypical diseases, and treatments of organisational diseases.

CHAPTER TWO

HOW THE ORGANISATION NOURISHES ITSELF

All living creatures need food as they cannot exist without it. Food equals energy and strength. We all need a combination of both solid food and liquid such as juice, water or soup. In the organisational context, food takes on the form of tangible and intangible resources. An experienced manager can easily recognise which resources are the most valuable for his organisation. However, quite often managers fail to recognise the key resources for optimal functioning of their organisations and thus give a lower priority to gaining critical or core resources than to obtaining less valuable resources. Fast-moving contemporary businesses in volatile contexts experience more difficulties when recognising and prioritising the most valuable resources than those in more stable contexts.

What are resources? Generally speaking, resources are defined as raw materials, human capital, financial assets, technologies, IT, expertise, information, capabilities, processes, knowledge, and other tangible and intangible assets. Efficient and effective utilisation of available resources is a complicated process leading either to success if properly and correctly managed, or failure if managed carelessly. We consider a good meal of two or even three courses. Similarly, organisations demand a long menu representing a set of resources which should be provided as a portfolio or bundle. Unfortunately, managers often save pennies on non-core resources and assets, but lose thousands of dollars on accessing and utilising vital organisation resources. Neglecting a pragmatic approach based on systematic knowledge, managers are often involved in non-productive resource juggling. This seems to result from placing an individual manager's performance ahead of the overall performance of the organisation. Such an approach leads to the loss of hard-won

competitive advantage.

Competitive advantage is something which is produced or "cooked" inside each organisation, using "secret" recipes and ingredients like all good chefs. Recipes may be identical, but the mastery of managing and working with available ingredients is individual. An organisation's ability to utilise resources effectively directly influences the organisation's competitive advantage. Competitive advantage thus reflects the choice of superior resources available to a firm and the mastery of effective utilisation of these resources. What are the essential ingredients in organisational terms? There are three different types of resources needed for obtaining full organisational productivity and strength: physical capital resources, i.e. technology, plant and equipment, geographic location, raw materials available to a firm; human capital resources in the form of professional expertise, experience, training, judgements, and relationships; and organisational capital resources including formal reporting structure, formal and informal planning, control systems, and external and internal informal organisational relations.

Resources have different values for processes and organisations. In other words, resources can be considered as sources of competitive advantage only when they exploit opportunities or neutralise threats in the firm's environment. To qualify as a source of competitive advantage, resources must have several properties.

They must be rare. If they are freely available to competitors then they are less significant. Competitors exist in the same resource space and chase the same resources. Their interests are crossed at that point. This is the same as feeding a dog and a cat from the same bowl.

Resources that cannot be easily copied allow a firm to be considered as a strategic innovator and provide first-mover advantage via managerial creativity in resource utilisation and manipulation. Gaining the maximum effect from neglected or overlooked resources is often a key to success with minimum

financial expenditure.

If the resource can be replaced by something which is cheaper, more accessible and has similar characteristics, then it can be replaced in a relatively short time or imitated. For instance, one type of fish can be replaced by a much cheaper and easily available species when supplies are under pressure. The Atlantic salmon can be replaced on the supermarkets shelves with the cheaper Pacific salmon following a dramatic price increase.

The importance of organisational resources is bounded by their individual roles in satisfying the "focal resource". Focal resource is defined as a human demand for organisational service or product. Logically, the most valuable resources are those used to satisfy the organisation's focal resource - normally its customers. Customers are becoming more and more sophisticated these days and demand higher quality products based on what may be unique resources such as the demand for composite materials, highest quality parts, complicated IT systems, advanced expertise, etc. Over the last two or three decades, global changes suggest that such demand is growing exponentially, leading to a need to grouped together resources obtained from across the globe, increasing the organisation's competitiveness. Simon, Hitt and Ireland (2007) suggested that: "Resources within the firm's resource portfolio are integrated (i.e., bundled) to create capabilities, with each capability being a unique combination of resources allowing the firm to take specific actions (e.g., marketing, R&D, etc.) that are intended to create value for customers. Commonly, customers want value from a firm's goods or services in the form of a solution to a problem or satisfaction of a need."

Tangible resources

Managers find it easier to recognise and utilise tangible resources to optimise their value, and therefore this type of resource is often considered to have the most influence on the organisation's performance. We can physically touch tangible resources, whether they are buildings, equipment or vehicles. However, leveraging

assets to directly influence competitive advantage can be difficult to replicate. The problem is that the value of tangible resources is not fixed, as they are related to market value and strategic value, and can gain or lose financial value, thus influencing the residual value of cash flows. Note that we separate the strategic value from the financial value.

The disclosed financial value of tangible assets does not always reflect their actual value to the organisation because policies and local tax rules may affect it. However, strategic value is difficult to calculate and verify for inclusion in the balance sheet. Underestimation or overestimation can lead to ineffective utilisation of resources or mistakes in the capitalisation projection.

Intangible resources

Intangible assets include intellectual property, organisational and reputational assets. They range from the intellectual property rights of patents, trademarks, copyright and registered design, through contracts, trade secrets, public knowledge such as scientific works, to the people-dependent or subjective resources of know-how, networks, organisational culture, and the reputation of product and company. Intangible resources are also viewed as assets and skills. Although this sounds straightforward, the identification of intangible assets is not always clear. Functional and cultural differentials are based on competencies, or skills, such as advertising, or zero defect production, whilst positional and regulatory differentials are related to assets which the business owns, such as brand names or physical locations.

Trade marks

Trade marks were invented by the Romans in order to legally protect customers against fake goods. In those days, blacksmiths would mark their swords, which are now considered to be the very first trademarks. Much later, in 1266, King Henry III required all English bakers to use special marks in order to distinguish the bread that they produced and sold. The function of a trade mark becomes

the protection of the rights of producers, names, signatures and special features used for describing a product or service.

A trade mark is an extremely popular sign indicating the quality and individuality of the product offered. However, it is not easy to value trademarks, which may be hidden in goodwill items.

Patents

Historically, patents are another legal method of protection for intangible assets. The meaning comes from the Latin "*literae patentes"* which means "open letter" or "to lay open". The very first formal recognition of an inventor's right ownership was issued by the Venetian government to Filippo Brunelleschi in 1421 as a means of recognition of his monopoly over his invention of a floating architectural crane. The English Crown followed this in 1449 during the time of Henry VI, who granted rights for installing stained glass windows in the Eton College chapel to John of Utyman.

A patent is a deal between the state and the inventor or producer and therefore it should be considered as an exclusive right to exploit trading rights over the invention or product in question for a particular period of time. For instance, patents for drugs production and distribution.

Copyright

The trade body or first company to invoke copyright was the Stationers Company (England) in the 16th century. The term copyright emerged with the development of the printing industry with the aim of protecting the legal rights of publishers and was specific to their type of business. With the development of electronic books, games, different software, toys and cartoon characters, the role of copyright has become more important and more widely used, where the intellectual and legal rights of the product's authors and publishers demand protection and clear recognition. As an example, this book is subject to copyright

protection and therefore, all appropriate measures are taken to fulfil the copyright rules and practices protecting the author's rights.

Registered Design

Items with aesthetical value that appeal to our tastes and likings have a commercial value and two- or three-dimensional nature that can form a registered design. This includes the latest shoe design or mobile phone accessory, and remains a battle field for commercial pirates, where no hostages are taken.

Contracts

A contract is an agreement between two or more parties, such as a distribution rights agreement, credit agreement, property lease, franchising contract, etc. We tend to forget that contracts often have an ultimate value to the firm. For instance, it is difficult to estimate the value of an exploitation contract for a mining company or an exclusive distribution contract for a trading firm.

Trade secrets

Trade secrets relate to any valuable and confidential information which may influence the firm's success and even existence. It can be in the form of technology, strategy, customers' database, know-how, business process algorithm, staff personal information, etc. Even the logic of strategic decision-making can be considered as a trade secret. This is not just a small twist of thought which separates one organisation from another - it is important and therefore should be carefully protected.

Networks

The range of organisational and personal relations linking organisation with markets and hierarchies through distinct structural properties create organisational networks. The Nobel Prize winner Oliver Williamson (1975) argued that markets and hierarchies serve a major role in the allocation of resources. External networks are

critical as they are responsible for this. The external organisational networks are crucial in terms of the resources accumulated by the organisations involved in them, strategic opportunities embedded in them and tremendous amount of knowledge accumulated by them. These networks represent a very serious and strategic power which gives ultimate advantages to those who know how to exploit them, and allows organisations to search and access remote and new resources, build social capital, explore new markets, discover new opportunities and gain greater recognition.

Networks provide access to market-based assets which are principally external to an organisation and have two related natures - relational and intellectual. Such assets are external to the firm and intangible in their nature. These assets are not reflected on the balance sheets, but still have a serious value for organisations and can be developed and even valued. Relational market-based assets principally have the same features as networks due to the fact of having the same functions, e.g. reflecting outcomes of relations with suppliers, customers, distributors, partners, state regulators and local community.

The importance of intellectual market-based assets appears when an organisation needs to learn about the industry and social environment, e.g. market conditions, competitors, customers, suppliers, social groups, local custom and locally accepted business practices, provide referrals and generate a loyal customer base.

Skills as assets

Organisations aim to possess specific skills which help to execute successful customer relations, manage change, adapt to market changes and secure effective knowledge transfer. Such skills are still considered as intangible assets and include organisational culture, reputation and know-how. The problem is that these valuable assets are often neglected and not considered in evaluations despite the fact that enormous effort is spent on achieving and developing them in the context of every organisation. Discussing the role of intangible resources, Carmeli and Tishler

(2004) suggested that "intangible elements are critical for an organisation to attain its goals and accomplish above-normal performance, organisational culture and perceived organisational reputation appearing to be far more important than other intangible resources." Each of these intangible assets such as culture, human resources, corporate structure, management expertise and corporate policies has an incredible impact on the existence and success of any organisation.

Reputation

No one can buy or sell reputation, but everyone can gain or lose it. Actually, we are aware that it is much easier to lose it than to gain it. Residing in the brand name or operational excellence, reputation proves the trustworthiness of the firm. Reputation mirrors everything that is gained and achieved by organisations over their history whether financially, socially, technologically, or strategically. Reputation feeds into encouraging or negative comments made about effort, performance, product, internal and external relationships and advancement, which cannot be wiped away or easily forgotten over a short period of time. While discussing the importance of reputation, a Managing Director of a large food production company said that:

> "You cannot deposit your reputation in the bank, but you can negotiate for better deals using your reputation. One's reputation also influences the decision with whom to sign the contract."

Know-how

The know-how of employees (and suppliers, distributors, etc.) is the intangible resource which results in distinctive competencies. Know-how sets an organisation apart from its rivals by providing different advantages and additional values. For example, it can be argued that the competitive advantage which Apple enjoys is a reflection of the reputation achieved through the quality and competitiveness of its products. These resources cannot be brought in or obtained from elsewhere and must be generated from the

inside of the firm and founded on unique skills and competencies of the employees.

The know-how is not only related to technology or production, but all the processes and functionality of an organisation as well. The demand for know-how in operations, sales and marketing becomes prominent as it gives direct and unique advantages where managers are valuing it the most compared to the other types of functional expertise which can be more easily copied. For instance, a Managing Director of a building materials company suggested that:

> "We all offer excellent products these days. The question really is who can create or know how to operate it in the most efficient way, to the extent that it is a matter of how my product makes my customer's operations or sales easier."

To develop such a level of commitment in people, where they are prepared to produce something great, a motivational culture or atmosphere must exist in the organisation.

Organisational Capabilities

All organisations are established with particular goals and purposes, and with capabilities which are imprinted into their internal processes from the moment the organisation is established. Over time, an organisation develops those capabilities into a much higher and even more sophisticated level, where the organisational capability to do something better than others becomes a resource itself. It is like a talent or gift, which is given to all but demands hard work to advance and polish it to an expert level. Grant (2005) underlined that "resources are the productive assets owned by the firm whereas capabilities are what the firm can do. Individual resources do not confer competitive advantage as they must work together to create organisational capability."

In practical terms, organisational capability is what can be created and generated within a firm without the employment of additional resources. This is like the ability to cook a fantastic meal

using basic ingredients. For instance, globalisation dictates that the majority of organisations act internationally. This requires a separate and special skill set and capabilities which are considered as resources as well. Knight and Kim (2009) identified "international business competence (IBC) as an intangible, overarching firm resource that engenders superior international performance in the international organisations and suggested that international orientation, international marketing skills, international innovativeness, and international market orientation are all significant dimensions of the IBC, and that the IBC is instrumental in the SME international performance." The authors explained that these four competencies - international orientation, international marketing skills, international innovativeness and international market orientation - are critical and compulsory for success in international trade.

Organisations with good international orientation should have an appropriate managerial vision, a proactive organisational culture for developing particular resources and a willingness to take risks, which are always present in international markets. International marketing skills define the firm's ability to create value for foreign customers, integrate marketing activities through control and evaluation of marketing activities, and all of these are to be presented at a superior level. International innovativeness is based on the firm's capacity to develop and introduce new products and services. International market orientation is based on the ability to generate high-quality market intelligence and the firm's responsiveness to it, foreign customer orientation, competitor orientation and superior managerial performance to serve international market demands.

Organisational capabilities are generated from the inside of an organisation and are not easily replicated, reflecting the uniqueness of each firm. Here is where the crucial role of how tacit knowledge is developed within a firm comes forward, reflecting the effectiveness of internal organisational relations. We all are talented in specific areas and it is the manager's role to exploit this in the most effective way.

Utilisation of resources

Effective utilisation of resources is also a complicated task. As resources are being bundled, the wrong or inappropriate pattern of utilisation of one resource usually leads to the wastage of other resources or inappropriate use of that bundle. One may think that the acquisition and utilisation of resources directly correlate to the size of a company. However, Grant (2005) argued that "it is not the size of a firm's resource base that is the primary determinant of capability, but the firm's ability to leverage its resources." Grant identified four possible ways of resource leveraging:

- Concentrating resources through the process of converging resources on a few clearly defined and consistent goals. The efforts of each group, department and business unit should be focused on individual priorities in a sequential fashion, targeting those activities that have the biggest impact on customers' perceived value.
- Accumulating resources through mining experience in order to achieve faster learning, and borrowing from other firms – accessing their resources and capabilities through alliances, outsourcing arrangements, and the like.
- Increasing the effectiveness of resources through linking them with complementary resources and capabilities. This may involve blending product design capabilities with the marketing capabilities needed to communicate these to the market, and balancing to ensure the limited resources and capabilities in one area do not hold back the effectiveness of resources and capabilities in another.
- Conserving resources involves utilising resources and capabilities to their fullest potential by recycling them through different products, markets, and product generations, and co-opting resources through collaborative arrangements with other companies.

All advantages related to competitive advantage are directly related to the talent of converting available resources into products or services in the most efficient way, which is possible only if

organisational processes are healthy, allowing an organisation to become wealthy.

Discussion

Classical books on strategy said that whilst developing strategy, managers must evaluate the availability of an organisation's resources or resources which can be accessed fairly easy. The problem is that managers often fail to think about intangible resources or organisational capabilities as something important in terms of the organisation's capitalisation. Careful revision shows that they wrongly applied the company's effort and time is often wasted. Before analysing the value of a particular resource to the firm, one should consider how this resource will be used or exploited in the favour of the final arbiter - organisational focal resource, i.e. customers.

The roles of intangible resources and organisational capabilities are often neglected by managers at the cost of slow development, as these two types of assets often have a deeper impact on organisational performance rather than tangible assets. This issue is particularly transparent in companies within emerging economies, where managers are more concerned about gaining physical resources or something which can be quickly turned into nice figures on the balance sheets. However, there is a risk of developing a company with "limited abilities" that is short-sighted despite its size.

The discussion of the most important resources for organisations remains on agendas. Let's think about a very simple scenario where all organisms and organisations need a particular diet, with all nutrition being balanced. Like an animal or human, organisations are quite sensitive to the loss of nutritional value if some of resources are missing from their plate. The production of the modern aircraft, for instance, cannot be completed without carpets or simple screws despite other fancy advanced technological "whistles" being used.

Strange or not, managers often tend to ignore the fact that a serious part of external resources is needed to feed the management and functional processes themselves. It is like a separate chunk of food and oxygen demanded in the form of knowledge, information, skills, know-how, office facilities, etc. Each "cell" of the organisational body must receive its portion of food and only then can they perform along with other body parts. Otherwise, the whole organism will be underperforming because of one weak part. Therefore, the supply of appropriate resources must be provided to all organisational departments and this is not a matter of choice. Let's think about the fact that the human brain consumes 20% of oxygen and calories despite being only 2% of body mass. What would happen if we decide that 10% of oxygen would be enough? The same happens in every organisation where we cannot afford to reduce the supply of demanded resources.

The consumption and utilisation of resources are directly dependent on the organisational archetype, as they reflect the nature and specific purposes of the organisation in defining the balance or effective ratio of the resources consumed. In the words of Barney (1991), "special managerial skills are needed for the analysis of potential economic performance of available and demanded resources which influence the successful generation of sustained competitive advantage."

Whilst thinking of resources as food for an organisation, a balanced and healthy diet should be considered, where starvation or poor resource allocation may lead to overall organisational weakness. Or consumption of the wrong foods, i.e. resources, may cause organisational obesity. In this sense, remedies like creativity and internalisation can always help in finding new ways to nourish an organisation and keep it healthy.

CHAPTER THREE

DIFFERENT TYPES OF ORGANISATIONS

Organisations are different

Organisations are not identical. How can we make sense of this? Can we identify the various groups of organisations based on taxonomy similar to that used in biological sciences and as created by Linnaeus?

Organisations differ in a number of obvious ways. Size, purpose, operational principles and age are some of the most visible aspects to an observer. Likewise, humans are different in their physical types, ethnicity and day to day social practices. Organisations can also be seen to be different in terms of consumption, digestion, and utilisation of external and internal resources. We employ a simple visual typology for humans of endomorphs, mesomorphs and ectomorphs, which are based upon how each body utilises resources and generates the energy needed for existence:

- Ectomorphs are characterised by long and thin muscles/limbs and low fat storage; they may be referred to as slim, or skinny. Ectomorphs are predisposed to neither store fat nor build muscle.
- Mesomorphs are characterised by large bones, solid torso, moderate fat levels and an average waist. They may be referred to as solid or bony. Mesomorphs are predisposed to build muscle.
- Endomorphs are characterised by increased fat storage, wide hips, medium width shoulders and a medium bone structure. They may be referred to as plump or comfortably built. Endomorphs are predisposed to store fat due to having well developed visceral structures.

These reference types illustrate the elements of social judgment and stereotyping that exist. In rich economies, the ectomorph is the most prized whereas in developing economies, the other two types may be the more highly ranked. Likewise, in organisations, we see words such as "lean" and judgements are made about ratios, such as inventory being too high. What is important is to consider the organisation in its natural habitat. If the supply chain distance is long, then inventory levels may need to be high and a superficial judgment may lead to the organisation's demise if it destocks components that are not easy to acquire. This is one of the dangers of over-generalisation and the adoption of absolute norms such as statements that the current ratio, an accounting measure of liquidity, must be more than one, but less than two. So, if organisations have idiosyncratic attributes relevant to their field and natural habitat, how can we define and classify these using appropriate and relevant parameters?

Size of organisations – small, medium, large, and micro-enterprises

Traditionally, organisations have been sorted into three baskets: small, medium and large, with the fourth, micro-enterprises, becoming more common recently. This is just a very rough guide as it is difficult to exactly classify each business. Therefore, the size of classification may slightly differ depending on the country. The "size" of an organisation often has a direct impact not only on the turnover, income, etc., but also on the organisational capacity that a company should have and be able to afford in terms of different management systems and structures, which influence its development, survival and competitive power. These systems and structures can be viewed as a luxury or necessity, depending on the organisational goals and tasks. So do we measure the size based on the number of employees, assets, sales, cash flow, or market power?

For each kilogram of weight gained, the human body develops ten kilometres of blood vessels. Using this analogy, any small organisation can grow into a large company. However, it is only

probable if the organisation is created from the outset with the capacity - or the "skeleton" - to grow larger, otherwise it can only acquire the additional capacity by radical change. Some small organisations develop a “Napoleon complex” approach where they attempt to generate and use the attributes, systems and instruments of a larger organisation....and often, they fail.

The difference between the types of organisations is thus analogous to organisms as the limiting factor is partly pre-ordained (in the same way as genetic heritage) and partly possible to change. In terms of our organisational examples, differences in structure, departments, processes, formality of decision-making, and formality of processes will all affect the form of an organisation and many organisations are restricted in their growth potential without a radical redesign, or "revolutionary" change.

Five archetypes of organisations

An alternative way to think about organisations and their archetypes depends on the way the core resources are allocated, i.e. internally or externally. There are five archetypes of organisations that can be identified if we classify them based on the resource consumption and utilisation pattern viewpoint. These types are:

- Producers or producing organisations
- Knowledge-dependent organisations
- Location-dependent organisations
- Donor-dependent organisations
- State-affiliated organisations.

Producing organisations (Transformers)

We all love fast cars, chocolate and comfortable chairs, but we do not always realise the amount of effort that the producers of such nice things invest in their product design. Producers are a category of organisations that transform different materials into something tangible, attractive and useful. Any organisation where the core activity lies in the transformation of inbound materials can be

classified as a producer. They may be carmakers, shipbuilders, winemakers, fish curers, builders, meat processors, pharmaceutical companies or in other words, anyone who transforms external resources and adds value to them, whether they will be turned into a ready-to-use product or semi-product.

Producing organisations depend on the quality of resources available, their internal expertise, and their internal and external ability to meet and satisfy customer demand. They are dependent on the quality of their supply chain members as their provision and quality are in turn reflected in the producer's final product quality. Imagine a fish processor, who demands a stable supply of fish that must be of a certain standard and within a certain price range. Otherwise, the processing organisation will not be able to produce the specified final product as their production costs will rise astronomically. In order to secure a stable supply of their core resource, the fish processor must establish strong and robust relations with fish suppliers, whether they are local fish farmers or fishermen, or fish suppliers from abroad. The fish processor must know exactly what the consumers of their products require and meet their expectations, thus establishing strong relations with the customers as well.

Another good example is an auto producer that produces excellent cars in the premium range. In order to secure a stable supply of top quality parts, materials and expertise, they become involved in a number of strategic alliances and joint ventures with the suppliers of key materials and resources. The level of component quality and expertise allows the production of modern cars that can withstand competition with their rivals from around the world. However, it is important to not only build a car and sell it, but to provide appropriate services and aftersales care which reflects the effort placed into the development and production of the vehicle. Brand perception is also significant. Jaguar, for instance, discovered that by sharing service personnel with Ford, it damaged the perception of its brand, meaning that the effort spent on its car design and construction in the value chain was affected.

Producing organisations are dependent on more than just the quality of inbound resources and their professional expertise in terms of adding value or reshaping the inbound materials, but also dependent on the market, their ability to provide appropriate sales and after-sales care. It is impossible to run a factory if the supply of the core material is not guaranteed and secured for times ahead. Therefore, companies or organisations which are involved in adding value must possess appropriate facilities as well as reliable, affordable and advanced equipment. Before building a start-up, funds must be invested in production with any return to be made at a future point. Depending on the declared level of quality and thence price, consumers expect an appropriate level of smart input in cost management, conversion costs to optimise the balance between innovation and what is known to work, and sales and after-sales services, all of which must be consistent with local preferences, reflecting design, robustness, etc. Goods or services are expected to be unique to some extent, whether it is in the design, functionality, quality or just a response to a fashionable trend. Producers have to develop strong relations with all relevant industry actors to stay on top.

To stay abreast in contemporary trends and competition, producers must also invest in research and development (R&D) and track the latest technologies to fulfil the customer's demands. Failure to do so opens up the market to competitors that can manage this "arms race" in today's information age more successfully and can even mean that producers are excluded from the competition forever, because the recovery costs are too great. Managers working in a producing company thus face pressure from a relatively high number of formal and informal transactions, and the constant surveillance of different regulators. They need to have broad knowledge about many processes, rather than just one, as well as organisational and market-related professional knowledge.

Knowledge-dependent organisations (Brainboxes)

The second archetype of organisations can be seen in those entities that rely on internally generated knowledge. These can be

termed as knowledge-dependent organisations. The list is long – banks, insurance companies, management consultants, universities, business schools, hospitals, accountants, clinics, law enforcement agencies, lawyers, schools, sport clubs, travel agents, estate agents, recruitment agencies and so on. We are not talking about knowledge-intense organisations (KIO) which can be of a different archetype and develop technologies; they can be based in any industry.

Knowledge-based organisations rely on their own expertise and external demand for them to produce intangible goods and services such as health, knowledge, comfort, expertise, and etc. For instance, a Vice-President of a large bank said that:

> "We only care about our own expertise which allows us to make a better profit than the average bank, and feeling comfortable holding customers and outfighting competitors. Actually, we do not need anything from the outside. We bought an IT company a few years ago that serves all our current needs so we are practically independent."

However, these organisations still need some externally generated resources, often high value items. For instance, hospitals need X-ray equipment or expensive tomography services; banks need sophisticated computer systems; universities need to fill their laboratories with appropriate equipment, and so on. Such equipment or services are purchased intermittently and the equipment has a supportive function in increasing the worth of the intangible organisation core.

Knowledge-dependent organisations have very different concerns compared to those working for the value-adding producer organisation. They are driven by the need to increase organisational expertise and attract more customers (or service users). In the bank scenario, money is being made using the expertise in financing. An accountant may not need much tangible equipment, but relies on his/her knowledge of how to report the accounting figures accurately. They must also be fully aware of all the latest regulatory changes. We choose a college, university or business school by

looking at rankings based on the level of knowledge and expertise developed inside the entity responsible for the tables.

The primary concerns of the knowledge-based industry managers, therefore, are the continuous attraction of the best talents and how to use them to develop intangible resources and organisational capabilities to the highest possible level, to allow the organisation to survive and succeed. The managers also need to focus on how to sell their expertise and compete against similar organisations in the market. Of course, there are cases where a famous medical consultant performs a ground-breaking surgical operation. In such cases, there are no worries about customers. Similarly, certain universities that enjoy high ranking have candidates fighting their peers to get onto the admissions list. However, in the more "normal" scenario, attracting and retaining customers require effort. For instance, a Managing Director of an elite dental clinic commented that:

> “In order to strengthen customer relations and attract new patients, the dental clinic runs a special programme offering free dental treatment for the kids of regular patients and runs regular children’s parties promoting dental care, like the popular “Dental Princess” parties. These allow the clinic to strengthen the relationship with existing patients and also recruit a number of new patients.”

Banks and insurance companies place their advertising posters widely in a city whereas on TV, sponsorship of media programmes and sports events is cleverly manipulated to strengthen brand recognition. They also offer differentiated service levels and packages to attract new customers. However, what happens in reality after the "signing on the line" is often completely different to the promotional material.

A knowledge-dependent organisation needs to support all those who face the external world where that transaction brings money or resources into the organisation since relations between knowledge-dependent organisations and their customers are not as long-lasting as they claimed to be. For instance, people may be proud to be a

graduate of a highly-ranked university, but in many cases no actual relations between the university and the former student continue after graduation, other than contacts asking for money, internship provision, etc. Who would remember that you have been a bank's client for many years once you have closed an account? Exceptionally, there may be a residual quality mark or scar from the exchange, e.g. top business school graduate, famous management consultancy client, and so on, but largely these relationships are not strong or long-lasting, and can be expensive to develop and support. Organisations of this archetype go bankrupt because they do not understand their cost structures well.

Location-dependent organisations (Lighthouses)

The key asset for a hotel chain or supermarket chain is simple – location. There are many different organisations that are heavily dependent on their location - resorts, shops, coffee shops, snack bars, hairdressers, etc. Restaurants, however, are a special case as they rely on expertise in cooking, price and location - people will travel for decent food and an enjoyable evening, but not to dangerous back streets.

We all know that if a shop or a coffee place is as little as fifty meters away from a shopping or walking route, it will not receive good customer flow. A five-star hotel is unlikely to thrive in a depressed area or on the outskirts of a city because footfall from the hotel's target customer group is likely to be low. For these organisations, the location must be safe, pleasant, convenient, beautiful and even exotic in some cases for resorts, hotels and golf clubs, or very safe and convenient for shops and other services.

We often think about airlines, telecommunications companies or broadband providers as kinds of producers, but they are not. They are directly dependent on assigned areas in which they can conduct their business. Airlines serve particular destinations and telecommunications companies serve certain coverage areas. Their coverage area grows when the organisations grow bigger - for instance, an airline adding new routes into its portfolio.

What is the difference between retail chains? The location matters to the customers and for the retailer's logistics. As in our last example, the customer is central for a limited time span. For instance, a Category Buyer from a supermarket chain said:

> "Our job is to smile at those who are in front of us or walking in, but we do not have time for those who have already been served and have made payments."

Are there dramatic differences for customers buying food at similar supermarkets? Possibly not in the amount of money spent, level of service and products - the key difference is location. If Tesco is located closer to my home, then I will choose Tesco. If Asda is, then I will choose Asda. When two or more retailers are located within the same area, we can observe the competition between them through local price benchmarking, through discounts or other matching offers, especially if fuel is sold. With a huge array of similar products, competition is about the level of service and "competition of discounts". The winner is the organisation that can offer something more and better, but still within the optimal location for customers.

Location-dependent organisations will have very strong relations with those who secure the appropriate plot of land or building for them, or even bring this function in house to manage secrecy around future purchases and prevent land prices from increasing once a supermarket's intention is known. Engineering and communication infrastructure providers and financial institutions support them. They may also control large land banks, or use their brands as a franchise to manage their income without high fixed cost investment. They have a long list of potential suppliers and will not invest in these relationships as it is very easy to change or replace the supplier, or remove a brand from a shelf, unless the product offered is unique or the payment terms are extremely favourable to the retailer.

Whilst they may appear to offer the same quality of service as producers, location-dependent organisations often omit the after-sales service. They can become vulnerable to incidents that affect

the status of the location and thence the relative attractiveness of the location.

Donor-dependent organisations (Co-dependents)

Another group of organisations are completely dependent on donor groups' or other sponsors' willingness to support them. They include charities, Non-Governmental Organisations (NGOs), different voluntary funds, and Faith Based Organisations (FBOs). These organisations attract donors by using emotional attachment or human willingness to sacrifice something towards a good goal or purpose to ensure their survival. They need to fulfil an administrative budget and meet the requirements of their mission statements, such as charitable aims or other altruistic purposes. To do this, they need to maximise resources through donations or other resource contributions, such as professional skills (Medecins sans Frontiers) or volunteering. These relations require investment to remain strong and long-lasting in order to continue resource attraction on a long-term basis. For instance, a priest-monk suggested:

> "I know absolutely well from my experience (and my colleagues can confirm this) that we think it is better that we receive a small, but regular donation for years in the future as the outcome is more than a single large donation."

However, the willingness and ability to donate are related to moral and ethical views, and the overall level of disposable income in a particular country. We have seen cases where the less well-off are more generous donors than wealthier inhabitants. People living in developed countries are usually more prepared to donate compared to people who are living in developing countries or emerging economies where the level of donation and the market for donor dependent organisations as fund raisers, as opposed to resource distributors, is relatively small. Donor-dependent organisations are often highly skilled at after-sales service to solicit repeat donations from previous sources ("warm donors"), which are critical to their survival.

State-affiliated organisations (Big brother)

State-affiliated organisations include government departments, agencies, para-stated entities, etc. They often have some secure funding that they need to spend before the next budget period, often as a result of government budget and accounting practices, leading to abrupt changes in decision-making strategies around the financial year end. Since they are the arms of the state, they are not subject to the same levels of accountability as the other organisational archetypes as charities are often heavily regulated to prevent fraud or money laundering. They enjoy a privileged position with almost unlimited access to resources. There is low or very limited responsibility for their performance and often no sanctions if the performance is poor. This lack of accountability also gives rise to the low transparency of management's decision-making and high inertia as they are limited in their willingness to change other than through revolutionary approaches. The high public attention also translates into political agendas regarding staffing levels, meaning efficiencies may be lost. It sounds very easy holding a very powerful position. However, state-affiliated organisations are bound by a budget with a lot of uncertainties involved. For instance, natural disasters may wipe millions away within minutes, whereas the restoration of damages may take years.

It is impossible to find an ideal city or town on the Earth where each state-affiliated organisation has only minor problems. The management of such organisations is an extreme management task. We must also consider that a state is an organisation itself, huge and very complicated.

Operational principles

Aside from the archetypes, organisations can also be categorised in terms of how they utilise resources in their operational strategies. We can envisage a market as a flat wall on which niches or recessed points are located. Competition drops as the niche is protected. Organisations look for niches. However, if the wall changes and tremors move below it, in the form of a change in the market

dynamics, such niches may disappear. This has already been proposed by theorists such as Dobrev, Kim and Carroll in their 2002 study of the US auto industry 1885-1981.

This approach suggests that the structure of a market or industry remains stable and organisations continue to add value or are location-dependent, and environmental change will dictate how the patterns of operations and resources utilisation may change, thus influencing an organisation's mortality or its survival prospects. When an environment changes in an uncertain way, then generalist (rather than specialist or niche) organisations have lower mortality rates. Although generalists can be said to be "stuck in the middle", (or out in the open in our wall image), they can enjoy market advantages and exploit them to add value. Generalists do not need to give something back in return for these advantages as they are able to harvest low-hanging fruits as a result of their competitive position.

In contrast, specialists or niche dwellers have to offer something novel and specific to the market and provide some kind of additional return in order to satisfy customers. A specialist thus must be prepared to go the extra mile in production and obtaining customer satisfaction as well. Generalists and specialists exploit resources and the environment in different manners and with different efficiencies. Or as Hannan and Freeman stressed in 1977, that “the distinction between specialism and generalism refers to whether a population of organisations flourishes because it maximises its exploitation of the environment and accepts the risk of having that environment change, while the generalist accepts a lower level of exploitation in return for greater security.”

However, the generalist/specialist distinction is fluid in some cases. There are some interesting cases where the generalist organisation can also be a specialist at the same time, especially when other factors such as geographical locations, cultural or political issues are considered. For instance, the Russian Orthodox Church (ROC) occupies the central market position in Russia and several neighbouring countries, remaining a strong generalist

organisation in that area. However, when the ROC is present in other countries such as the USA, the UK, Japan, Belgium, France and Germany, it becomes clear that it is now a specialist, occupying a niche position in these markets. Due to the scarcity of resources available, the ROC must behave differently in different environments in order to utilise the resources available in the most efficient way.

The specialists therefore maintain and develop stronger organisational relations with all organisational partners where possible, especially with their suppliers and customers. They are much better at "squeezing" everything out of the available resources than the generalists, because they have had to develop resource utilisation expertise to survive in their niches. In contrast, the generalists are not bothered about the development of strong relations as the universe of potential resources is larger for them and they are less concerned if a few of them must be replaced.

Another way to think about this is to consider that the specialists contribute to the market, whereas the generalists take from it, and our last group hangs about looking for titbits or leftovers. The last grouping of operational strategies is exercised by the scavengers. Since the market centre and near-centre positions are occupied by large generalists, smaller generalists are forced to the market periphery where these organisations pick up the detritus of larger organisations - failed markets, discarded resources, etc. - and try to use them to form their own organisations. The scavengers are interested in extracting value, not investing, and are not embedded in the environment, meaning they have few loyalties. Relationships are about the advantage flowing towards the scavenger for the lowest resource outlay.

The access and secure flow of unique resources and organisational capability to utilise these resources in the most efficient manner define the success and high competitiveness of an organisation. Understanding of the differences between organisations and the pattern of resource management is highly important. As Ingram and Yue said in 2008, "if managers cannot

reliably translate industry structure into understandings of competition, then the industry structure must be an unreliable predictor of how they choose to behave towards their competitors." In simple words, organisations are different in terms of their archetype, size and operational principles, where these three factors define the organisational shape or typology. The type of organisation is defined by its skeleton, which is reflected in its structure, systems, imprinted capacities, flexibility, functions, etc.

CHAPTER FOUR

ORGANISATIONS GET OLDER, TOO!

All organisms progress through several stages of life from neonate (newly born), child, imago or transition, adult to veteran. Each period of life has different characteristics and requirements, such as the necessity for external support, strength, resource requirements, reproduction potentials, resistance to diseases, and capabilities. As for humankind, there is also a change in the individual and societal accountability for actions. The nature of susceptibility to disease is different at different stages of the life cycle. We do not expect to see childhood diseases having the same effect on adults, or diseases of older people occurring in adolescents, as immunity is conferred partly by age and the immune system grows to promote resistance and the ability to overcome the threat of disease. For example, influenza is a very serious disease for populations that have had little exposure to the virus in the past, which is why anthropologists are careful when they are in contact with remote and self-contained groups of people.

Similarly to young persons, it is difficult to expect full accountability from young organisations that are still developing as they enter a new market. The parent role is often taken by the non-executive directors and older advisors, which is why mentoring has become so popular for new companies and their founders and executives. It improves their survival chances.

As organisations grow, they become stronger and more independent, and they accumulate resources and capabilities. They adapt to the expectations of their environment and identify their market niche, eventually becoming fully productive and sensitive in their responses to shifts in the market. Meanwhile, we can see the sparks of passion in rhetoric and actions of new, young

organisations, where employees are full of enthusiasm and have the initiative and will to climb the Mount Everest of successful cash flow generation. The ossification of the ageing organisation leads employees to turn to senior managers for each decision and approval of actions, and this slows down its responsiveness. Thus the age of an organisation is important and is the outcome of such important capabilities as:

- The capability of an organisation to survive competition and threats in an ever-changing landscape
- The capability of an organisation to adapt dynamically and continually to changes in its environment
- The capability of an organisation to optimise its transactions by taking them in-house or outsourcing as appropriate
- The capability to include appropriate and effective governance structures at reasonable cost to stakeholders
- The capability of an organisation to account for, improve and monitor its performance continuously.

Survival is a product of several other organisational capabilities including the potential to accumulate, store and release resources needed for survival under different market conditions. The capability to respond and adapt to environmental changes comes not only with vigilance and experience, but is also dependent on organisational flexibility as a response mechanism to the demands made for adaptation to change. Over time, just like organisms, organisations become slower to adapt and higher levels of inertia are attributed to longevity (and possibly complacency) that fails to support their continued existence.

In today's macro economy, only organisations with low transaction costs can prosper, unless they occupy a much-specialised niche. However, the patterns of controlling these costs are different at different life stages, depending on the organisation's resources. Newly formed and young organisations thus monitor every penny spent as their budgets can be very tight. Over time, organisations will still control over transaction costs, but become more relaxed about the governance costs. Formal governance

structures can be of a high cost to new organisations so they may try to operate with informal systems first. As organisations grow and develop, these systems need to be codified so that consistency and order prevail inside the larger organisation. Governance costs, in the widest sense of definition (as opposed to just compliance costs), may decline as systems are put in place and are up and running, but still require monitoring. The external environment may impose increased governance costs on organisations, and thus they need to be able to adapt to the resource requirement and changes. The key word is thus "effective".

Organisations will perform differently at different stages of development, following the levels of their skills, capabilities, resources and accumulated resilience. Excellent results at one point in time are not proof of an organisation's ability to deliver this again and again, and continue to add value - observers may assume that organisational potential is optimally exploited when performance continues to be elevated over time. Linked to this and the governance point is accountability - organisational responsibility for all its actions, improvement and monitoring performance. If the top management team loses sight of the actions at the transaction point, this can cause a nearly fatal failure. We can think of examples from financial traders to poor quality service in shops. Is there an optimal age at which organisations demonstrate excellent performance with minimised costs? In other words, which organisational age is the most productive and does it depend on the organisational archetypes?

The importance of organisational ties

Among the first tasks of an organisation is to ensure access to critical resources (including the right people) and industry positioning through the products offered. These may be assumed to be directly dependent on the formation of the first ties. Start-ups actively look for partners and easily accept any offered partnership, since they may think that otherwise the organisational project can be delayed. We see similar behaviour in young people who consider all contacts as friends and only as they mature can they distinguish

different forms of friendship and acquaintanceship inside this large group. This is also culturally driven - different cultures see different forms of friendship and hence different associated exchanges.

As soon as the first ties are formed and functioning, organisational members begin working towards the generation of further ties to add value and signal that the organisation is developing something attractive in the market. Entrepreneurs should apply not only their enthusiasm and ideas to the development of the new company at this pivotal moment, but also foster the best "relationship developmental skills" to secure successful growth. Their priority has to be to get as close as possible to resources through the development of strong ties.

Different tactics can be used in order to gain the best possible competitive position to secure the flow of resources. A researcher in this area, Benjamin Hallen (2008), advised on developing relations with high-status organisations and suggested that “similarly, new organisations with more skilled and knowledgeable founders (i.e., those with high human capital) would be more likely to form ties initially with higher-status organisations. In contrast, and given that a new organisation is a new social entity, its initial ties may instead depend primarily on the new organisation’s early accomplishments, and new organisations with more accomplishments relative to their peers may be more likely to form ties initially with higher-status organisations. Under this organisational accomplishments logic, with whom a new organisation forms its initial ties would depend on what the new organisation’s founders achieve after the new organisation’s founding, not what the founders did or whom they knew previously.”

However, this advice is most useful for those who already have knowledge, expertise and industry recognition. Young and less well-connected entrepreneurs may need to save time and effort, and use another approach in aiming to develop a greater number of relations with lower-status organisations and less selective companies to secure the flow and utilisation of resources. The early stages of relationship development are probably among the most

important stages for the survival of a new organisation, regardless of whether it is established by experienced managers or novice entrepreneurs. Even if well-connected entrepreneurs appear to have an initial advantage, it is not everything. They still have other similar concerns to poorly-connected entrepreneurs to accomplish their initial tasks and exploit possibilities as quickly as possible.

The first stage of development is probably the toughest task which an organisation faces. There may also be unique opportunities arising. Whilst offering the first product to the market, or even a trial version of it, an organisation learns about the actual market demand, shape and influence, and adjusts their initial offering accordingly. This happens only if the threshold of the number of relationships is achieved, where nuances of each partner's or groups of partners' requirements must be analysed.

The establishment of organisational relations is a time-consuming task which may take considerable time. Managers should consider potential partners that are better established in the market and will look at a new organisation from a superior view point and may use this to treat new partners unfavourably by keeping them under the threat of breaking off relations at any time. It takes time to prove that the young partner is able to fulfil its obligations in a professional manner and with the anticipated performance and quality levels.

The other difficult task during the initial development (and the most time consuming) is the need to devote time to the continued maintenance and development of relations with important suppliers and potential or actual customers. Each tie must be analysed and individual approaches must be developed - no one likes to be treated as a commodity. Managers should also be focusing on survival and further development rather than on luxury or comfort. In this sense, the employment of an industry professional is not a luxury, whereas expensive office equipment is perhaps unnecessary. Over-specified equipment for certain employees or fancy cars for directors create an important external image of the organisation that may not be positively received. The biggest

resource resides in the human capital which makes up the greatest source in achieving the organisation's goals and maintaining dynamic development, thereby influencing the strength and productivity of external relations. Durable organisational relationships become evident and reach projected productivity after a year of active transactions and not earlier. This is the minimum time needed to assess all the factors influencing the strength of the relationship and the aspects of mutual integrity, reciprocity and profitability to become obvious. For instance, a Managing Director of an agricultural company, discussing the development of resource-securing relations, noted that:

> "It takes at least one year to develop relations. Two-three years are needed to say that relations are set and productive."

The ability to maintain and develop organisational relationships comes with experience and age. Continuing the analogy with organisms, we can identify five organisational age categories – new, young, adolescent, adult and old.

New organisations

Newness comes with a liability. As economies develop, they require a continually refreshed and renewed population of organisations to ensure that some survive as the external conditions change. Thus there is interest in start-ups and green-field projects, though this may not always translate into practical assistance. New organisations have low survival rates: they run out of money or resources; they misjudge the market and they lack the organisational social skills to build strong relationships. They may also lack core technical skills and they need to invent roles and develop relationships between those roles and reward structures. Besides all these difficulties, new organisations must keep their social relations active as the main source of support whilst organisational relationships remain weak and not very supportive or fulfilling.

New organisations often enter markets with a lack of critical organisational features and, as a result, their actual position within

the market space is unclear and unstable. Their development depends on the goal and accomplishment of tasks set as they are established and defined by the founders. Inconsistencies can occur, such as one founder expecting just to cover the cost of operating whereas another wants to turn the world around. Initial consistency, direction, impetus and velocity thus need to be co-aligned from the beginning to prolong the lives of organisations. They also require a strategic position to be identified that can be supported by resource-directed ties. Internal and external relationships need to be managed effectively. These relationships are not given to the organisation as it takes form, but rather to its founders and directors, unless skilful staff with viable transferable books of useful contacts can be hired. A common problem with hiring an individual or team for their contacts to be used in the new context is that they are often valueless. Therefore, we may conclude that organisations remain at the start-up or new stage until their relationships with the external world are set properly, most likely after the first two years of trading. They cannot move to the next stage from the moment of establishment as they need to complete this stage successfully. Only after the first year can it be termed "young" and if the organisational product life span is longer than a year, just as in an instance of long clinical treatment or a long period of observation and study, the "newness" will be prolonged.

Newly established organisations are not fully productive and have yet to reach their projected performance. Their internal capabilities are under development and they have few "tentacles" or relationships to help them reach to the external world and secure the most profitable position in the competitive landscape. An additional difficulty of this stage or development is the need for good internal controls as any misconduct can be terminal. Organisations can also be vulnerable at this delicate stage to “infection” by a transfer of the practices of poorly performing partners since they are strongly partner-dependent unless robust systems are developed to use what is good and reject what is not in these relationships. Rather like many spouses, organisational partners may promise to change but cannot!

Young organisations

Within a couple of years from establishment and the first trading operations, an organisation builds and maintains a sufficient number of resource-attracting and other beneficial relationships and makes its first profit and positive cash flow. It then moves to the next stage of its life in which the organisation faces the necessity to polish the utilisation of skills, address more efforts to improve market position and justify its competitive position for resources.

This is a very interesting stage where an organisation has already successfully passed its first life tests and has begun to demonstrate its potential for longevity. The organisation's skeleton is fully formed, but not set and it is possible to predict some of its characteristics, such as attractiveness. Just like an organism, the structure is formed during this stage and it requires increasingly complex resource flows to maintain it as it accumulates internal strength and capacity, and maintains its place in the competitive landscape, including increasing its value to its customers.

By now, it has developed the minimum demand-led capabilities, which require refining, polishing and advancing to meet the market standards and norms. Depending on the industry, it may take between three and five years to reach the stage of mature or adult organisation, transitioning through an adolescent or imago stage. The length of these transitions is linked to organisational product life cycles. For instance, an educational entity may gain maturity through full accreditation only after a few consecutive years of operation - only after that will it broaden its recognition and increase its student numbers. This is also the period where we develop an immune system, which consists of internal and external control systems and internal capabilities. The parameters will have to be set by the founders as leaders are still needed to keep the organisation on its projected pathway since it is still developing its own unique direction, experience and expertise.

The main difference between young and mature organisations is around the area of full accountability as they settle into the market.

Problems for young organisations are usually attributed to:

- Poor initial strategy that only becomes clear after time
- Trying to diversify into few and often not related businesses without skills or resources
- Early loss of enthusiasm and drive
- Self-satisfaction or complacency (already seen everything attitude)
- Insensitivity to organisational boundaries and capacities, so "overconfident" behaviours
- Growth related diseases - running out of resources, "organisational stretch too far"
- Slow relationship investment and development.

While there may be examples where these strategies have paid off, for many young inexperienced organisations, they can be recipes for disaster!

The permanent adolescent or supported organisations

While organisations can go through similar traumas to adolescents, some have more challenges with this stage than others and even, just as in the famous Eagles song "Hotel California", can never leave.

Larry Greiner diagnosed the five stages of organisational growth that are similar to the ones presented here, but not linked to biology. His third stage is characterised by market expansion, and the rise of the individual as a result of delegation. This fits well with adolescence as we see this in many species; the child establishes itself as an individual, capable of independent existence. Even though some children may go through adolescence, they cannot move on to the independent existence phase for a number of reasons, physical and developmental. We can also see organisations that are initially supported by founders and such support remains with them. These organisations are not just founded with seed capital but supported by founders for a prolonged period of time and all resources needed for the young organisational phase of

structural development are provided by the owners. However, the organisation fails to support itself independently and is thus "stuck" in a permanent adolescence where it may certainly want to "check out" as the song says, but it can "never leave". For instance, we may consider the state-affiliated organisations such as a special building company working on very specific military orders and projects, and therefore it is highly dependent on one client, or a subsidiary company of a large multinational corporation that is established for a single resource-intensive purpose.

These organisations persist as long as the resource support of their founders lasts. Once that support is withdrawn or exhausted they die, unless the organisation has managed to develop and generate sufficient relationships to attract enough resources to allow it to exist independently. Their deadliest risk is to be left without external injections of resources, i.e. endowments. This phenomenon may be observed in separate organisations and also in separate business units founded by larger organisations. Their initial growth is well secured by seed capital, credits, facilities, secured product orders, and other means of formal and informal support. Their target market is specialised, so their niche is narrow. Once the resources run out, the organisation fails.

Mature or adult organisations

Popular media suggest that people mature at different ages, indeed that some individuals behave like children well into their forties. Evidence supports this in the coverage of the behaviour of certain figures in the public eye that have well-publicised tantrums. Organisations also need to mature over a number of years. However, with the exception of permanent adolescence noted above, the difference between humans and organisations is that organisations cannot remain new or young because unless they can mature to attract resources for growth and re-creation, they will not survive.

This is the age where organisations become rich with resources and positive cash flow, enjoying mature internal systems and

structures, and individual and management skills are developed to a mastery level. They have gone through a number of different market tests and trials and proved to be viable, efficient, effective and accountable. Their brain, external relations and functional organs are fully attuned to accomplish an organisational purpose as a well-oiled machine. Just as it can be difficult to observe the organisational spirit in younger organisations, this is the age where it becomes transparent and is obviously reflected in strategy and actions. It is also where tangible, intangible resources and organisational capabilities are really bundled together creating new resources and capabilities when compared with less mature organisations.

However, not many organisations of a similar age group will manage to get through this stage and survive. Those that do will know their markets well, their competitors intimately and each of their actions will be actively discussed by rivals and smaller followers. They will experience the hunter-gatherers' situation and know how to trap and eliminate rivals. Despite outward appearances of fitness and strength, typical problems for this group include:

- Growth of formality and internal bureaucracy which can lead to slow decisions and poor internal relationships
- Megalomania/sense of superiority which blinds the organisation to external realities
- Increasing distance of decision-makers from the actual market requirements
- Concentration on stronger relations, ignoring weaker ties - forgetting the capability that allowed them to grow in the past and the need to adapt continually
- A clash of cultural and architectural codes, where softer senses are replaced with strict procedural rules which are often limiting and even harmful.

Old organisations

It is difficult to classify exactly when an organisation becomes old, but symptoms such as high levels of inertia, slowing down of

processes, increased levels of internal bureaucracy and lack of attention to ability can be indicators that something is wrong. Just as some people seem to age at different rates - some remain young for many years and others appear old at 24 - so organisations can exist for over a hundred years or even more than thousand years; for example, Faith-Based Organisations.

Old and well-established organisations are famous for being almost unsinkable. This assumption is usually based on their status, reputation and general recognition. However, they also suffer as a result of high levels of organisational inertia and slow internal routines that influence their capability to adapt and develop new relations and service existing ones. Kim, Oh and Swaminathan (2006) explained that "changes in interorganisational ties can be considered as a type of organisational change, and, thus, structural inertia in older and larger organisations may reduce the speed of dissolving old ties and establishing new ones in a changing environment. An older organisation with a history of established employment relations, experiences, and routines may find it hard to replace current partners with new ones, because such changes often require high levels of commitment and significant resources. As size increases, an organisation may experience complexity arising from coordinating a large number of units and managing hierarchical sets of linkages and relationships among people and units. This increased complexity leads to difficulty in reconciling different interests among individuals and groups when attempting to find new partners for core activities. The networks of older and larger organisations therefore are expected to exhibit a greater degree of network inertia."

With a certain experience and level of expertise, and access to resources, these organisations can dramatically increase their capacities if they are willing to make a shift towards restructuring their relationships, because the regular revision of organisational ties is a necessity for them. It serves as rejuvenation therapy and it can pre-empt the effects of age by being vigilant to pain appearing in any part of the body. Ineffective internal processes and growing incompatibility with the internal and external organisational

environment increase the chance of mistakes. For instance, the Icelandic company CIF, which was one of the largest in the world fishing industry and the biggest in the Atlantic disappeared at the start of the millennium, was unable to adapt to the expectations of a globalising industry and the changing approaches to relationship management.

Should we look at old organisations as historical monuments to commerce? They deserve respect as they have managed to occupy and defend their positions in the market. These positions are often very privileged, and they enjoy what is termed "incumbency advantage". It is not obvious if they attained their privileged positions via their own capabilities or because they acquired them through takeovers and remain unchallenged.

Problems can occur when organisations become complacent and are satisfied with existing relationships alone. This introspection is a negative signal suggesting that the organisation has lost touch with the need to adapt and think about the future. The decreased mobilisation of resources causes higher mortality rates, rather like poor circulation in our anatomy parallel. Elderly organisations may face increased inertia from capabilities that were ideal for handling older technology, but cannot or are not willing to change. Under such stress, organisations can become penny-pinching or parsimonious, which sends a signal to the job market and restricts development and the possibility of attracting the best talent.

Discussion

Although scholars have looked at age in organisational development, the biological parallel has so far been largely neglected. Using it, I suggest that the main difference between organisations of different ages lies in two core areas: access to resources and their utilisation, and exploitation of relationship ties and adaptation. Organisations should improve resource attraction and utilisation by developing capabilities from the experience that comes with age. For instance, a new organisation is just trying to make its way and finds its market position through trial and error.

Resource constraints will limit the chances for complacency in favour of putting in hard work to identify and attract resources and develop internal capabilities. Everything is new at this point, and each operation can be celebrated as a first-time experience. Although there are no external friends or supporters, since these must be developed, there is everything to look forward to.

Young organisations handle resources with a lot of enthusiasm and effort, but are still learning the rules of the game and may appear wasteful as they learn. Thus young organisations are often not very lean. Their main challenge is access to resources. They may need to fight for their space on the competitive landscape and they become the prey of the less scrupulous and of their own mistakes, leading to their demise.

Adolescents need to become independent. Permanent adolescents are not concerned with resources as almost everything is given to them and even the development of superior resource-management skills is not a critical necessity for them unless they face a threat to their existence. For instance, large city councils may implement changes and be wasteful of resources, and improve only when the city faces real financial crises and the locals are not happy.

In contrast, mature organisations are already secured in their access to resources and have sufficient skills. We would expect mature organisations to be the most efficient in accessing resources and utilising them in the most prudent and capable way. However, the enemy of the mature organisation is complacency.

While old organisations have extensive experience, their resource digestion system is not as efficient because of the stiff internal processes and their senses that slow down. Therefore, they need to compensate for their lack of speed or response or adaptation to new conditions by using their accumulated knowledge and applying it wisely in their actions. Compared, for instance, with adolescents, old organisations are not in a rush to mate with new partners as they have much more to lose, and thus they are more

careful.

Readers may feel that we have neglected one aspect - reproduction. Organisations do not always reproduce in the same way as humans. We may note spin-outs, buy outs and other reproduction which are essentially examples of gemmating or budding. New and young organisations are not reproductive because they do not have a large enough resource base yet and may also lack the capabilities to produce another healthy entity. An organisation can be considered as reproductively mature once its resource endowment is big enough. It has its own independent existence and it can share excess resources with the new entity. This test can also be viewed as a transition point between young and mature organisations.

CHAPTER FIVE

GETTING ORGANISED: CENTRAL OR INTERNAL NERVOUS SYSTEM

We all know about the five main human senses of sound, eyesight, touch, smell and taste. However, we tend to forget about the other fifteen important senses which are coordinating and managing our body such as space positioning, temperature, pain, sense of time, and inner senses which signal obesity, oxygen suffering, tiredness, hunger and thirst. All these senses are involved in the management and coordination of different parts of the human body to a transcendent level of perfection and efficiency. The same happens within an organisation, but unfortunately not to the same extent of superiority. Internal organisational systems also signal suffering and report on the shortage of resources, body speed in terms of the pace of development, internal strength, capacity to resist external challenges, risk awareness, etc.

Each internal process is unique in its own way and related to a certain sense where all of them reflect the information received from internal sensors (control systems) and external receptors (organisational relationships). The main and only goal of all these systems is to secure the desired organisational efficiency and unlock potentials. There are several management tasks that must be executed in this respect, i.e. development of internal strength and capacities, maintaining lean or purposeful structure, securing efficient resource flows, and satisfying the focal resource.

It becomes possible only if the central nervous system of the organisation is properly functioning. Imagine that the nervous system sends a signal which is wrongly read by the receiving organ and then the whole body tends to react wrongly. Unfortunately, in practice, organisations are often involved in some strange and

purposeless transactions. As a result, their internal systems react very selectively to even logical commands. For instance, organisations often tend to ignore the customers' feedback or value only information received by certain departments. It is like having a faulty compass and moving in the wrong direction.

Internal processes are extremely complex and dependent of a symphony of organisational cognition, control systems, internal communication, organisational learning and organisational culture. These are the keys which must be cared for, developed and well-coordinated by managers as they would not happen on their own.

Cognition

The human life is full of memories which serve us in different events and circumstances suggesting the optimal decision to be taken. The wisdom which is gained during our life adds more value and quality. The lessons from others connect all those things together. Cognition has been a concern for many philosophers and academics since Aristotle, who began the discussion of the role of inner mind processes reflecting experience, memory, imagination and perception. Much later, in the fifteenth century, the word “cognition” was used to define “thinking and awareness”. In contemporary terms, cognition defines the process of knowing and mental abilities.

In practical terms, cognition can be described as the direct interaction between knowledge developed within the organisation and sensory processes. The amount of information received by external sensors (ties) and the organisational capacities designed to process and evaluate this information in the context of organisational experience and internal knowledge are generally distant from each other. Often, this distance causes separation and gaps in the flow of processes, which therefore reflect inconsistency in decision-making, focusing, learning, reasoning and exploiting acquired knowledge. This inconsistency is unacceptable and causes costly delays.

Organisational cognition also defines the speed of reaction to problems and the way problems and inconsistencies are solved, and therefore it remains one of the important features of internal processes. It is not ascribed to an organisation at the moment of establishment, but collaboratively developed by individuals working together towards the same goals within one corporate and knowledge structure with the same pattern of decision-making and performance accordingly. There are ten principles of organisational cognition which were distinguished by Nobre, Tobias, & Walker (2009).

1 Organisational cognition is concerned with the processes which provide agents and organisations with the ability to learn, make decisions and to solve problems.
2 A theory of organisational cognition is important and necessary when we decide to design organisations with higher capabilities of information processing and uncertainty management.
3 Organisational cognition is a discipline which contributes to the improvement of the computational capacity of the organisation along with its capacity for knowledge and uncertainty management.
4 The main agents of organisational cognition are the participants within the organisation and the social networks which they form. Agents subsume humans and cognitive machines.
5 Cognitive processes are supported by the goals, technology and social structure of the organisation. Moreover, organisational cognition is also influenced by inter-organisational processes and thus by the environment.
6 The cognition of the organisation can also be represented as a matter of degrees, whose level depends on the choice of organising models.
7 The choice of organising models and organisation design plays a fundamental role in organisational cognition.
8 The capability of the organisation for information processing, knowledge and uncertainty management, task execution, and management of complexities in the environment depends on

its degree of cognition.

9 The degree of cognition of the organisation depends upon the choice of its elements, and the choice of the organisation elements depends upon the environment. Consequently, organisation cognition is contingent upon the environment.

10 Organisational cognition supports knowledge management and organisational learning with processes that contribute to continuously improving the elements, the competitive advantage, and the results of the organisation. Such results subsume equilibrium between the participants' motives and the organisation's goals, customer satisfaction, performance and profitability.

Cognition defines, and actually reveals, how successfully an organisation adapts to its environment using its existing capacities and at the same time, having a dynamic and changing nature which can be easily seen if viewed at the different stages of organisational development and with the change of market position. For instance, in the case of new market penetration, unfamiliar environmental conditions dictate the necessity for sufficient filtering and analysing of information flows and adjusting processes accordingly. The ignorance of their dynamic and changing nature can be dramatically costly.

At the same time, the nature of cognition is different in organisations of different archetype, size, operational principles and, of course, age. The contrast in goals and business principles illuminates the difference in cognition of organisations of different archetypes. For instance, chilled food producers have different experiences, decision-making and problem evaluation concerns compared to a charity. This is defined by the difference in complexity of the processes, environmental pressure, novelty of processes and demanded speed of reaction. A bank manager may allow himself a couple of days for thinking about some decisions whereas the manager of a fishing vessel in distress does not have extra minutes. Archetypes differ in the rules of the game, governance structures, allowance of improvisation, and standards. All of these influence the specifics of cognitive processes.

Operational principle has its own impact on cognition where, for instance, generalists demand different sets of capacities than the specialists. These are dictated by the principles of resources utilisation and by the nature of the environment, which can be fairly stable or turbulent and can be more comfortable for specialists or generalists, therefore demanding different skills, knowledge, competencies, and qualities. Frequent shifts in environment demand quick decision-making, flexibility and the ability to learn on the spot, whereas markets with slow and predictable changes demand different cognitive qualities which focus on the long-term perspective.

Cognitive distance is predefined by the size of the organisation where the smallest distance can be seen in a small company compared to much greater distances in large corporations. The size of organisations influence cognitive distance in terms of a number of people working together and reaching a certain level of mutual understanding, staff turnover, the complementary nature of job assignments, culture, formality of work relations and hierarchy (see also Mintzberg, 1983).

We can also say that cognition is given to an organisation at the moment of establishment, but only to an initial extent as it must be developed by managers along with experience and knowledge accumulation. The process of cognition development is endless, starting from the moment of establishment and continuing until the very last moment of the organisation's existence. The level of cognition mirrors the maturity of the organisation. It can also be seen as a strong indicator of managerial wisdom and experience. For instance, we cannot expect young organisations to show advanced levels of cognition due to a lack of experience, undeveloped internal roles, limited internal capabilities and the impact of growth.

All organisations gain a certain degree of cognition that develops automatically. However, the advantage in the development of a sophisticated level of cognition should be seen in the ability to feel, hear and translate all vibrations and tiny nuances of the

environment, which may have an impact on any organisational process. Cognitive sophistication comes from the collective effort of smart managers who are prepared and know how to face environmental challenges, are willing to learn and adapt new knowledge, and act towards organisational goals.

Cognition is a coordinator of organisational senses and a referee helping to judge conditions and problems using experience, a rational approach and professional expertise. If well-developed and listened to, cognition is the best guide through the business wilds.

Control

We control others while being under control at the same time. We are controlled by our parents, spouse, government and neighbours, and on the other hand we control our kids, friends and parents when they are old. It is a never-ending process which we are used to, but strangely, people do not always realise the importance of control processes in organisations and even make a "victim" face when it comes to discussion.

What is control in organisational terms? Control is the process of establishing and maintaining authority over the organisation, which requires the use of different assessments and analytical systems helping managers to make administrative decisions. In more simple terms, control is a necessity because of the difference between goals and the actual execution of organisational tasks, and because of the need for an effective control function as we cannot predict or foresee all factors that have an influence on processes and, therefore, on organisational performance.

The main difficulty is defined by the behavioural nature of inconsistencies and the underperformance of people, which remain the core focus of organisational control. This is something that is not mechanical and cannot be replaced by clever instruments and gadgets. We can control our vehicle using just a handful of instruments, whereas organisations demand more complicated control functions which can read each layer of hierarchy and

processes. This is not because people are so bad, but because people need to be guided through these complicated processes as they lack goal congruence, are restricted by personal limitations, could be disorganised and inconsistent, or simply lazy.

The control function does not come for free and requires certain investments which should be evaluated in terms of efficiency and outweigh any potential risk factors. It could be expensive software, reporting systems or surveillance cameras. The cost of these systems is not limited to the price of the system itself and includes the pay for people who run it, staff reporting time which is included in their salaries, systems service costs, etc. Control can be considered effective only if employees feel that all their actions are noticed and accountable. It is not just an issue of personal underperformance or some minor staff faults, but of gaining resources and resource utilisation, which has an impact on the organisational product cost and the necessity for greater structural complications caused by extra supervision.

Again, because of the behavioural nature of organisations, there is no single understanding of the structure of control. No one can tell which is better - a single system or a few separate systems. All of these concerns are related to the prediction of human behaviour, projected performance, attitude of staff and the staff's ability to learn how to work around the system. Managers should clearly realise that everything that goes wrong now will affect the organisations sooner or later. If an organisation cannot control the attitude and performance of its own people, then it has no chance of survival and, eventually, all staff will face redundancy. What would happen if the human liver was not filtering blood properly or the stomach was not functioning well? The same occurs in an organisation where, if the managers cannot control internal processes and the effectiveness of each process, then it will lead to a serious problem. At the same time, too much control also kills the people's willingness to be creative and "to go the extra mile" when it is needed. Therefore, the sensible balance of autonomy and control should be practised considering the organisational context, circumstances and complexity of processes.

In any case, the control systems must be simple and understandable to all, harmoniously integrated into the processes, provide easy reading and understanding of results, be cost effective, accurate, and focused on the most critical areas or processes. As mentioned earlier, abusing people with tremendously heavy and detailed controls is not effective. People are positive about control where it is necessary and related to monitoring process effectiveness, measurement of performance and execution of duties by teams or each individual member of an organisation, but not very happy about interference with their private lives and personal habits.

Naturally, the control system cares for the performance of resources managed by an organisation, whether human, physical, financial, and overall execution of strategic goals by an organisation as a whole. There are many different techniques which are used as a means of control. Along with the traditional accounting to control budgeting, target costing and activity-based costing, different organisations use a balance scorecard, kaizen (continuous improvement), benchmarking, Total Quality Management (TQM), Just-in-Time (JIT), and other management techniques. Control systems can be efficient in one context and irrelevant or non-productive in others. For instance, the JIT or TQM systems are difficult to imagine in donor-dependent or knowledge-dependent organisations, whereas benchmarking is applicable for all types of businesses.

Control system must be designed and implemented in accordance with organisational archetype, size, goals, the nature of resources managed and budget allowance. The core questions to be kept in mind whilst designing a control system are what we aim to control and how it will help the organisation perform better. Thus we can avoid the development of abusive and costly structures. The control system will be reporting on the health conditions of functions, departments, processes and organisations as a whole. It will exist for improvement and motivation and not just for punishment, as often understood.

When stretching our body in the morning, we tend to listen to our limbs and organs, and feel the overall body condition. The best thing of course, is when we want to smile and are not bent by sciatica or have a headache. We do not want to feel the acid from last night's food which was not properly digested. Would it be different for organisations? The answer is no. Managers tend to look at their reports each morning evaluating the latest conditions and either smile or stress the underperforming unit which did not fulfil its duties. It could be a random problem which needs prompt fixing or a bad tendency showing an unhealthy overall condition. In the worse scenario, the organisation needs a detox programme, meaning certain changes which can be costly; otherwise it loses the core capabilities of resources transformation.

Control is an organisational feature which is as vital to the process of resource utilisation as sensing and signalling problems. It shows how effectively resources are gained and received, how smoothly the organisation has gone through millstones and been shaped by different organs (departments), generating additional value and passing it to the customer in accordance with the organisational goals. It would not be original to state that a poor control system weakens an organisation; abusive control is not efficient as it restricts cognition and demotivates people, and only effective and balanced control gives power.

Internal communication

Can you imagine a situation where a bunch of neurons running to the legs muscles and shout – "Guys, this is an order of His Majesty Brain who decided that we need to get on the last train to London. So, run!" Sounds funny, but actually it happens almost in this way/manner, except that it is done in a split second with clear understanding that all other organs are prepared to support and share the task, like the heart pumping more blood, eyes controlling the direction, lungs to process more oxygen and so on. This is an enormously complex, precise and transcendent process happening inside the human body. We all depend on the internal linkages and coordination between organs and limbs, immediate command

execution and internal signals being processed in the human body, which all happen without delays and with incredible coordination. Similar processes are happening in all organisations but, unfortunately, not to such levels of perfection. Internal communication secures the communication between organisational members and effective transmission of all internal signals within the organisation.

People communicate inside the organisation all the time, but the core issue of internal communication is to develop systematised and un-chaotic communication, prompt responsiveness whilst engaging employees in organisational vision and goals, and to improve the efficiency of processes. In organisational terms, internal communication is focused on the execution of tasks and processes rather than interpersonal chats, coordination of activities, and ensuring employees support towards the management decisions and actions taken.

Organisations are not efficient if their internal communication is poor and only cares for passing management decisions to the staff. This is like ignoring the signal that the body is not prepared to run. Effective internal communication systems represent permanent and engaging communication across and between all hierarchical levels. Otherwise, what is the value of even genius management decision if not communicated to the company staff in an appropriate manner? The left hand is not sending emails to the heart or brain. However, the organisation's signals and messages must be transmitted in an effective manner, considering that no biochemical or neurological mechanisms are being used in an organisation's four forms of messaging - face-to-face, electronically, on paper and workspace.

Face-to-face conversations remain traditional, and probably the most efficient, when it comes to the explanation of views, but this demands the physical presence of all parties involved. Contemporary forms of electronic communication - including emails, SMS, voicemails, newsletters, blogs, etc. - aim to replace traditional human conversations, but they are still needed in terms of the formality of processes and recording of actions. Paper forms,

letters, printed instruction and manuals, leaflets and even postcards also become so traditional that we often take their messaging nature for granted and even think of them as old-fashioned. Workspace becomes more and more popular as modern LCD or plasma screens, window messages and notice boards are actively used almost everywhere from shops to airports, banks and workshops.

The role of social networks must be specifically considered as allowing the passing of complex messages through informal channels and gaining wide support and sympathy if appropriately managed. The role of social networks becomes particularly important in the case of problems or crises when "all hands must be on deck".

The issue of communication is not simple and the reason for discussing it in this book is quite serious. Kalla (2005) noted that "in order for organisations to communicate effectively, they need to view internal communications as strategic rather than as skill-oriented, and also include managers and employees at all levels to ensure the delivery of important messages. This change, however, cannot occur unless employees understand that communication is a core competence for everyone – not a competence required by corporate communication alone." In any case, any form of communication is good if it secures the prompt and effective transmission of signals and messages, without any loss of meaning, from top management to employees and between employees as well, allowing them to receive feedback in an appropriate manner. It should be encouraging and motivating for people.

Similarly to the control function, the effectiveness of internal communication is bound by the behaviour of people. There is an array of problems as organisations are not as perfect as the human body. In general, despite the fact that messages can be sent in the wrong or non-digestible format, there is also no single unit of human understanding of messages that exists. People tend to ignore or have difficulty in understanding messages, particularly those that they do not like.

More specifically, internal communication problems account for: the ignorance or underestimation of the importance of formal procedures which are particularly important with the growth of organisation; confused interpretation of the messages by the recipients; distribution of irrelevant information which increases "noise" and makes it difficult to decipher valuable messages; assumption that facts and information are well-known by others and do not need to be commented; unfocused communication; communication by priorities only; poor communication capabilities; voluntary and non-voluntary stickiness in message-transmission; and ignorance or avoidance of responses that develops a one-way style of communication.

The language of communication is a very peculiar thing which eases the process or destroys it completely. Try to imagine the pattern in which a valuable organisational story can be communicated across your organisation. What would be the most effective way? Would it be clear to all? Would it have the same level of understanding and encouragement for different hierarchical levels? The issue of language becomes particularly sharp in organisations with high-context professional cultures such as medical consultants or police officers, where each word, facial expression and posture means a lot and if transmitted inappropriately will not be accepted.

All of these factors lead to problems which will appear sooner or later. Organisations only live if internal communication is very active and effective, and because of this, it is often called employee communication or internal relations, and accounts for improving performance, increasing brand recognition, shaping culture and developing positive publicity, thus allowing the organisation to gain an ultimate advantage. Healthy organisations should develop communications skills across levels and processes. Tariszka-Semegine (2012) suggested that "it is a prerequisite towards the staff even in the simplest position to have a certain level of communication skills. It is regarded as even more essential with managers. Organisations have recognized that the level of communication within the organisation determines the efficiency of

the organisation."

We should consider that an organisation is formed by the people working in it and communicating with each other. Otherwise, there would be no organisation but separate individuals. The role of each employee is valuable and all their responses should be considered and accounted for. Would you ignore the numbness of your finger for a while? Thus messages from the workshop should not be ignored. Prompt responsiveness helps to diagnose potential problems in early stages. If the role of internal communication is ignored or underestimated, one can think of an example of a battleship with a damaged communication system during a battle. What is her chance of winning the battle?

Organisational learning

Human life is built and defined by daily learning from the moment of birth until the very last moment. We learn how to walk, run, talk, and read whilst crawling higher and higher on the knowledge ladder and aiming to understand the nature of complicated things and how to use them for our own profit, comfort or favour. At the same time, we learn not only how to win, but to be prepared for failure. All creatures learn as a compulsory tool for their survival. If they cannot learn, then they will be prey to a more skilful predator. We can think of a mouse that exercises in how to escape from a cat which exercises in how to catch this mouse.

If an individual does not learn, then he remains at the infancy stage forever and should rely on his parents or relatives supporting him through his life at their cost and effort. In this sense, organisations are similar to wildlife, where each creature must learn to polish their survival abilities. Organisations that are not learning are more likely to have a very short life span. They cannot survive for long. Even small one-man shops tend to learn if they think about long-term business. I was surprised when a man who has run a fish & chip shop for many years in my neighbourhood showed me his books on psychology, human behaviour, food quality and marketing.

Organisational learning is a complicated process which caused active discussion after Argyris and Schön (1978) drew attention to the phenomenon of learning and proposed a model for facilitating learning in organisations. Later, Argyris and Schön (1996) identified three levels of organisational learning: single-loop learning, which consists of one feedback loop and where appropriate corrections are needed in the case of an unexpected result; double-loop learning, considered appropriate when a chance for corrections of plans and assumptions exists; and deuterolearning represents learning about the learning system itself, with consideration of the structural and behavioural components of the organisation. In practical terms, the issue of finding a balance between single- and double-loop remains a concern for most managers. The problem is no single meaning for organisational learning exists so far. In general, organisational learning reflects the organisational ability to accept, adapt, integrate and make sense of the environmental and organisational changes on a systematic basis. The ability to learn defines the organisational capability to settle organically and for its own gain into the environment and evolve within it without any harm. For instance, if an organisation wants to penetrate a new market, then the managers must learn about the local taste, rules of engagement, social codes and norms, culture and institutional rules.

What does learning mean in organisational terms? Developing and accumulating the documented and tacit knowledge residing in an organisation, building the knowledge accumulated by previous generations of employees and stimulating active knowledge-sharing among individuals. This is an active, non-stop and creative process which must become a routine and not just a privilege for some individuals in a healthy organisation. This means that all staff should be involved in learning and knowledge-sharing interaction, not merely a handful of managers, where the individual knowledge capturing should be stimulated as working for the whole organisation. Even the earliest Roman satirist, Gaius Lucilius (2nd century BC), stated that "knowledge is not knowledge until someone else knows that one knows." We can think of the Vikings who sailed across rough seas and conquered lands in small troops

who shared freely and actively everything they knew about navigation, fighting, armoury, survival, hunting, crafts and so on, and by doing so, making themselves stronger.

There are two serious problems that arise from the organisational anatomy perspective. The first one is related to the issue of knowledge transfer within organisational boundaries and the second issue is related to the cost of knowledge-acquiring and the real value of it, i.e. did we get what we need and at what price. All looks fine and easy where all organisational members happily exchange knowledge in theory, but this is completely the opposite in practice. For instance, when we think about the Church as an excellent example of a knowledge generating organisation, we can easily be wrong. As commented a priest:

> "We are not sharing our knowledge and even information with priests from even neighbouring parishes and this remains a norm. We are very selective with whom we are prepared to talk."

Knowledge transfer remains a headache for the majority of organisations, whether banks, insurance companies, car manufacturers or hotel chains. The process must be stimulated and managed to be social, and should not be left unattended as if it will happen automatically. People from different departments are not in a rush to talk and share something valuable, as they are often in competition and therefore holding information close to their hearts. Cognitive distances defined by hierarchy are not making the process of knowledge sharing easy and productive. The feeling of functional superiority creates a greater cognitive distance between departments and dissimulating the knowledge transfer.

Interestingly, people from high-context professions such as police officers, seamen, fishermen, and medical consultants are actively sharing knowledge on a regular basis within their organisations and with colleagues across organisational boundaries as well. Medical consultants represent the most transparent example as they are constantly involved in different conferences and professional discussions, thus securing the knowledge development of the health organisations. Their advantage resides in their

willingness to learn, which stimulates their willingness to be ready for change and to discuss different cases in detail. Therefore, comprehensive analyses of events and cases by groups of managers stimulate knowledge transfer tremendously.

The contemporary demand for business related knowledge emphasises the offering of different training courses and professional seminars. The problem is that quite often such courses teach what to say and how to say it, and neglect the actual manager's value which is defined by how to think. Surely, this is the most difficult thing to teach and transfer amongst others. At the same time, the cost of programmes and working time devoted to learning must be adequate to the result anticipated in terms of the value gained and price paid. People receive nice certificates, but within a short time they have difficulties articulating what it was all about and therefore it is not useful in organisational terms.

The growing competition for resources and markets demands sophisticated abilities for seeing potentials invisible to others, the things from other dimensions of our multidimensional world, where such products and approaches can be developed together with people of similar levels of knowledge and understanding. Development and survival are defined not by the knowledge of funny facts or often irrelevant skills, but in the solid ability to think, analyse, create, act professionally and collaborate with others for organisational gain. The dynamic nature of our environment also dictates the needs for permanent learning where the feel for it should become natural for modern managers.

It is important to understand that each piece of knowledge acquired and shared within an organisation should be considered as useful not only for a particular time, but also as the stepping stone for acquiring knowledge of a higher level and thus generating a unique advantage. This is like learning how to walk, and then how to run.

Culture

Each organisation has its own unique personality and spirit – as do humans - which define how people in the organisation view the world, solve problems and behave towards stakeholders. All of these constitute the organisational culture. Perhaps organisational culture is one of those terms which are difficult to explain precisely using one common formula and where a myriad of definitions and formulations of organisational culture exist which are often quite radically different. Anyone can feel that sort of culture as soon as they walk into the office. It is seen in everything: how people talk, answer calls, interact with colleagues and visitors, or simply offer a drink. All of these contribute to a colourful picture of an organisation. Culture has a complex nature reflected in different aspects of organisational life such as stories, rituals and routines, symbols, organisational structure, control systems and power structures.

Culture is a very peculiar phenomenon which provides critical advantages in different areas of organisational life in the way of regulating how people think and behave within an organisation, thus having a direct impact on strategy planning and implementation. For instance, Hofstede (1984) viewed culture as "collective programming of the mind, which distinguishes the members of one category of people from another," which helps to create organisational rituals, praise heroes and purifies values.

Functionally, culture plays an important role in the way organisational resources are exploited and, particularly, in the development of organisational capabilities. Factors such as creativity, support, learning and enthusiasm are orchestrated by culture and therefore account for the overall organisational success. The efficiency of internal communication depends on the shared values and mutual identity of an organisation's members and cultural factors. Ethical decision making, trust, high quality standards, mutual support and cooperation cannot be nurtured without a strong and motivating culture. In terms of positioning and collaborating with external stakeholders, the organisational culture

is an important factor influencing relationship skills, which are defined as a firm's ability and behavioural tendency to actively cultivate and manage its ties with other firms (Beugelsdijk, Koen and Noorderhaven 2006).

Can culture be ignored, considering organisations to be purely pragmatic? Despite the purely pragmatic nature of organisations which concentrates on the achievement of organisational goals and profit, ignorance of such an emotionally loaded phenomenon as culture is risky. Organisations concentrating purely on results and ignoring culture as a critical internal system lack the patience, motivation, spiritual unity and willingness to cooperate, and the emotional comfort of their people and gradually becomes self-destructive (see also Beugelsdijk et al. 2006). Traditionally, culture is discussed as being positive and progressing. However, culture is formulated by top managers and founders of organisations, who are not always bothered about long-term development or fair trade principles. In these cases culture becomes completely demotivating and leads to the edge of the cliff. This is like a child of bad parents who adopts all their negative habits.

From the biological viewpoint, the physical strength of a human body is highly dependent on its emotional state, which adds energy and strength if strong and positive, or can dramatically reduce internal strength and immune resistance if depressed and negative. A motivated and enthusiastic individual will always outperform someone stronger, but with depression.

Organisational culture serves a role as a catalyst of organisational performance where it either strengthens the organisation or weakens it. Strong and positive culture allows the organisation to survive on fewer resources, and still move forward whilst using the internal capacities and energy. Poor or negative culture will not stimulate constructive energy and strength creation, but demotivates employees, destroys the effort of any enthusiasts remaining in the organisation, limits the willingness to cooperate, and slows the overall performance along with a countless number of other unpleasant factors.

Discussion

The internal systems and external organisational ties are extremely co-dependent and their complementarity defines the overall organisational capacity to profit from the exploitation of resources available. At the same time, the core objective must be reflected in the organisational performance objectives transparently showing how the core organisational asset is exploited. Was it exploited to its full potential or was it just mimicry? For instance, did a hotel only survive the last quarter because of the discount vouchers or were local potentials unlocked for guests that secured profit for now and good reviews for the future?

Inappropriately defined organisational measures or performance indicators that wrongly set tasks specific for each internal function and system mislead the organisation and demotivate the staff and, for sure, it is not effective in the long term. It is like training one or two groups of muscles. Imagine an athlete who trains only his biceps and chest, but never exercises his legs and back.

CHAPTER SIX

MAKING SENSE OF THE WORLD AROUND US: PERIPHERAL NERVOUS SYSTEM

Organisations do not have a mouth, ears or nose as humans and other creatures do, and they cannot grab food or hear signals in the usual sense. All resources and signals are transferred via a number of external ties which are located in organisational boundaries. They form the external or peripheral nervous system which consists of a large number of tentacles full of informational sensors.

Organisations can be viewed as a kind of actinia which has oral rings of tentacles which serve the same function of grabbing food and reacting to environmental changes. However, in an organisation, each tentacle has a particular functional purpose and appropriate capacity in terms of resources management. At the same time, all these tentacles have one common purpose, which is knowledge- and information-gathering from different segments of the external environment. Organisational relations are thus resource transmitters and information sensors at the same time. The bigger the organisation, the greater the number of external relations. For instance, a large manufacturer usually has more than one thousand suppliers and a large number of customers, all of which form this complicated and critical external neurological system. The distinctive management of external relations provides a strategic advantage for any organisation. The strategic implication of resources and their efficient utilisation directly influence the competitive advantage of an organisation. The key aspect is the management of distinct types of ties responsible for appropriate resources and information.

The history of the study of organisational relations is linked to the research of social relations offered by Granovetter in 1973 and

named the Strength of Weak Ties Theory, which was revised in 1983. The approach was based purely on social study of personal relations in American society and distinguished strong and weak ties only. However, social relations are completely different from organisational relations as they have more elements of emotionalism, voluntary reciprocity and even irrationality to some extent. They have different purposes and are able to exist in different contexts. However, depending on the nature of resource transmission, organisational relations have different forms and therefore lead to different capacities and values for the organisation. They differ in terms of the number of staff needed to serve them, the volume of resources possible to transmit through them, their value to the organisation and importance in strategic terms. It is ultimately critical for an organisation to access appropriate resources in terms of prosperous survival.

Resources do not get cheaper or easier to access and, therefore, the contemporary economy demands superior organisational capabilities in effective resource and relations management. Grewal and Slotegraaf (2007) stressed that "more than the resources themselves, it is the specific decisions involved in how resources are accessed; combined, and deployed that generate a firm's capabilities. To enhance the sustainability of the advantage, managers can purposefully build capabilities by focusing on resources that are interconnected, deeply rooted within the intrafirm relationships and knowledge base of the firm, and span the firm's business functions and hierarchical levels."

The majority of organisational resources are located outside the organisation and a certain effort is required in order to find partners who hold or control these demanded resources. This is not a gift from heaven which is prescribed, but should be gained with sweat and blisters, and therefore it demands a clear distinction of what types of resources we aim to access and how we are doing this, or otherwise a lot of effort will be wasted. In these terms, the resource selection process is an important task in itself.

If relations are properly established, then we could talk not only

about purely formal exchanges or transactions, but about complementary partnership, whether with suppliers or customers, which allows for the development of additional values for the parties involved. In order to obtain different and often unique resources, firms are stepping beyond the local supply and going further into the area of international trade. Thus this requires the development of international relations, which are usually different in nature from the local, where the reward is a stable access to heterogeneous resources which is also accompanied with the risk of a big failure.

Organisational relations are all different, even at a glance, and the relationship's context is always complicated. Being immersed in a myriad of ties, contracts and agreements, managers do not always realise that different relations serve different resources and, therefore, the nature of these relations is reflected in the importance of resources for organisational processes. In simple words, the higher the importance of a particular resource, the higher commitment towards the relevant relations should be. As suggested by Konovalov and Norton (2014), the strength of relations reflects the distance to resources. In the organisational context, we can say that the stronger the relations are, the closer we are staying to the resource which is under the control of our partner.

Managers often distinguish the differences in organisational relations purely intuitively. For instance, if we look at the list of corporate Christmas gifts which we prepare annually we will see that these gifts are of different values where the most expensive gifts go to some special partners, reflecting stronger ties, and the cheapest gifts mirror the weakest ties. However, organisational relations, even though they are critically important, are often managed without a clear sense of rationality. Even whilst corporations pay particular attention to this issue, it still takes a lot of time to realise the value and practical purpose of different relations. For instance, the Managing Director of a large aerospace and navigation systems supplier suggested that:

"Our company was established 13 years ago, employing the best

> industry experts, but it took us more than three or four years to realise the value of different relations and what resources or supplies that are most vital to us. In the first few years, we had a big number of suppliers and customers, and as a result - messy relations and they tried to make absolutely inappropriate orders which are very costly and time consuming."

Before we go any further, we should clarify that organisational relations are based on transactions only. They are not like personal relations where we can spend time with someone purely for our own comfort and pleasure, and managers should not confuse these two meanings. Organisational ties are differentiated by the way the resources are served, their role in organisational processes and the nature of exchange operations which are regulated by the mutual interests of the parties involved. In all cases, the inter-organisational collaboration is defined by interest in exchange of resources, and thus we are talking about resource exchange whilst discussing any forms of organisational relations that sound pragmatic and thereby link different organisations.

We can describe organisational ties as nerves and veins of any industry where tangible resources are delivered to all organisations in the form of food, i.e. tangible resources and intangible resources in the form of neuronal signals. Organisational relations are bundled in their tasks and have different natures. There are three types of organisational ties which exist – strong or resource-securing, intermediate or value-adding, and weak or service relations.

Strong or resource-securing relations

Strong relations secure the flow of resources which have a core value for organisational processes. For instance, strong relations with a steel plant are crucial for a shipbuilding company. Strong relations also reflect resource-critical relationships, where such complex systems as manufacturing equipment, diagnostic complexes and devices, and other high-technological equipment are employed and exploited in collaboration. Stanko et al. (2007) suggested that "these products generally involve a great deal of

expense and effort to purchase, install and maintain, and influence important buyer enterprise processes. As such, there exists the opportunity for strong ties and committed relationships to form, and for these relationships to influence profits."

Unfortunately, managers often tend to ignore the fact that strong relations are based on mutual commitment to their formation and maintenance. The question about how quickly and efficiently these resources will be obtained and what effort must be placed into servicing supply contract or contracts with key customers remains complex. Discussing this issue with top managers from different well-established and successful companies, we found that the usual percentage of strong ties for generalists is between 10 and 20% of the total number of supply relations, and up to 25% for specialists. However, we do not want to stress the difference in the number of strong relations between generalists and specialists as sufficient relevant data is not available.

What about strong relations with customers? Actually, the picture is fairly similar where strong relations with customers reflect the biggest sales on a regular basis. The percentages of strong relations with suppliers and with customers are similar, with a difference of only 3 to 5%. Interestingly, specialists tend to have more strong relations with suppliers and customers accordingly. For instance, the CEO and owner of a confectionary production firm and trading house commented that:

> "The strength of relations with suppliers is almost equal to the strength of relations with customers, which may be of small difference and difficult to measure precisely, but let's say approximately 5%."

Here comes a question of whether the strong relations with suppliers and customers are of the same strength. The answer is "no", due to the level of dependency and trust in relations, which therefore might be slightly different where the relations with suppliers are always slightly stronger than with the customers.

Organisational strong relations are purely pragmatic and calculative. Strong relations may have an element of emotional

attachment, but it comes with time as the people from two organisations who are involved in regular transactions learn a great deal about each other. At the same time, strong relations remain pragmatic and calculative. The only exception that must be considered is the emotional attachment that is crucially important for donor-dependent organisations. For instance, a Chief Supervisor for a big charity suggested that:

> "Strong ties are supported and rewarded by the emotional intensity which motivates people for donation again and again."

Recent crises demonstrated that the role of strong ties is absolutely vital in terms of survival through collaboration with key suppliers and customers, higher competitiveness and better prospects for development after the crisis. From the macro perspective, strong ties can be considered as the best indicators of organisational fitness into the niche, where, in the words of Hannan et al. (2007), "an organisation's exact relative fitness depends upon the structure of the audience being considered, the distribution of its offering's appeal over the social-position dimension, and the appeal distribution of the competitors." Such appeal is defined by the level of engagement in the relevant industry and the attractiveness of organisational offering which is confirmed by the suppliers' readiness to supply and the customers' willingness to purchase a product or service on a regular basis. Organisations that fit into the market niche at any time, even in humble times, also secure the support from the market niche itself in the future.

With the growth of competition, the necessity of developing strong organisational ties is growing as well. This is logical as the market concentration is growing and it is most likely that organisations which are strongly supported by suppliers with their resources and customers with their cash are more likely to survive and succeed. An additional role of strong ties is reflected in collaboration where parties linked by strong ties are more likely to gain through mutual organisational initiatives. Pallotti and Lomi (2011) pointed out that "empirical evidence is available that supports the expectations that network parties linked by strong ties

are more likely to perform similarly. Networks represent the fundamental sources of opportunities, information, and resources that may be shared by partner organisations in a joint attempt to improve their individual performance." It can be seen as mutual and partner-dependable development which is invaluable.

Managers should consider that strong ties support recognition, reputation and brand development and increase the mutual partners' satisfaction. These issues must be taken seriously if they want to develop their organisation. Problems occur when managers do not realise the value of resource-securing relations and put them into serious jeopardy by exercising opportunistic behaviour, or not providing enough attention and care for them, losing core suppliers or customers as a result. This is fairly suicidal as it is immediately reflected on the company's balance sheet. If we can afford not to have strong relations in our private life, this is our choice; however, we must have a certain proportion of strong ties in corporate relations.

The value of strong or resource-securing relations is difficult to underestimate. Hausman (2001) suggested that "not only are firm members more satisfied with the relationship when they perceive a strong relationship exists, but they assess firm performance as higher. This suggests that firms will benefit by encouraging stronger relationships with partners, including increased reliance on cooperative strategies and less adversarial relationships. The benefits of stronger relationships do not end with satisfaction and performance improvements, important as these outcomes are, but extend to other strategies necessary for the growth and survival of the business". It should be added that real strong relations have interesting natures as, often, they are not as noisy as other relations busy working for organisational benefits.

Intermediate or value-adding relations

Whilst core supply or sales are secured through the application of strong ties, the majority of sales and profit-generating transactions of a smaller scale, obtained through intermediate or

value-adding relations. Let's imagine the auto dealer, who has strong relations with the car producer who supplies the core products – cars and spare parts. As we already discussed, this is a strong relationship. Meanwhile, an additional profit is gained by car service and repair, selling tyres, navigation systems, carpets, sound systems and other fancy things which eventually add quite a hefty share to the overall margin. These additional resources are supplied through value-adding organisational relations. Similar in strength, these ties are used for selling organisational products or service in mass manner and on top of the core sales contracts. Our study findings show that value-adding relations on average secure between 40 and 60% of turnover with suppliers and between 20 and 40% with customers.

The difference between strong or resource-securing ties and value-adding relations is the fact that the latter do not carry the core value and can be replaced without dramatic damage to organisational activity and profit. However, the value of value-adding relations shouldn't be underestimated. Unfortunately, some managers take courses to nourish strong relations as much as possible and try to escape or ignore the more time-consuming value-adding relations, which can come at the price of organisational failure. The CEO and owner of a confectionery production firm and trading house commented about his experience dealing with a famous Scandinavian confectionary producer "X":

> "X's managers said that they are interested to deal with big customers only and are more likely to stop the relations, but because of their bosses pressure they must show that these relations are still ongoing. But they do not want to do anything in this respect and do everything to exhibit this view."

Can you imagine the feelings of top managers anticipating growth and not seeing it for strange reasons? Using this example, we can say that very often we cannot see sales picking up as value-adding relations are not properly employed in the process and thus are not helping the turnover to grow. Value-adding relations also link organisations with different agencies such as PR, recruitment and others that take care of different forms of outsourcing activities.

The role of these relations is obviously critical as mutual understanding – of the goals and product features and characteristics or personnel profiles fitting into the company – is gained in a timely manner and with efforts from both sides. The services provided by these agencies add value to the organisation in a direct way either by helping to promote, advertise and position it, or by adding extra capacities and expertise through recruitment and training.

Another example is organisational financing which has a value-adding nature. Partners involved in such a transaction are following their pragmatic interests and will change the partner on the first occasion if it promises better outcomes. However, both parties want to gain from such transactions and serious funds could be at stake, so this type of organisational relations should be taken quite seriously.

It should be considered that this type of relationship has a serious value for organisation and potential one minute gain must be seriously calculated and outweighed by the cost of partner replacement and mutual attuning with a new partner in the worst case scenario. Additionally, complementary assets of a former partner will be lost as well.

Weak or service relations

Random and irregular sales, external services and suppliers which have no critical and direct impact on the organisational production process are considered weak or service relations. Organisations usually have a list of customers who make their purchases once in a year or even less often. Some random deals are always on the screen where we do not know whether these customers will return again or not.

We tend to buy different office stationary, water, coffee and other stuff via such service ties. Let’s imagine a dental clinic which needs a pile of necessary hygienic and handling equipment such as needles, nappies, hygienic liquids, etc. These products are important for the process, but can be easily purchased from a

number of suppliers where it is always a matter of quality, price, delivery and payment terms, and, more importantly, hassle free service as it is not related to any core processes and no one is willing to devote too much time to these operations. Organisations also need a range of services such as cleaning, office rent, decoration, warehouse facilities, travel arrangements, car services, etc., which are provided via the array of service ties. In relations with suppliers, weak relations constitute a maximum of 15% of all relations with suppliers or creditors as illustrated on the balance sheet.

If we are talking about customers' relations, weak ties reflect either random sales or underdeveloped relations. Depending on the organisational approach and structure of relations created, the usual percentage of such relations is approximately 60-70% for generalists and 50-60% for specialists.

Weak ties are the easiest to replace and managers are always looking for someone with whom it will be easier and more comfortable to deal with. This is not a matter of the price of services (and the difference is actually very little and can be neglected) but the operational quality and simplicity which make transactions very comfortable, even to the level of being unnoticed. Nothing is less permanent than weak relations, but without them organisations cannot exist. They serve all our service needs and secure the reception of serious chunk of market information.

The problem is that weak relations with customers and weak relations with suppliers are different matters, where customers bring us cash and business whereas suppliers of additional products and services are getting business from the organisation. If we can afford not to pay much attention to the suppliers of additional services, we must pay sufficient attention to our small customers who contribute to our turnover and profit. These customers demand a lot of handling time, but this is compensated by the luck of corporate discounts which are usually provided to larger clients. At the same time, when relations with a new customer start, we cannot predict to what extent these relations will develop. Either they will remain

weak and just promising, or will grow into something more serious as value-adding or even resource-securing relations. This can be traced at the first instance, but the actual outcome will only become clear after a period of time and a number of transactions, whether they are satisfying or not.

Managers are often unclear about these terms and do not pay enough attention to small or new customers, or fully exploit the potentials for mutual growth, even on a small scale. Surely, the reason is that transactions in the context of weak ties are short in their nature and not as frequent, so there is not much chance for testing mutual trust, collaborative routines and mutual practices. However, careful managers can identify a lot of possibilities for expanding businesses, gaining influence and enriching capabilities using the potentials of weak ties if professionally handled.

There are several exceptions which deserve separate explanation. There are cases where organisations have weak relations with their customers, very few of intermediate relations, and no strong relations at all. More or less, we are talking about location-dependent organisations. Let's imagine a high street shop, where a crowd moves without any loyalty and the staff are not interested in spending extra time with customers whom they may never see again. In comparison, there are cases where some organisations have very few weak ties with customers, for instance accountants, who are probably remain in an excellent position securing stable relations with their customers for years ahead.

Discussion

Entrepreneurs and managers always face complicated questions on how to access resources in the most efficient way and visible priority is not always rational. Addressing this issue, Corsaro, Fiocca, Henneberg and Tunisini (2013) commented that "frameworks of relationship portfolios as well as relationship value are strongly interrelated as they share a focus on the company's ultimate goal – namely, to prioritize and flexibly direct resource investment decisions between business relationships with various

counterparts, such as customers or suppliers." This confirms the importance of having a clear understanding of the organisation's ties, their actual strength and process of resources flow. Organisational relationships must be managed not from time to time, but systematically as we want to secure the flow of resources and not to have drops from time to time.

All organisational relations appeared and developed in some specific social and organisational contexts and will not be in existence if not pragmatically useful or marginal for organisation. Talking about the context of relations, we must stress that the strength and structure of relations are largely dependent not only on industry factors, but the institutional context in which the organisation exists, e.g. state, rules, regulations, culture, habits, social norms and codes. In the majority of cases, organisations tend to pay attention to the signals or information which come from the strong ties and ignore the information from the sensors serving the weakest ties. It can be viewed as neither rational nor logical; it ignores risk factors at the doorstep.

An individual can look into the mirror and see their own image, whereas an organisation cannot look at the mirror and receive objective information about their state. They can only examine themselves through external information in the form of the opinion of others. Typically, organisations prefer to listen to the opinion of a strong partner which can be sweetened to the point of being biased to some extent, but they would not listen to the voice of the mass. In weak relations, the function of information gathering and filtering is not demanded and only atrophies. In simple words, weak ties are often not fully exploited as they are supposed to be. This is like using just one ear and not both. This phenomenon can be viewed as one of the reasons for the information asymmetry which is so actively discussed these days.

Well-established relations also serve a serious role in safeguarding tacit knowledge. In the words of Ingram and Yue (2008), "opportunism associated with information asymmetry is one of the biggest threats toward inter-organisational cooperation.

Friendship, kinship, and social status help to mitigate this problem by transferring tacit, nuanced, and trust-worthy information and helping organisations to better evaluate the co-operators' attributes and motivation."

The strength and value of organisational relationships may change from time to time because mutual activities depend on the organisational demand for the partner's services and availability, and cost of resources. Managers should identify the reason behind such changes, whether with or without actual threat, in mutual collaboration and act appropriately. Service capacities which remain unused when some customers are marked as a "sleeping partner" must be applied for the development of new relations and not just reported as a job that is done, but not successful. Such changes also depend on a number of factors which will be discussed in the following chapter.

CHAPTER SEVEN

DEVELOPING SENSITIVITY AND RECEPTIVENESS

All managers dream about smooth supply, operations and sales, and cosy and effective relationships which make their business life nice and easy. However, all organisational transactions are based on external relations where each of them is unique as they serve a particular partner. The same tie cannot be used for another relation. Whilst developing new relations or maintaining existing ties at a higher level, organisations face questions about what triggers the relations and factors that influence the strength of organisational ties. Efforts placed into the relationships' development, fulfilment of factors influencing this process and the context of each task must be synchronised with a certain level of expertise and effort. Pallotti and Lomi (2011) explained that "interorganisational relations depend on relational and positional factors. Relational factors are assumed to operate through direct contact that facilitates the relational coordination, and exchange of resources, knowledge and information between partner organisations. Positional factors are assumed to operate through structural equivalence or similarity in network positions."

The management of organisational relations is not a simple process and it is also fairly unique for each organisation depending on the organisational goal, tasks, business model, composition of its resources bundle and the expectations of stakeholders, therefore demanding special skills and process knowledge. It cannot be done by using random choice or an intuitive approach that ignores factors which influence the strength of relations. A combination of pragmatic and psychological factors is involved in the development and maintenance of ties – trust, share in turnover, value of resources, reciprocity and mutual support, emotional support and

commitment, operational efficiency, organisational status, formalities, communications styles, and institutional context and local culture.

Value of resources

Strange or not, the value of resources drives the interest in establishing relations as each resource has different values, so the demand for it will be different. Organisations tend to build their relations or put an effort into the development of long-lasting relations if the resources are highly valuable and important to them. The main challenge is to access resources which are unique in their characteristics or advantageous in commercial terms, all of which can help the organisation to outfight the competition and grow a bit more.

The value of resources is one of the factors that influence the strength of relations. For instance, top managers of companies that are involved in extracting rare heavy gases with the highest purity such as Creon, Krypton and Neon are in a unique position as their products are highly demanded by aerospace, defence and nuclear industries, and by various laboratories. They get offers for alliances or join ventures with a single aim that is to secure access to that resource at all times. This is an example where particular resources drive the development of strong organisational relations.

The value of resources defines the willingness for integration and acceptance of mutual dependency of the companies involved in such an exchange, where the value of resources will influence the strength of relations. We can ask any manager this rhetorical question – how far will you go to secure unique or extremely valuable resources or secured sales for five to ten years ahead? Surely, the answer will be – any distance. However, managers do not always realise that the value of resources defines the effort which should be placed in the maintenance of these relevant relations.

Share in turnover

We all know the key definition of financial strategy that only turnover is fact and profit is something that we can "make". The same fact remains in organisational relations where we can define the profit made from particular relations, but we cannot clearly distinguish the additional surpluses and positive impacts attached to the partnership. Interestingly, it can be noted that big or growing organisational turnover attracts people and human relations increase turnover, thereby encouraging the development of stronger ties.

The share in organisational turnover directly influences the strength of relations where the bigger the organisational turnover with a particular partner, the stronger the relation. The mutually developed turnover is extremely important for evaluation of the role of supplier or customer. For instance, the Managing Director of a distribution company said that:

> "This is a key to manage healthy and sizable turnover for both parties without but at the same time complementing each other. Mutual turnover is probably the best indicator of the level of cooperation. If we start with our partner with relatively small, or we can call it trial turnover, few years ago and now it has grown substantially, that means we are doing well together and our relations are strong."

In comparison to strong ties, weak or service relations cannot make a big impact on organisational processes or financial results and, therefore, companies which provide such services will always be in a tougher or more vulnerable position. Value-adding relations are more crucial as they already have a direct impact on organisational turnover as a whole, as well as through promotional, training or other activities.

Strong relations reflect mutually sufficient turnover and it often reflects to what extent companies serve each other, and how they are mutually dependent. It can be an exchange of certain resources, but it can also be the entire business built around servicing one relationship. Here, we come to the important point of imbalance in

relations where, for instance, share in the customer's turnover may be much bigger, in percentage terms, rather than the share in turnover of supplier, which thus influences the power leverage. An old adage that says "do not put all your eggs in one basket" is applicable in such a scenario. If a company is taking a risk and allocating too much of its turnover to a particular supplier or customer, then it becomes directly and strongly dependent of the relevant partner and its performance is shackled to the partner's performance, even its style of conducting business. This becomes transparent when, for instance, a small producer agrees to become the sole producer of its own brand for a big retailer without the rights to produce any other product under its own brand name. This story will never have a happy-ending.

If the share in turnover falls without reason, it is a warning signal that something is not right and requires immediate action. This is particularly related to strong and intermediate ties where the loss of an important supplier or customer may lead to an overall loss to the organisation which will be difficult to recover until new relations are developed to the same level of effectiveness. For instance, the Sales and Marketing Director of a high-purity gas extracting company commented that:

> "The share in our cash flow or turnover reflects the strength of relations. Otherwise what is the point for us to pay more attention to someone who buys a little and not regularly? We will serve our big customers first."

Emotional support and commitment

It does not matter to what extent organisational relations remain pragmatic and purposeful as emotional attachment is still ultimately important. Stanko et al. (2007) suggested that "emotional intensity is found to be an important driver of commitment. It influences the commitment above and beyond the influence as explained by the behaviour-based tie strength dimensions."

Nobel Prize winner in economics Daniel Kahneman explained in his book, "Thinking, fast and slow" (2013), that when we think fast

or decisions are emotional, these decisions are based on our emotions because they operate more quickly and, often, they are right. In this sense, whilst analysing how practitioners react in different circumstances we must consider their emotional approach, which is often neglected or viewed as not important. Kahneman explained that we think slow when we must be fully logical, calculating and effortful. We must also think fast when we are under pressure and our thinking process is automatic, subconscious and emotional. The emotional side of business relations remains critically important. For instance, the General Manager of a large distribution company said that:

> "The stronger the relations we have in business, the more often our emotions are involved. It can relate to our willingness to support an old partner, or have a longer conversation with a customer, or using emotions intuitively in conflict resolution, and it seems that without it we cannot interact with other companies. Otherwise, it will be purely formal, and therefore not as effective and enjoyable."

Emotional attachment makes all relations different and particularly stronger if an element of mutual commitment exists (Konovalov and Norton, 2014). It also makes relationships more multidimensional, and therefore more productive. The often neglected aspect is that mutual commitment must be present in a relationship. Emotional attachment directly influences our decisions and it often plays a critical role. For instance, a Managing Director of a fishing company said that:

> "Our sympathies and emotions define our choices and preferences, which are reflected in the choice of partners, transactions pattern and style of interaction and it is confirmed and supported by both sides."

Therefore, emotional intimacy defines or at least strongly influences organisational willingness to cooperate and the commitment towards relationships and partners. Konovalov and Norton (2014) stated that "if an emotional attachment exists in relations, then the willingness to co-operate goes beyond the rational choice." In other words, emotional intensity reflects the

informal side of relations and actual nature of relations and commitment behind it. By referring to Gilliland and Bello (2002), "emotional intensity refers to the degree to which partners have feelings for each other beyond the economic transaction. It includes emotional attachment with regards to feelings that if the relationship separates, the meaning of the relationship beyond the products exchanges, and to the excitement exhibited in the relationship. It represents the strength of emotional bonds, and the social pull towards harmony and support resident in the buyer–seller relationship."

Operational efficiency

Managers like talking about big names and how it can be potentially profitable to have contract relations with large, successful (n.b. not all successful companies are famous) companies. This is based on the perspective that everything will be done in the best and most efficient way. However, the reality is that this is not always true. Quite often, organisations are not good at all in managing operational processes such as dispatches, store handling, invoicing, export documents presentation, packing, assortment in the order, and all other things well-known to all business people. For instance, the Managing Director of a big aerospace and navigation systems supply company explained that:

> "We have been attracted to the product of a famous German manufacturer and we were desperate to purchase their product. Our first experience showed that they have changed the specification without even informing us, presented documents with a big number of serious mistakes which caused us serious problems with customs clearance, and forgot to place some important parts into the box. We thought that this is just a one-time experience and it will change. The Germans ignored our letter and complaints, and did exactly the same mistakes in the second shipment. After the third shipment with similar experience, we stopped placing orders with them and remained as formal relations."

Such mistakes cause extra costs and no one is happy to pay it as all organisations expect smooth transactions within a projected

budget. Operational efficiency is one of the key factors which define the willingness to deal and develop relations further as it is seen as a confirmation of professionalism, as well as attention and respect to the partners. For instance, the Chief Architect of a large organisation stated that:

> "All our contractors come on the tender basis justifying their abilities and potential performance. However, if I see that our contractor is not efficient in their operations, and particularly in daily or routine operations, then most likely I will consider this as not a sign of willingness to deal with us as poor operations cause delays for us and other contractors, therefore making the project more expensive and poorly managed. Otherwise, they have enough experience to do their job in a proper way. My reaction in such cases is quite simple; I prefer to change the contractor if possible."

Organisational status serves a serious role until the first mutual transaction where professional and managerial abilities are shown. If an organisation can prove positively its operational efficiency and managerial skills and abilities, then people are willing to develop relations with such an organisation. If an organisation cannot provide an appropriate operational service, then more likely it will end-up dealing with organisations of a similar quality or level of performance, and in fact will not develop their capabilities, despite the declared status. No one wants to deal with a company with bad operations which cannot deliver a product or service in the promised time and format or cannot receive a product or parcel without a lot of hassle. It is preferable to walk away from an operationally incompetent partner. In the words of Porter (1996), "operational effectiveness means performing similar activities better than how rivals perform them." Porter argued that the differences in operational effectiveness are reflected in the firm's ability to eliminate wasted effort, employ more advanced technologies, better employee motivation, and greater insight into managing particular activities. Therefore, if an organisation aims to achieve better results through collaboration, then operational performance must be adjusted accordingly.

Operational effectiveness becomes key to the evaluation of

performance in the collaboration stage of organisational relations and it is the business card of professionalism and an indicator of management efficiency which is used as a critical criterion in evaluating the performance of relationships.

Communications style

Communications style defines how easily we understand each other and how our messages are processed. If we cannot understand each other, then we cannot do any transaction effectively and in time. A simple example, but unfortunately one that is often seen – an organisation which is trying to act internationally does not have anyone in the office who speaks a foreign language. One should have a good sense of humour to resist this.

The communication style which is chosen by managers responsible for collaboration, whether formal or informal, must be clearly understood externally without translation effort. Or in this case, translating the organisational power and social influence should also be supported by a consistent nature of communication flow. Unfortunately, it is often neglected and even the organisation's own employees have serious difficulties understanding messages and the logic behind them. Important issues remain: what sort of meaning is passed through those inconsistent messages and to what extent they lead to doubts. This is always viewed by external actors as inconsistency in communication and unwillingness to cooperate, or even as an aim to cheat. This damages potential relations which are usually affected because of this reason.

Communication style defines the ability to transfer organisational vision and strategy to the outside world and, by doing so, motivate other organisations to maintain the relationship. The ability to communicate about organisational product or achievements is vital in a competitive business arena where people should understand clearly why they want to develop relations with particular organisation. In other words, whatever we are telling to the external corporate world, the same response should be coming back.

Formalities and transaction costs

Overwhelming formalities are barriers which increase transaction costs, directly influencing organisational success. Transaction costs stemming from the need to serve organisational ties in a cost-efficient manner while negotiating, monitoring and enforcing all contracts and agreements remains a critical factor that causes many frictions. Referring to Hannan et al. (2007), transaction costs are constituted by the friction in the system caused by uncertainty, limited information, market imperfections, networks, and the individual behaviour and preferences of actors. The problem is that such difficulties are often created artificially. This is not an optimal way of choosing better suppliers or customers, but often a way to turn your cash flow away as fewer companies are willing to deal under such terms.

Difference in strength ties reflects different transaction costs. For instance, in terms of strong relations it is easy to negotiate a deal as not much effort must be spent on monitoring the enforcement of a contract as things are well tested between companies in previous deals. If something has gone wrong, it can be regulated informally as the strength of the relationship is high. In terms of value-adding or intermediate ties, transaction costs will be higher as more effort must be spent on controlling, monitoring and sometimes in enforcing the stages. Negotiation of the deal is more difficult for suppliers as it is under the threat of contract refusal, or at least of the possibility for such, and customers who are well aware of such potential tend to raise inappropriate contract terms which lead to the escalation of transaction costs for supplier. Transaction costs remain high in service and weak relations due to the need to monitor all contract stages. Having low contractual value weakens the relations, which still demand strict monitoring and even enforcement in some cases, similarly for effort and costs.

There is no reason to develop any organisational relations if a potential partner raises unsolicited and unreasonable terms for the contract, increasing unjustified costs. Such things often happen where contract terms are dictated by the buyer or supplier and go

beyond rational explanation. For instance, the Managing Director of a distribution company explained his experience of supplying for a retail chain:

> "Developing a contract with a retailer is a tough exercise where you need to allocate a special staff to prepare all the documents. The contract itself can be about 70-90 pages long, including specifications and addendums. I will go for such terms only if I feel that the results can be very marginal."

The Managing Director of a large aerospace and navigation systems supply company also mentioned that:

> "We stop being involved in different tenders where quite often the terms are unrealistic and also the winner is actually known. Even the preparation of the relevant documents for a tender can be an exhausting task. Thus we decided to cut costs and not being involved in such business lottery."

A lot of small print, formal barriers and requirements do not help the development of productive relations, unless absolutely necessary.

Trust

We cannot ignore the importance of such crucial factors as trust, particularly when organisational relations and competition are imperfect. Trust defines the relations between people and organisations and remains indispensable. It was said a long time ago by Williamson (1975) that "trust is important and businessmen rely on it much more extensively than is commonly realised." Simple customer satisfaction is not a guarantee of organisational success anymore and the development of trust becomes an important aspect in organisational agendas, where organisational effectiveness and lowered transaction costs are at stake. We are talking about trust in its actual meaning and nature, and not just loyalty, which is often mentioned in the context of different sales actions.

How is trust in an organisational context defined? Nooteboom (2002) pointed out that "a universal intuition about trust is that it is

an expectation concerning the behaviour of others." Trust is a complex issue and the development of it is a complicated process itself. Mayer, Davis and Schoorman (1995) defined three dependable factors influencing trust development: ability, benevolence, and integrity.

- "Ability is a group of skills, competencies, and characteristics that enable a party to have influence within some specific domains." Ability is directly related to the organisational capacity to utilise all available resources in the most efficient way and provide the most value to the final customer. In other words, people read the same books, but have different knowledge and ability to share it with others. There are various new products in the market each day and the issue of quality and price is only counted by the customers.
- "Benevolence is the extent to which a trustee is believed to want to do good to the trustor aside from an egocentric profit motive." Benevolence can be viewed as a driving factor for effective cooperation, where both parties are looking at mutual gains through active cooperation and support, and where both organisations involved in the process have the same principles of business conduct. This is probably the reason why alliances of more than two parties involved are more difficult to coordinate and manage as there are probably some deviations or differences in the principles of conduct and there are more chances for opportunism.
- "The relationship between Integrity and trust involves the trustor's perception that the trustee adheres to a set of principles that the trustor finds acceptable." A fair business is anticipated by all, but opportunistic behaviour is presented more than often. We have a strange situation where more organisations are talk about integrity than actually practise it. Actual integrity is incorporated in organisational behaviour and the managers' decisions and actions, and it can be immediately seen by all external stakeholders.

Trust in organisational relations is a very sensitive issue. It is as

stable as in personal relations, but always calculated by all parties involved in a transaction. For instance, the CEO of a large construction organisation explained his view that:

> "Trust is always calculative in our business relations. Of course, in some cases where I know the partners well I can take a decision which will reflect my knowledge of them, but I will not take the risk to go any further."

The nature of trust in business is different to the nature of trust in personal relations as it is institutionally-based and not relations-specific. This phenomenon can be explained by this hypothetical: if an organisation crosses the thin line by trusting too much without having enough evidence, then it is more likely this will lead to opportunistic behaviour by the counterparty and then, ultimately, lead to a loss. This is reflected in the nature of difference in trust towards suppliers and customers. Trust towards suppliers and trust towards customers have different strengths or levels, where the trust towards suppliers is stronger. The basic for such imbalance is explained by the fact that who pays to whom and that is where the risk is higher. As explained by the Managing Director of a big auto dealer:

> "I trust my suppliers for sure, but will not trust any of my customers unless all is paid; even my own father. It is always a difference in trust to these different groups."

It is not easy to develop trust, but very easy to damage it by providing inconsistent promises and their fulfilments, faulty declarations and inappropriate organisational policies. Galford and Drapeau (2003) viewed inconsistent organisational messages as one of the biggest enemies of trust by claiming that "one of the fast-moving destroyers of trust, inconsistent messages can occur anywhere in organisation, from senior managers on down. They can also occur externally, in the way an organisation communicates with its customers or other stakeholders." Trust is fragile and easily damaged. Damaged trust causes additional transaction and governance costs, loss of reputation, loss of suppliers and customers and it is costly to repair.

Reciprocity

Reciprocity remains the basic rule for any operations within a human society which is based upon unpronounced understanding of support and fair exchange. Reciprocity is imprinted into our behavioural pattern and this is the best way to create a strong network of company supporters, who will provide tangible and intangible support if needed. This pattern is particularly transparent in old-fashioned industries such as fishing or meat-processing industries. Such networks are seen as anchors which allow the organisation to withstand a storm.

The time-lag of fulfilment of reciprocity obligations remains an open question, where the closer organisations are located, the more likely reciprocity operations are to occur. It can be any kind of reciprocal exchanges, i.e. information exchange, support in outfighting competitors, etc. The transfer of resources is directly dependent on organisational relationships through which resources are transferred, characterising mutual exchange and contributions from which both actors benefit. Rank, Robbins and Pattison (2010) said: "Cooperative relationships are only stable if they are characterised by strong elements of mutual exchange whereas the one-sided transfer of resources is rather unlikely to occur."

Strong relations have incorporated a sense of mutual support and reciprocity as well, where weaker relations represent more of the "formal" obligations, which are often not fulfilled. Therefore, it can be concluded that mutual support and willingness to cooperate are prerequisites of effective reciprocity in the organisational context and if relations are stronger, the need for enforced or "formal" reciprocity, which is often seen in weak relations, is reduced.

Organisational Status

What is organisational status? So much has been said about it, but not all managers can clearly define its meaning. Magee and Galinsky (2008) explained that "power, related to one's control over valued resources transforms individual psychology such that

the powerful thinks and acts in ways that lead to the retention and acquisition of power. Status, related to the respect one has in the eyes of others, generates expectations for behaviour and opportunities for advancement that favour those with a prior status advantage." By analysing this suggestion, we return to the issue of effective control over resources which allows power and status to be increased, thereby obtaining even greater control over resources.

Historically, we consider some organisations as being higher in status or rank than others due to exceptional capabilities and control over resources, whether on supplying or purchasing sides. The value of status is unquestionable and remains forever as an advantage in any circumstances. That said, it is not completely infallible. High status attracts new relations and industry contacts very actively, but this only lasts until the first actual transactions where the organisational status must be supported by operational efficiency which proves the professional calibre of the highly regarded industry giant. For instance, a Managing Director of a construction company commented that:

> "We are dealing with few big "guys" who are big even on a state level, but in most cases it is a nightmare and our profit is lower whilst dealing with others. They cannot do a normal efficient job neither in clearing order, coordination of own staff, payments routine, or project support. We are dealing with them only because of the scale and promotional tool to show to others that we are dealing with such people and therefore, we are equally good. However, it turns away smaller clients who are very good for profit making and think that we are unreachable as our big partners."

Here comes an interesting phenomenon as people tend to look at the status supporting organisational features such as building, equipment, facilities and location with more attention at the first stage of relationship's establishment or, should we say, at the introduction stage. All of these are good credentials showing that a potential partner is capable at something. Then, it comes down to the actual professionalism and excellent operational efficiency. For instance, the status-supporting accessories are not equally important for all organisations. Producers can show that their product speaks

for itself and the organisation, and this type of organisation is dependent on the location, a nice office or some special facilities. They need sufficient technology and production equipment. Knowledge-dependent organisations are in a different position as they must prove to others their exceptional expertise, which allows them to have everything that they may need like expensive offices, latest computers, fancy facilities and other fancy things. Again, all is good until the results are to be provided. The building and facilities must support not only the declared status but the product or service that the organisation is providing. We can say that as soon as these firms start flashing what they have and not what they can do, this is a big warning signal, which must be read with great attention.

Institutional context and local culture

Institutional context and local culture directly influence the pattern of a relationship's development. Organisational ecology has the most impact on the traditions and habits of a business's conduct, and the development and exploitation of organisational relations. The most notable difference is caused by the low- or high-context culture in which the organisation acts. High-context culture will lead to a higher frequency of formal and informal transactions and active informal discussions behind the scenes, thus increasing the strength of organisational relations. Low-context culture defines the formal and fully-articulated nature of relations which seldom goes beyond the format of mutual business and operations and even the tempo of relations is different to those in high-context cultures. High-context cultures are contextually rich where expression, communication style, each word and attitude in a different situation matter. For instance, business people from high-context cultures aim to see the personality of the partner before making a deal and develop business relationships with a big part of emotional and personal involvement.

The role of state and bureaucratic systems must also be considered, whether it stimulates business development or not, in trying to keep market processes under control. This is not affecting

the relations directly, but the overall economic structure can stimulate the development of long-term relations as in developed economies or be bound by short-term goals as in some emerging economies. Focused strategies are often seen as inappropriate and even wrong for emerging markets (see Khanna and Palepu, 2000; Konovalov and Norton, 2014). Ad hoc strategies are definitely not motivating or stimulating for development of strong relations. In such cases, relations development skills come forward, allowing quick access to resources and the transfer of the tested relations to another organisation if needed.

Discussion

Relationships management is a job for professionals and not for amateurs. However, despite its importance, organisations put serious effort into gaining access to resources but as soon as this part of the task is completed, the service of the relations is assigned to low-level managers who may not realise the value and importance of their duties. Unfortunately, they are not very capable of evaluating the importance of resources and relations that they manage and, as a result, often do a faulty job. They cannot foresee the potential damage from their poor performance and this becomes very costly to the organisation.

Effectiveness of organisational relations defines organisational success or failure. In this respect, all factors which we discussed must be considered and actively analysed on a regular basis. It is like checking your fishing net, seeing whether it has brought in a good catch, or like having halls which have not been cleaned of rubbish or debris. Development of effective organisational relations is a synergy of synchronised factors and mutual commitment of partners. By building stronger organisational relations, we are making our organisations stronger, healthier and wealthier.

CHAPTER EIGHT

METABOLISM AND STRUCTURE

Organisational metabolism

There is an invisible and vital process which is constantly happening in all living organisms which is called *metabolism*. The term metabolism is derived from the Greek word *metabole* which means change. Not one body can exist without metabolism which is responsible for food digestion, production of energy and body building. The metabolism is responsible for the growth of organisms, reproduction, structure and responsiveness to environment, all of which happens via the chemical reactions in different body organs and among different cells.

The same process happens within organisations, where all resources are transformed constantly by different functional parts, constituting the nature of all organisational processes. The human body also needs sunlight (vitamin D) to trigger effective metabolic processes. An organisation needs energy from external environments which can be articulated in different forms of resources and support, which "warm up" the internal metabolism. Each organisational function produces particular types of "chemicals" needed for resources digestion, and transforming energy from external sources and internal reservoirs, thus utilising resources and securing sustainable organisational functioning.

Metabolism is dependent on the structure and weight of the body and food digested. Organisational metabolism depends on the structure, size of organisations and resources utilised in organisational processes. Therefore, organisations of different archetype and size will have different speeds of metabolism as they utilise their natural resources differently. The patterns of

organisational processes are also different. The organisations' ages also have a direct impact on the speed of metabolism which is similar to metabolic processes in the human body at different ages.

Let's think about the beauty, rationality and perfection of any creature. All of them are purposefully built and each part of their bodies is extremely practical and effective. Specific features, abilities and unique qualities allow them to survive in their often very tough conditions in order to adapt to their environment. What about organisations? If an organisation is purposefully built, then the structure looks organically appropriate. However, if the managers are "loosely creative", then most likely the structure will be quite shapeless and not rational, reflecting merely "dreams" and not the purpose. In such cases, all excessive weight and functions added to the organisational body without reason and purpose demands more calories, i.e. resources, to be consumed and transformed, in order to fuel them up, therefore not adding to profit but slowing the core metabolism and taking valuable resources away from the core process. For example, we cannot imagine the symphonic orchestra with the percussions being placed at the front.

Whilst establishing an organisation, people should clearly understand that the aim of design is to group and integrate people, technologies and information involved in the processes of achieving organisational goals. The formal lines of authority and power within an organisation are defined by the organisational structure, which also dictates the roles of each position. However, the structure of an organisation must not only consider the number of departments and lines of reporting, but effective composition of functions securing effective synthesis and utilisation of resources. Organisations are different in their structures due to the difference of their strategic goals and conditions. It is like the polarity between carnivores and herbivores, and those living in different climate conditions. They are structured differently to fulfil their purpose. Similarly for organisations, we naturally expect them to be structured to fulfil their organisational purposes and conduct all relevant activities.

Depending on the nature of a strategic task, the role of different functions becomes more or less prominent. The composition of functions and departments designed with the aim of achieving the highest performance in fulfilling specific organisational tasks can be altered with the alignment of tasks and goals. Simply speaking, would you design a racing car with off-road suspension and a large boot for your fancy luggage? No, it will be a car of pure muscles and shaped for ultimate performance.

Structural types

The size and scale of organisational transactions make design processes even more complicated, particularly when it comes to large organisational bodies with a number of branches, divisions and departments. There is no single approach of how to design an organisation due to a tremendous number of specifics such as goals, processes, purposes and capacities which founders and managers try to imprint into the organisational structure.

The most notable contribution to the area of organisational structure probably came from Henry Mintzberg (1980) who offered an excellent and detailed discussion starting by delineating the basic parts of an organisation which must be included into design structures and labelling them as the design parameters. Mintzberg suggested that all organisations consist of five basic parts:

- The *operating core* includes all employees who produce the basic products and services of the organisation, or directly support their production
- The *strategic apex* consists of top general managers of the organisation and their personal staff
- The *middle line* is comprised of managers who sit in a direct line of formal authority between the people of the strategic apex and the operating core
- The *technostructure* consists of analysts, out of the formal "line" structure, who apply analytic techniques to the design and maintenance of the structure, and to the adaptation of the organisation to its environment (accountants, long-range

planners)
- The *support staff* include groups that provide indirect support to the rest of the organisation (e.g. typical manufacturing firm, legal counsel, public relations, payroll, cafeteria).

Mintzberg (1980) initiated a typology of five basic configurations of the organisational structure: simple structure, machine bureaucracy, professional bureaucracy, divisional form, and adhocracy, where each type of organisational structure is constructed with the prominence of different basic parts and coordination mechanisms.

The smallest and simplest form is called a simple structure and is characterised by the prominent strategic apex, which coordinates by direct supervision and thus is highly centralised. The simple structure is typical for small organisations where it is difficult to form proper departments; authority and control are concentrated in the hands of one or two owners or managers, and internal relations are not formalised as well. This approach allows for quick and effective internal knowledge transfer, short cognitive distances, flexibility of work assignments, and a high level of decentralisation. Most start-ups are built using the simple structure.

Machine bureaucracy is constructed with the dominance of technostructure, where jobs are highly specialised and formalised due to the importance of work standards. This structure is characterised by vertically centralised power, very large functional units, and associated with mass production technical systems.

When a business is built around standardised skills in its operational core which exists in complex and stable environments, organisations turn to the professional bureacracy form which is characterised by highly specialised, but minimally formalised jobs. This assumes extensive training and grouping on concurrent functional and market basis, large operating units, and decentralisation of vertical and horizontal dimensions.

The divisionalized form reflects a good deal of power being

delegated to the middle line, market-based units. The joint effort of these units is coordinated via a high degree of standardisation and extensive control systems, and typical for large and mature multinational organisations.

The adhocracy form is recommended where a great deal of support staff collaboration is needed and jobs are fairly specialised and require a lot of training with little formalisation. This form is built on small units constructed to combine market and functional bases in matrix structures and selectively decentralised.

It must be noted that each structure that is ideally designed will have advantages and drawbacks due to the changing nature of the environment in which organisations act and reflect the dynamic nature of the organisation itself. However, Mintzberg (1980) admitted that the structural properties that he discusses are directed for "ideal" or "pure" types of organisations. There is no single prescription or scenario which can be offered as all organisations are different and unique and in most cases are not "ideal".

There are also other structural forms that are actively used to design organisations and elaborate the best of organisational capabilities, such as functional, divisional, matrix, team and networking, and learning organisations. The functional structure is based on uniting positions into units of the same activities, skills and resources handled, such as production, finance or marketing. With well-defined lines of reporting and communications, the functional structure assumes the separation of expertise and slow decision-making caused by delays and frictions within a number of hierarchical layers typical for such structure and, therefore, is not appropriate when good coordination and understanding between people from different departments is required.

Large organisations with a broad range of products and activities tend to use a divisional structure which operates in the development of specialised divisions and departments that are assigned using different principles and general roles, such as product or geographical location. Divisional structure allows for

controlling resources, maintaining effective reporting systems, and maintaining organisational flexibility despite the large size.

The matrix structure is developed in order to stimulate communication between departments of the divisional structure, thus developing functional expertise while remaining focused on divisions. The original aim is to instil better cooperation between departments, exchange knowledge and expertise, and by doing so it improves the quality of service while remaining flexible. However, one cannot serve two bosses or we cannot be at two places at the same time. Employees appear to be under the command of two bosses which makes employees' lives fairly tough, hectic and not very encouraging. The biggest drawback of the matrix structure is that it may cause the "silent" resistance of nervous and moderately loyal employees. The matrix structure results also increase the governance costs.

The team structure is actively used when it comes to solving one serious problem or exploring opportunity, where the assigned team is composed of specialists from different departments, often called cross-functional teams. It is also known as the project structure if it exists on a permanent basis. Depending on the objective, such teams can be viewed as organisational ice-breakers or explorer's expeditions motivated by the prospect of the highest achievement. A high efficiency team structure is achieved by a quick decision-making process as structural barriers are removed, allowing for faster progress, a high level of expertise as a team and in specific areas, and not demanding additional costs. However, it would be ideal if the level of loyalty and commitment among team members is similar to a good balance of "doers" and "talker".

Several global organisations with a wide range of businesses and products are structured in the form of autonomous internal units, such as ABB (Asea Brown Boveri). Each unit works on its own products and clients. At the same time, they are fully responsible for their own accounts, marketing, sales, and so on. This approach is relevant for large organisations whose resources are spread extremely widely and whose centralised structure makes

it almost impossible to manage it effectively.

With the growth of networking businesses and remote forms of sales and services, the network structure of organisation is introduced to allow organisations to perform without investing in permanent employees, rather having critical functions conducted by assigned specialists. This approach is also called boundary-less organisations. Limited overheads, low costs and wide coverage - all of these might sound great, but there is no actual control which exists in such organisations as working discipline and performance are the responsibility of individual contracted people, who could hardly be called employees. From one perspective, this structure proves to be efficient when it comes to distributing specific products (such as with Avon), services of freelance experts, subcontracting, and other different outsourcing services. On the other hand, the contracted company or individual can drive the organisation's performance, reputation and results into jeopardy by poor performance, faulty quality and inappropriate attitude towards customers.

The growth of a number of knowledge-intensive organisations and organisations which are dependent on continuous learning and adaptation drives the development of the concept of the learning organisation. The main idea of this approach is addressing the stimulation of active knowledge and information sharing amongst employees and to rely strongly on the organisational culture. This approach recalls the team structure in that it has similar aims, but is conceptually applied on the organisational scale.

Organisational design

Managers face the issue of designing and redesigning an organisation quite a number of times in their career and it is never as easy as it sounds. The process of design begins with thoughts about the purpose and goals of organisations, strategic peculiarities, uniqueness of business model, market conditions, customer portrait, power structure and job descriptions, and a number of other important considerations. The aim is to design an organisational

structure which will be rational and lean, in terms of our discussion, and is purposefully structured and fit for organisational goal achievement without unnecessary frictions. This issue goes far beyond the point of who controls what or power distribution. The core issue is to create fit and athletic organisations where each structural element should be appropriate in terms of size, shape, functional capabilities and accountability whilst being naturally indispensable to the process of organisational metabolism.

The logic of achieving organisational goals defines the logic of processes layout, where the issue of flexibility and elasticity in case of changes must be considered. No one wants to have an excessive function or department which is not useful or inappropriate. Such departments are not just an organisational rudiment which consumes internal energy and resources, but also an organ which slows down the metabolism dramatically. For instance, a respondent from one of the top-ranked business schools who wished to stay anonymous described the school's marketing department, where people who could simply forget about a forthcoming event and not inform their media partners about it, but at the same time each department member travels to one of the West Indian countries at high season as a business trip annually. Strangely, no students from this country ever studied at that business school. This example highlights that besides the lack of accountability, such a structural organ is not producing any "ferments" in helping to utilise resources, at the same time making the system more expensive and slowing organisational processes. It can thus be considered a "parasite" to the organisational goal achievement.

More specifically, when designing an organisation, the multidimensional nature of the task and dependency on parameters such as job specialisation, behaviour formalisation, training and indoctrination, unit grouping, unit size, action planning and performance control systems, liaison devices, vertical decentralisation, and horizontal decentralisation should all be considered carefully. Internal balance and coordination is addressed via the application of direct supervision, mutual adjustment, and

standardisation of work processes, outputs and skills, where the age and size of the organisation, technical systems available, environment and power must be considered as contingency factors (see Mintzberg, 1980).

Having drafted the general understanding of design and with processes being finely attuned, an organisational chart can be created. Any structure reflects different costs of governance which are outweighed by operational efficiency and accompanying constraints. It is important to leverage people's skills while protecting those critical for the organisation - experts who hold the critical knowledge and skills to help ensure the organisation's uniqueness. People as skills carriers must be correctly positioned as a matter of effective and smooth processes, with minimization of doubtful or potentially problematic internal relationships links.

The issue of power distribution and effective structural hierarchy will always be an issue due to changing priorities. Humans tend to avoid responsibility, but have decision rights and, therefore, clear and strict assignment of roles is crucial. This is not a simple "tick-box" exercise, but the process itself which allows organisations to enable the chosen strategy or not.

Organisational product cannot achieve a desired and ideal shape without the perfect and faultless involvement of all departments. Functions add their part of shaping "enzymes" into it because of the metabolism process. The metabolism can be seen as a cross-regulatory production. This is similar to the co-functionality of heart, liver, stomach, lungs and others. This is not a chaotic action, but a logical and consequential process with a certain timing allocated for each department to perform the job assigned. In this sense, the age of the organisation itself is not a reason for structural changes as it already proves to be efficient unless the efficient interaction and simultaneous collaboration of all functions demands revision and revitalisation. In order to stimulate the metabolism, the internal barriers between functions should be as low as possible. Otherwise, all of these bureaucratic fences and traps which are slowing the organisational metabolisms are not given, but invented

by managers and often justified by the need for control, but result in low synthesis. It reflects the situation where unnecessary strict control of food consumption leads to anorexia and not to the model shape.

It is known that nothing comes from nothing, and we can look at organisational metabolism from another angle using the law of conservation of mass in chemical reactions which states that the quantity of mass of the product received is equal to the quantity of mass of all elements involved in its reaction. Thus, the value of a product or service produced by an organisation will be equal to the value of resources employed and the values added by each organisational function. In this sense, the structure of the organisation should not restrict functional departments from adding the best of their capabilities. If the functional department is not adding value to the product, then it will be logical to conclude that it spoils the product as it takes part of the value away.

Most importantly, metabolism is a strategic issue, being the basis for effective resource utilisation and high efficiency of internal processes that allow organisations to develop a winning strategy, even in tough conditions.

CHAPTER NINE

SYNERGY OF FUNCTIONS

As discussed in the previous chapter, each organ is responsible for the production of certain amount of particular enzymes necessary for transforming food into energy. Organisations are also complicated organisms which cannot survive without particular functions such as production, operations, sales, marketing, finance, IT, and so on. Each department is responsible for producing its own chemicals and shaping the product during the organisational production process, thus allowing the organisation to live and move along with the market. Each department adds its own contribution of chemicals as well as involving in shaping the organisational product.

Managers like talking about value-added products being produced by their organisations and the term itself sounds fairly sacred to them. Unfortunately, while talking about the importance and complexity of adding value to the product, managers are often blurred in their understanding of the boundaries, goals and duties of different functions, seeing them as a loose set of inefficient individuals. We often hear claims and blames directed at an unmanageable IT department, or inefficient marketing department. The loss of a limb causes loss of balance and the human body needs a lot of exercise training the body to balance itself again. Similarly for organisations, improper functioning of one function could misbalance the whole organisation. The organisation's stability is fully dependent on smooth and natural support to all functions, and all of them must work towards enriching the organisation with resources and processing them in the most effective manner.

Each organisational function is also responsible for strengthening external and internal relations opening routes for easy

resources and information flow as well as not blocking important "product routes" which secure sufficient inner flow of resources. For instance, neurological signals from external relations should be processed in accordance with the overall goal and not according to the expectations of the managers of a single department. Cases where the supplier refuses to deal with customers due to the regular delays of payments and strange explanations accompanying such attitude, or customers terminating the contract because of numerous delays in supply, or quality faults leading to extra costs, or a patient who changes his doctor if mistreated by the receptionist, are well known to all managers.

As organisations, we all want to have the same quality of service as our suppliers and customers do – effective business transactions without hassle, and not much different from our expectations. For instance, a prestigious auto producer is facing quite slow sales growth in one of the emerging markets compared to its rivals. The reason behind this serious problem is simple as very young graduates without much experience are selling these very expensive and advanced cars which are produced for more mature customers. A Director of a company, who used to be their corporate client, explained:

> "We cannot find a common language with youngsters who are not bothered about developing relations with the more mature buyers of expensive cars, but only talk about fancy electronic features which are not relevant."

Think of the tremendous effort initiated by the producer that is put into production, R&D, advertising, logistics, and other processes which are undervalued by the department that is supposed to enrich it. The inconsistency of functional processes which are not adding value to the organisation can be seen across different industries. For instance, when discussing the role of operations and service quality of banks, the VP of a big bank commented that:

> "I am working for the bank in which I have a big share as one of the founders. However, knowing that bank "R" is much better in service and quality of operations, I keep most of my private savings

with them and not with my own bank."

All functional processes are interrelated not only in terms of the achievement of organisational goals, but in serving all stakeholders' relations as well and, if effective in this sense, they allow organisations to access resources in the most cost-effective way, thereby reducing transaction costs, developing strong customer base, gaining positive recognition, and securing prospective future. Despite adding value and shaping an organisational product, each function is a portrait of the organisation and the decision to deal with the organisation or not comes from the impression put forward by the functional process that the individuals face first, whether it is a single operation or promotional campaign. Looking at only one function, people immediately decide on the professionalism of the whole organisation.

Operations

Operations are based on knowledge and sophisticated skills which are not static and demand daily enrichment. They are acquired and generated only through productive relationships and within a supportive environment. Operational function is not a performance as it is within the boundaries of a single organisation, rather it is the ability to manage and manipulate resources in terms of collaboration with all stakeholders. Actual operational performance can be seen only in joint activities with other organisations. In other words, it is the professionalism of performing a job for others. The delivery time, appropriate service or documentation, all are done for others and, therefore, can be achieved only in the environment of productive relationships.

Analysing the success of Southwest Airlines (USA) over the last twenty years, Gittell (2009) found that "since capturing the national limelight in 1994, the Southwest Airlines has become a model for providing reliable service in a difficult operating environment and for making profit by doing so. The company's success has been attributed to its intense focus on operations, customers, and frontline employees." Top managers confirmed to the author during

interviews that investing in relationships - not only with its frontline employees, but also with its unions and supervisors - may be more crucial to Southwest's success than the operational focus for which it is so well known.

Unfortunately, it seems that organisations tend to lose the sense of the actual meaning of customer service, or even the sense of the customer's demand and therefore fail to execute their purpose. We always hear that voice message that our call to the bank is recorded for training and monitoring purposes, but do we feel that the quality of service really improves over time? The operational quality becomes more and more vague and even cynical in some cases where the declaration that "we have strong relations with our customers" is just words without meaning. Strong relations will only be reflected in the quality of operations and high culture of collaboration with stakeholders. It leads us to think that despite the loud announcement of service improvement, things are getting worse and organisations are losing the human understanding of service.

The opposite side of the same coin is that the cost of poor operations is actually higher and transaction costs are growing, caused by the higher number of staff involved, massive complaints regulations, loss of customers and suppliers, etc. If customers in other countries cannot receive a parcel sent by an organisation because of mistakes in the shipping documents and face the risk of losing it, it is not their problem but the organisation's, as these customers may not want to deal with the company again and organisations will end up paying for all charges caused by the delays. Why does this happen? Unfortunately, quite often managers tend to ignore the importance of many details which are critical for their partners. For instance, if a container of fresh fruits is sent to another part of the world, but with mistakes in the documents and is stopped by the relevant authority at the delivery port and shipped back, then the careless shipper will pay for all costs, i.e. freight for both sides, value of fruits, and demurrage. These mistakes become expensive if an organisation is not willing to listen to the customer's instructions and operate accordingly. The CEO of a

company dealing in international fish trading commented about such an experience with his Norwegian suppliers:

> "They have been committing errors in the shipping documents all the time. There were mistakes in the health certificates, invoices, shipping and packing lists. The Border control was furious and this caused high costs, penalties, delays in clearance and loss of fresh fish quality, all of which lead to the loss of a product value. It appeared that our supplier decided to save costs and employed an unqualified staff who cannot speak English and not realising what she was doing, but cheap in terms of salary. The contract was terminated with losses for both sides."

Operational efficiency is one of the crucial factors influencing stakeholders' willingness to deal with an organisation on a long-term basis, which keeps operational costs lower due to the scope and scale of transactions, thus securing higher survival rate. This is a mastery of managing obstacles, frictions, inconsistencies and gaining satisfactions from internal and external stakeholders. Southwest Airlines is clearly exploiting its operational performance and relationships' capacities to outperform their competitors. What is the secret to such an advantage? Few critical aspects in terms of operations area suggestions can be made:

- Performance must be evaluated in terms of the value developed for the relevant partner, where appropriate and detailed analysis of all relevant operational processes must be conducted regularly
- The structure of each process must be clearly specified in terms of the cost structure and effectiveness of the parties involved, proving the effectiveness of transactions
- Maintain a strong collaborative environment in terms of each organisational function
- Develop mutually transparent and customised processes
- Operational systems must be adjusted according to the stakeholders' requirements
- Organisational relations in operational processes either local or international must be managed as defining performance and success.

Kuhn (2008) said "intra-organisational power and extra-organisational relationships are two issues central to understanding a firm's operations." Operations can only add value and provide competitive advantage if the organisation is responsive to partners' demands which can be finely adjusted and mutually attuned within the frame of well-developed relations. In the context of organisational anatomy, operational function regulates how much "ferment" should be added by each department to the product before dispatch and follows it through the organisational doors. Organisations also depend on their partners' operational performance, which is considered one of the prerequisites of excellent performance. Therefore, it is vital to select key partners very carefully without hesitating to investigate as much as possible the partners' operational processes, as the chemistry of operational styles should match.

Sales

If an organisation is unable to sell its own products, then it cannot exist. This hormone is perhaps the most critical in the process of resource utilisation. Sales function is concentrated on two key issues – to secure the sales themselves and to achieve greater profitability. The second aspect is often neglected and firms only look at their inventory sales without thinking about the long-term practice of cost reduction which can be achieved only in long-term relations that are much more profitable compared to the transactional approach. A more strategic long-term approach allows any supplier to reduce their discretionary costs and achieve an advantage over competitors who employ the transactional approach. The transactional approach is often taken by organisations that intend to be in a superior position to others, which is not always true in terms of the dynamic nature of business.

Kalwani and Narayandas (1995) found that "suppliers in long-term relationships with their customers face price pressures over time. We found evidence that such suppliers are able to differentially reduce their inventory holding and control costs compared to the transactional sample of supplier firms. It is

interesting to note that supplier firms in long-term relationships with selected customers are able to retain or even improve their profitability levels more than firms that employ a transactional approach to servicing customers. This means that supplier firms are able to achieve cost reduction in their selling, general, and administrative expenses that can be due to factors such as lower customer turnover, higher customer satisfaction that leads to lower service costs, and higher effectiveness of selling expenditures."

Sales is a function which is built on human relationships and a certain amount of time is needed to develop them from a purely transactional relationship into more robust and productive forms. The role of other departments can help to support such opportunities, transforming them into long-term profits, or in other words, transforming random transactions into relationships among partners. The role of sales must be viewed as not only satisfying the demand for a product, but actually in stimulating the demand and creating additional value for the customers. Sales persons should be able to influence the customers' decisions about their products, and the ability to influence comes only in cases where relations are strong enough and tested over time. This often necessitates that organisations change their approach to the sales function itself, influencing the development of partnering and low-conflict repetitive transactions with some kind of "personal touch".

Effective and enriching relations with customers are based on a number of transactions which evolve over time and depend on several factors – mutual positive and productive dependency, actual and measurable benefits gained in transactions, value creation for both sides involved, and mutual support. Mutual value creation should be considered with particular attention as it is an excellent and promising option for both parties involved, but not a simple task. Such an approach demands special skills in building relationships rather than using a "cowboy" approach which is cheaper for organisations, but does not deliver the desired result at the end. Therefore, manpower must be selected, evaluated and trained appropriately, even to a sophisticated level if required.

Marketing

The marketing function is often viewed by managers as some kind of a show which must only keep the customers excited about the organisational product or service. However, this not a simple product wrapping service which cares only for the colour of balloons at an event. This is not just organisational make-up, but the whole fitness regime and diet. The very first and most important part of the marketing function is servicing organisational relations with all stakeholders, whether internal or external, and with deep understanding of the nature and characteristics of the different types of relationships which should be satisfied for organisational gain. For example, in reviewing the marketing function, Corsaro et al. (2013) pointed out that "in business-to-business marketing, the diffusion of the relational view of markets has set in motion considerable efforts to rethink value-creating processes, acknowledging that value originates in long-term business relationships rather than being merely embodied in products or services transacted between buyers and sellers."

However, the relationship-based approach requires clear classification of different organisational ties and their nature. Clear understanding of inter-organisational relations which are archetype-specific allows organisations to reduce the costs of transactions and be more competitive, thus allowing the development of relations which go beyond the immediate and enrich the potential for access to resources, making organisations strategically more valuable. Whether an organisation is dealing with other businesses or directly with customers, the aim is to satisfy all stakeholders involved in the organisational process. Again, everything comes down to relationships. We will look at the "six markets" stakeholder model which, in our view, remains the most comprehensive model in terms of explaining relationships with conventional stakeholders. Originally, the "six markets" model was developed by Christopher, Payne and Ballantyne (1991) and it covers the customer markets, referral markets, influencer markets, employee markets, supplier markets and internal markets. Fourteen years later, the "six market" model was revised by the authors and presented with a more

customised approach, where Payne et al. (2005) explained their categorisation of market domains in the following way:

- Customer markets are made up of buyers (e.g. a wholesaler), intermediaries and final consumers. Each intermediary or member of the supply chain can then be further sub-divided according to the most relevant segmentation approach.
- Referral markets comprise two main categories – customer and non-customer referral sources. The customer category includes advocacy referrals (or advocate-initiated customer referrals) and customer-base development (or company-initiated customer referrals). The wide range of non-customer referrals are divided into general referrals, reciprocal referrals, incentive-based referrals and staff referrals.
- Supplier and alliance markets are next - suppliers provide physical resources to the business and can be classified into strategic suppliers, key suppliers, approved suppliers and nominated suppliers. Alliance partners supply competencies and capabilities that are typically knowledge-based rather than product-based.
- Influence markets have the most diverse range of constituent groups, including financial and investor groups, unions, industry bodies, regulatory bodies, business press and media, user and evaluator groups, environmental groups, political and government agencies, and competitors.
- Recruitment markets comprise all potential employees together with the third parties that serve as access channels. They can be segmented by function, job role, geography and level of seniority. Channels include executive search companies, employment agencies, job centres, off-line and on-line advertising, and using an organisation's own staff to suggest potential applicants.
- Internal markets follow the segmentation used for potential employees in the recruitment market, i.e. by function, job role, geography and level of seniority. Special emphasis needs to be placed on behavioural characteristics for customer-facing employees.

Relationships with stakeholders cannot be viewed as a routine or meaningless interaction, only in the view of mutual value development and further perspectives. Stakeholders would favour an offer which promises them some real values and therefore priority will be given to the products which promise gain and enhancement, either immediately or in the foreseeable future. The basis for this is that future transactions are not guaranteed in the long-term.

Marketing functions are responsible for adding value through the development and maintenance of relationships for both parties involved in an operation and not for one alone, otherwise it would not be business. In this sense, besides the certain value defined by the transactional terms being delivered, the additional relationship benefits such as reduced costs, additional benefits, market recognition, added value, and fair flow of resources must also be considered. Payne et al. (2005) defined the stakeholder value proposition as follows:

- Vision and values. The process of defining the stakeholder value propositions commences with a review or articulation of the company's vision and values. Vision and values should explicitly reflect the basic beliefs and aspirations of the organisation.
- Six markets audit. An audit is required for the six relationship market domains to identify the nature of relationships with key stakeholders in each market. Developing a relationship is not an end in itself, but a basis for creating and sustaining exchanges of value.
- Industry analysis. The industry dynamics in which the firm operates are commonly analysed using a framework such as Porter's (1980) five forces model so that all known forces and less understood contingencies are brought into consideration.
- Relationship objectives. Ongoing relationship marketing objectives should be developed for each of the six market domains. These objectives should be related to the organisation's vision, values and other higher-level objectives.

- Six markets value propositions. Value propositions can be crafted with the intention of creating mutual value – a two-way value exchange that will enhance relationships and secure benefits in future years for both the firm and key constituents.

Unfortunately, the relationships review process is rarely conducted. Whilst realising the actual strength of relations with each particular stakeholder, managers can develop the stakeholder's centred marketing plan. The plan should be focused around creating, delivering and exhibiting value to each particular stakeholder, whether that be in business-to-business or business-to-customer transactions. The relationships will develop and strengthen only if the value is obvious to the organisations involved. Therefore, managers should be in constant dialogue with their counterparts in order to learn about preferences, goals, underlying values and potential trade-offs within the stakeholders' markets.

Knowing the value of resources which are involved in transactions within the frame of each type of organisational relations, managers should develop an appropriate offer which reflects a fair exchange and adequate value generation for all parties involved in the exchange. Unfortunately, in most cases, the actual value of a resource or product must be well-explained to individuals involved. For instance, we expect our dentist to explain what he is about to do and why; or reading the technical data will not give us much understanding of how a new model will satisfy our driving preferences and we still need an expert's advice.

IT

Organisations tend to grow more and more complicated over time and demand the use of more technical systems. We turn to intelligent systems when talking about control of internal resources, accounting, planning, relationships with customers, internal messages, and hundreds of other tasks. One of the critical values which was added only a couple of decades ago allows for the

stakeholders to get inside the organisational product and have prompt access to all relevant data. Being developed only a couple of decades ago, such luxury took all companies by storm and almost immediately shifted minds, habits and technologies forward. It spans from effective and clear accounting forms to advanced CRM systems and assists the integration of different organisational systems and functions. Compared to our business predecessors, the IT function allows precise calculations and modelling of almost all processes, including complex issues such as relationship evaluation and the planning of resources. With the development of ERP systems, the role of organisational relations in the implementation of such sophisticated instruments becomes even more obvious and two-sided. Konovalov and Norton (2014) pointed out that the ERP systems are "configurable information systems packages that integrate information and information based processes within and across functional areas in an organisation. The implementations of this type of systems create a new organisational environment which allows for instant access to information to many stakeholders."

With the development of mobile offices, remote working places and customers based in different parts of the world demand for internet-based systems which allow swift connections for all stakeholders become a must for most organisations. Such systems or software must satisfy all requirements of the organisational processes, interactions and external stakeholders' demands. Systems must be supportive of the development of organisational relations and not ruin the developed customer base and suppliers. Unfortunately, quite often organisations can hear from their partners and suppliers that nothing can be done about correcting a fault or mistreatment as their systems have certain problems meaning we will be treated either wrongly or without understanding the expected results. Therefore, software upgrades and capacities should follow all major sociological and organisational changes in the requirements of the relevant stakeholders, and, more importantly, the systems' patterns and modes should be understandable. IT systems exist and are developed for strengthening the supplier-customer relationship, effective transfer of resources, for mutual gain, and not as expensive "game stations"

with the rules clear only to the provider.

Communication

Globalisation processes and the increasing role of the Internet evaporated the importance of external communication functions for all organisations, whether small businesses or a large corporations. Communication serves a critical role in product promotion, company positioning, and dialogue with remote stakeholders, and as a means of carrying information. This is a reflection of the growing role of social media and social relationships and systems.

Tremendous numbers of companies promote their products and services on Facebook, Twitter and LinkedIn, trying to get as close as possible to their existing and potential customers to continue the discussion in a private manner. Exercising these types of communications with the external world along with traditional methods of advertising and product announcements, organisations are gaining additional power and broader recognition. However, this demands a more structured and meaningful approach, in which the language of communication must be adapted to a particular audience and to particular types of external relations. For example, in order to attract a young generation of customers, Starbucks implemented a "secret" menu for kids who may order special drinks which are not listed on the main menu and can only be found on social networking sites.

How should communication be seen in this socially advanced and well-connected environment? Kuhn (2008) stressed that "in constitutive terms, communication is defined as a process in which contextualized actors use symbols and make interpretations to coordinate, and control both their own and others' activity and knowledge, which are simultaneously mediated by, and productive of, 'texts'. Communication, thus, has no pre-given subject matter. Although it is 'organisational' in the sense of coordinating and controlling activity and knowledge, communication has no motives of its own and evinces no unitary logic."

The ability to influence others arises only in the domain of stronger relations (Konovalov and Norton, 2014) and we can see that the role of communication has a direct impact on strengthening relations with customers as well. The art of communication in this sense is not just in finding a few nice words, but in a continuous manner that appeals to the customers' best interests. Discussing the forms of communication available to managers, Kuhn (2008) explained that "communication is framed as a 'flow,' a transmission of information and orders occurring within an organisational/cultural 'container' constructed by managers. Because the container determines the form of transmission (and because the flow cannot alter the container), these models deem it logical for managers to reduce the cost and variability of communication in the interest of efficiency and control."

In short, if the message is inappropriate, then we cannot influence the audience and we attract negative publicity instead. However, if we know and consider the nature of relations with appropriate groups of customers or potential suppliers, then managers can adjust their message to external stakeholders and gain multiple advantages such as positive reputation, reduced costs, developed trust, open and easy dialogue with stakeholders and attraction of new partners. Communication thus is not a "talking head" which speaks a lot without much reasoning. Organisations communicate with the external world via messages that are aimed specifically at the organisation's partners, supporters and followers, so the language of communication must be understandable to those who these messages are addressed to. The communication style must be focused and accurate, neat, precise, timely, provide relevant information, stimulate productive collaboration, and not be overwhelming. If we have the chance to speak, then let's use it for making friends and not just noise. If organisations cannot communicate their messages, then it reminds us of a person who cannot speak and articulate his message. It is better to keep silent rather than speaking volumes and pleasing competitors. At the same time, if an organisation can communicate with a wide audience, then it is most likely to have a greater number of partnerships and thus achieve greater success.

Human Resources

Organisations cannot even be imagined without the involvement of people, and their success and existence depend on different skills and abilities. People are considered resource carriers as their skills allow the organisation to function, and its ability to attract the best, allowing them to gain advantages which are almost impossible to replicate. Organisational performance is associated not with sweat, but with skills and expertise allowing superior performance where the human function is to search and attract that indispensable, valuable resource. The question of how to acquire the best people remains on the agenda of all organisations. In the light of our previous discussion of age dependence and human resources employment, we want to quote Leung (2003) who suggested that "entrepreneurial firms face significant challenges in attracting and acquiring needed human resources. That is, in addition to difficulties associated with resource constraints and organisation legitimacy, the requirements for "person-organisation fit" change substantially as these firms transit from start-up to growth phase."

From the very first days of organisational existence, the main managers' worries are about how to gain stable access to resources and how to secure the organisation in uncertain market conditions. Again, the answers to these questions remain with people working for the organisation and those who build its value. Unfortunately, instead of being industry researchers and using appropriately logical methods and techniques, HR managers are misleading people and themselves. For instance, whilst working on the job description, we use a qualitative approach to explain formal and informal duties, expectations and desired results. Strangely, the quantitative approach comes forward during the process of the candidates' evaluation. However, these two approaches can be conflicting and give different results, and often lead to unsuitable people being hired.

Another typical mistake is related to assuming that strong relationships are given and not developed. People are relationship builders and such skills are critical for external development and

internal growth. However, such ability comes with experience and cannot be easily taught. Those who build relationships bring resources to an organisation from outside and strengthening it from the inside. Referring to Konovalov and Norton (2014), people who could develop strong informal relations are much better at developing strong organisational relations and the relations within a core team are much stronger if such personalities are involved in a team.

Organisations cannot obtain an ideal match for their entire manpower and the demand for specific knowledge which arises due to the dynamic nature of all industries and organisations becomes a critical concern of HR. People are learning from each other and organisations are as well. Organisational knowledge increases only through collaboration with other organisations and can be seen in the daily routine in terms of information exchange, mutual instructions and comments, joint problem solving and mutual trainings, all of which nourish the development of tacit knowledge. The tacit nature of organisational knowledge is dynamic as it evolves along with the change of processes and relationships, and the composition of people in teams. Such valuable organisational resources can be developed only in collaboration with internal and external stakeholders which are strong enough to facilitate such sensitive phenomena. It must be considered that the nature of relations with suppliers and customers are different, and the knowledge obtained in transactions with them will be different as well. In this sense, training concentrated on problem solving in relationships, partners' support, and understanding customers' demands should be provided on a regular basis.

Knowledge is distributed across all markets, but the question is how equally. Surely not very, or otherwise all organisations would have the same volume of knowledge and it would not be the aim of each organisation to get the most out of it. Knowledge can be gained through formal organisational relations and more often through informal social relations. Informal relations between managers become crucial for accessing knowledge from different parts of the market and from different markets, if it can be

transferred effectively. Knowledge transfer is most effective between equals where organisational relations are also served by managers of the same rank and it must be considered that knowledge transfer has a three-dimensional nature where the horizontal flow of information is secured by non-subordinated relations and often remains most effective (Konovalov and Norton, 2014). Regardless of the complexity of the processes and technologies, new knowledge about them is diffused into organisations, influencing the development which happens sooner or later. In order to speed up this process, organisations tend to employ and strengthen relationships, particularly with technologically advanced and knowledgeable partners. However, simple involvement in the processes is not sufficient for overall organisational effectiveness and additional training must be provided not only in terms of specialisms, but in the coordination of activities and relationships development in order to develop specific skills of understanding of all organisational processes and their dependencies. No one becomes fit without knowing his own body and its potentials. Managers should therefore have a clear understanding of organisational anatomy, functions, and processes, and thus develop superior abilities to spot opportunities and threats.

Discussion

The twenty-first century began with tremendous growth in some industries and a tough financial crisis which has already proven that old formulae of resource generation are not sufficient anymore. Recent crises actually showed that organisations cannot survive on their reliance on inner resources, only in active collaboration with other stakeholders, and through the active use of often remotely located external resources. The need to employ such approaches is addressed by the organisational imperative to act as one strong solid body. It does not matter how many functional departments an organisation could have as they are dictated by the organisational goal, archetype and size. We can continue the discussion of the role of such functions as production, customer service, R&D or procurement, but the main principle of their functioning will be the same, i.e. adding value whilst acting simultaneously with other

functions.

As soon as one or a few departments are not fulfilling their purpose in terms of achieving the organisation's goal, it will be pointless to develop strategic plans as the organisation will not be able to gain and anchor at a new position and all efforts will be wasted. However, the discussion of organisational structure and functions will not be comprehensive without mentioning that in appropriately designed and structured organisation, this shortfall can be compensated for by functional elasticity, which is similar to the elasticity of the human body. All functions support each other if gaps or inconsistencies occur in processes. Functional elasticity is based on efficient metabolism and is defined by the need to utilise or consume resources which are different in their nature and quality. It must also be mentioned that such inconsistencies are absolutely frequent and natural for any organisation, and are caused by imperfection and internal weaknesses, as well as a number of external factors.

CHAPTER TEN

THE WORLD AROUND AND EXTERNAL FORCES

The environment cannot be ignored as it influences even a stone on the side of a road. Humans, too, are always facing the influence of external factors, be it the climate, cost of living, health service or simply noise from neighbours. Let's think of how resource availability, climate and landscape influence the individual's creativity and art. Being limited in resources, the Scandinavians developed a fantastic minimalistic style, where more traditional styles by Italian and Spanish artists have flourished from seeing brighter colours and having a vast array of natural resources available.

Organisations are also strongly influenced by external environments which have an institutional origin. Until the 1970s, scholars mainly concentrated on the role of internal organisational processes which influence performance and they neglected the role of institutional or external factors as forces that shape organisations. Institutions can be explained as social structures which regulate and influence social life and are responsible for the stability of these processes. From an organisational perspective, institutions are vital to the extent which rules, values and meanings may limit the economic rationality of the organisational existence. The pressure of an institutional environment is constant and, in the words of William R. Scott (1995), it is "characterized by the elaboration of rules and requirements to which individual organisations must conform in order to receive legitimacy and support."

Aiming to provide stability and often considered by the public as some kind of wardens of stability, institutions are changing at different paces, process patterns and levels of predictability,

therefore having different and changing impacts on organisations which are difficult and sometimes impossible to predict. We learn about changes in regulations, rules of access to resources, human resources policies, and sanctions every day.

Organisations which act internationally should monitor and react to such changes in different countries where the typology of institutions is much different. At the same time, they encounter differences in the cultural forms of institutions in different countries, which are distinguished by Lammers and Hickson (1979) as the Latin type (Italy, France), Anglo-Saxon type (the USA, UK) and traditional type (developing countries). The difference lies in the degree of centralisation, stratification, flexibility, level of uncertainty, and inequalities. It is important to consider factors typical for certain cultural contexts such as uncertainty, avoidance, power distance, masculinity and degree of individualism (Hofstede, 1984), and whether a country represents high-context or low-context culture.

More formally, institutions are setting "the rules of the game" in the country via the application of different political, social and economic rules and regulations which can be formal or culturally traditional and specific. These rules define the interaction style between institutions and organisations, which differs from culture to culture and from country to country. The issue is that institutional rules and organisational rules will always be different as the latter are configured to be used inside the organisation only. Here, the influence of the pattern of interaction between institutions and organisations defines the willingness of organisations to avoid the rules where possible or evade them routinely as taken-for-granted. The dominant role of institutions in setting rules is defined by the fact that political, economic and social institutions and regulators are politically constructed and, therefore, they also evolve in line with the political and social landscape. They are the rule setters.

Institutions can be formal or informal in their nature. Formal institutions are based on written rules, laws, regulations and acts,

and always have some specific enforcement entities behind them. The changes offered by formal institutions depend on the policy-makers' attitude and, as a result, can be quite radical and unpredictable. Informal institutions are formed by usually unwritten practices, rules, codes of behaviour, traditions and are regulated by the society. Informal institutions are more stable and conservative in regards to changes, and therefore more predictable.

How great would it be if somehow, in some magical way, it was possible to predict all institutional changes and attune organisational processes beforehand, and set them moving in the same direction and at the same pace to fully cope with external changes? Unfortunately, this is a fantasy. Institutional changes have strong and often vital impacts on organisations, remaining unpredictable although organisations are structurally inert and not always prepared to change, and as a result, often take emergency change actions only when it becomes an absolute necessity.

It is also important to consider that depending on the market development stage, the grain of institutional changes – which is characterised by the average length of periods without change - could be fine or coarse, forcing organisations to act accordingly (see Hannan et al., 2007). The selection chooses organisations which are prepared and willing to change at a logically sensible pace. If an organisation followed each tiny change, it would get tired. Frequent discontinuities, sudden restrictions and sharp changes have a dramatic impact on organisational performance, can challenge its existence and in some cases simply assassinate the entire industrial domain. Of course, this is most common in emerging economies with turbulent political situations. For instance, a sudden embargo on the import of food into Russia from the EU in 2014 simply wiped hundreds of companies away from the Russian market with heavy losses, and also damaged organisations from adjusted sectors such as logistics, banks, food processing and retail.

Despite the importance of external forces influencing organisational life, whilst discussing environmental changes

managers tend to be fairly vague and, as a result, interpret the picture in the wrong tones, making it even murkier. It is like having a discussion at a community meeting about the local trout stream being under threat without defining the exact risk factors. Is it a problem of the low level of water due to drought, high water temperature, pollution, excessive fishing, outbreak of new predators, or other factors? Appropriate action can be taken only if the core factor is distinguished from other less relevant factors and the decision is taken based on the nature and scope of the changes and actions needed, whether radical or not.

There are three main categories of external or institutional factors influencing organisations – social and cultural, political, and economic. Each factor has its own pattern and power to influence organisational activity, structure, pattern of business and development of potentials.

Social and cultural factors

Social and cultural factors are constituted by the cultural context of a given society, the role of institutional and interpersonal trust, local social forces, the influence of different formal and informal social groups, the educational level of the population and society's willingness to change. Organisations reflect the cultural and social pattern of the society in which they exist, act and mirror the norms of society. They are already a natural part of that social and cultural environment, and the external social and cultural processes are copied inside the organisations by employees.

Problems arise mainly in two major cases where the organisation is completely new in a country and not unwilling or slow to adapt to the local culture or secondly where, for some strange reasons, the top management decides to act inappropriately and against the traditional principles of that society. One typical problem is ignorance of cultural and social norms, which leads to a clash of "cultural" and "architectural" codes. Hannan et al. (2007) explained that cultural codes represent a system of indirectly enforced codes which are not written anywhere and suggested that values, norms

and traditions are often of a tacit nature. Architectural codes represent a system of directly enforced codes and are usually written in the forms of rules, regulations, instructions, and corporate policy documents. Architectural codes are kept in archives and not always in the human memory. Cultural and architectural codes should correlate with each other, either inside the organisation as internal principles of functioning or as a clearly formulated mechanism of interaction with external stakeholders. Otherwise, a conflict caused by inconsistency and clash of codes can have disastrous consequences for the organisation.

Peter Drucker stressed that "culture eats strategy for breakfast" and reflected the strength of social and cultural factors which cannot be bent or ignored, but have to be respected and adapted to. Social and cultural factors are strong, multidimensional forces behind typical population characteristics such as willingness to accept new products and services, willingness to learn new techniques and approaches, imprinted reciprocity, and general educational level. Having different forms, social factors can have supportive or destructive natures. For instance, in former communist countries such as Russia and Ukraine, businesses are considered by the majority of locals as unfair parasites and exploiters who are not judged by their achievements. Therefore, it will be tough to obtain support in such an environment.

Political factors

Political factors influence organisations in terms of bureaucracy, rules and regulations, political will, the climate for development, level of inequality, support, investment protection, and so on. For instance, governments often implement different tax allowance schemes or joint investments in social projects in order to attract investments. It can be a special privilege for organisations to be involved in some specific business in order to stimulate its development.

Formally, political institutions are those that control rules and laws, implementing new rules, and distributing resources and the

rights to use them at the national and sub-national levels. It is also quite important to consider how the existing political power is obtained and distributed, which influences the social and organisational climate in the way of complementing it or challenging the basic principles of the organisation's survival. For instance, it would be difficult to anticipate productive environments in countries with totalitarian or pseudo-democratic political structures, and organisations would be forced to generate special functions and features needed for survival.

Traditionally, all political and governmental bodies tend to declare their support for the flourishing of local business. However, the simplest indicator of the political willingness to support business can be seen in the pace and complexity of bureaucratic procedures related to the licensing of the business itself and access to resources, whether it is quick and straightforward, or not.

Political forces can be supportive and stimulating, or annoying as they penetrate into every detail of the organisational processes and end up being destructive. In such cases, organisations will not disappear, but form a strong shadow economy as seen in a number of developing countries.

Economic factors

We are highlighting the economic factors as soon as we talk about property rights, business-related bureaucratic procedures, infrastructure, competition, human resources, availability and access to resources, market development stage, etc. For instance, the costs of accessing different resources are controlled by bureaucratic regulators who at the same time can influence how resources are being distributed. The costs of establishing an organisation, licensing, permits, mandatory insurance covers and an array of other bureaucratic and regulatory charges also increase the costs of organisational existence, and therefore the cost of organisational products that are dear to the customers. Thus, depending on organisational scale and scope, the firm might be viable in terms of profitability and existence, without being particularly hostile for

smaller organisations.

It is broadly known that economic development is directly dependent of the educational level of the population. This is related to the quality of the workforce in terms of sustainable development, creativity, ability to develop and implement new and advanced technologies, productivity rate, and the mastery level of managing resources available. Higher quality labour is more expensive, but more productive. The problems of cheap labour are that it is not always cheaper in terms of calculating the production rate versus pay rate, and the quality of the job likely to be lower.

Competition can be considered one of the key factors influencing organisations unless they occupy a monopolistic position. Even so, they face a competition, but of a different form. There are two forms of competition – direct and diffusive. In direct competition, organisations are well aware with whom they compete, whereas in diffusive competition, the counterpart is actually invisible and may be from different industry. For instance, there is diffusive competition between a travel agent and car dealer in terms of which product families may spend their money on.

In any case, organisations are competing not just for fun or for something virtual, but for resources they can use, whether tangible or intangible. Managers often mistakenly consider competition a necessity. Reminding them that this is wrong is not new, as competition is a willingness and not a necessity. This is the willingness to access resources which are already or potentially exploited by other organisations. Often, this is dictated by a limited ability to see additional market dimensions and, instead merely copying others. This is like two girls wearing the same red dress, at the same party.

The same happens in organisations, where managers tend to say that a company must outfight its competitors because it is better by definition, instead of saying that the company must be better by being different in product, quality, operational efficiency and being more competitive. This allows organisations to exploit their own

potentials to a greater extent, occupy better positions and differentiate from others, avoiding being just another faceless company overcrowding the market.

Competition is also a tremendous motivator of organisational progress, which forcefully stimulates the enhancement of existing capacities and the development of new capabilities. Voluntary or not, organisations are benchmarked not only against direct rivals, but leaders in other segments and customers will notice where this process remains stagnant.

The list of economic factors influencing organisations is quite enormous. However, all of these factors are related to either organisational ability to access demanded resources, influencing the costs of them or reflecting the cost of resource ownership. What factors are most cardinal for organisational existence if the choice is available? Let's imagine a diver who faces a pressure of tonnes of water, sharks, poor visibility and strong current. He can survive all of these, but the core resource for him is oxygen and the loss of it means a dramatic end. It would not be much trouble if the diver is aware that he is running out of oxygen and gets back to surface. However, the actual trouble comes when he faces a sudden loss of oxygen. The same happens to organisations, if the time lag or notice time prior to the forthcoming environmental changes does not allow organisations to adjust their processes accordingly with new realities.

In this sense, access to resources remains the most critical issue for organisations, compared to other external factors which allow more time for adaptation and can be gradually managed via organisational learning where economic factors remain the most crucial for organisations as they directly influence access to resources. At the same time, institutional forces should also be viewed as positive, stimulating organisations to move and be creative and rational in their processes, strengthening the organisational immune system and unleashing potentials.

Discussion

To secure successful survival within an institutional environment besides environmental adaptability, an organisation must also develop organisational endurance which allows it to tirelessly cope with environmental changes, which remains a critical quality for any organisations regardless of the type of their market. However, this quality is particularly significant for those acting in developing markets where changes are more frequent and unpredictable.

What can be considered as organisational endurance? Organisational endurance is a quality which becomes prominent in the context of the challenge of satisfying environmental requirements and maintaining the dialogue between the organisation and institutions. It is the ability and willingness to go that "extra mile" to secure profits in the future and, more importantly, doing this on a regular basis and not on one occasion. This is like being alert at all times, reading signals from external environments and being ready for action when necessary.

Thinking that people in an organisation already know and have done enough is risky. Such an approach is destabilising and demotivating. All tangible and intangible assets accumulated can be easily wasted if not renewed. Endurance cannot be developed without organisational discipline, where these two terms become synonyms. Discipline in organisational terms is the knowledge of goals and logical and rational ways to achieve them, which does not allow for being lazy or relaxed. The best market position is only conquered by an active organisation, not by a sleeping dreamer who can be outperformed easily by a resourceful opponent. In this sense, competition, which is never relaxing its powerful grip, should be mentioned as another force demanding organisational endurance.

In any case, the long journey which an organisation takes requires real endurance as this is a lifelong test of market challenges, fights with competitors, hunger for resources, customers' dissatisfaction and worries about an uncertain future. Internal organisational features such as cognition, control systems,

effective internal communication, culture and learning should be consistent in their performance and thus form organisational endurance that is able to help the organisation possess survival capabilities.

Depending on the nature of changes, smooth organisational adaptation to the environment can be addressed through compromise of an organisation's own interests and understanding of institutional processes that allows the organisation to avoid sharp bends in its journey. However, it must be remembered that the costs of organisational changes are never recovered (see Hannan et al., 2007) and, therefore, managers should clearly understand where changes lead their organisation to and support their decisions with a well-developed sense of the external environment, as well as considering that changes are a matter of sustainability and not a management fad.

CHAPTER ELEVEN

DECISIONS AND DIAGNOSES

The world is a harmony which cascades from the transcendent nature of life on Earth to the level of micro processes happening in simple cells. It can be seen in everything, in all forms, colours, shapes, sounds, movements, raindrops and rays of light. The harmony of all species can be seen even in the fact that all these different creatures live together while all of them are aiming to survive using the best of their abilities, skills, properties and resources available to them. At the same time, each creature is harmonic in its own way. Take the ideal body shape of a shark, which is built for speed and attack. We revere the strength of a bear and the strange, but productive, constitution of an aunt. The specific properties of each creature allow them to champion certain tasks and activities.

Organisations also represent some specific types of living organisms, which are created for the fulfilment of certain goals and the ability to succeed in particular conditions. They all have unique capabilities and talents to utilise the resources available to them in order to profit. How precise, effective and healthy should an organisation be? Should it be perfect or simply fit for conditions and opportunities? The world is dynamic and all creatures hunt to feed themselves. Organisations are no exception and must be created in order to exploit the best of their potentials and market opportunities spotted by their managers and constantly exercise the best of their hunting abilities.

Organisations cannot be ideal. It is only possible if the world and markets are static and without any changes. On the other hand, the dynamic nature of an organisation itself must be considered as all of them are established with certain capabilities, properties,

human behaviour, and capacities to resist challenges which are dynamic in nature as well. Thus, the dynamic nature of organisations defines the development of each different, but specific organisational quality which allows for survival in different conditions, crossing the "rough seas" of business.

Balanced decision-making

Let's recall the history of tea clippers trying to be the first in the port with the very first cargoes of tea leaves from the new harvest and earn the top and premium quality. The sail ship's captain is associated with the mastery of managing wind and the ship's capabilities. His mastery and superior sense of the ship itself give him an advantage over rivals. Using different sails, he gains the fastest possible speed, whether with very strong wind or no wind conditions at all. At the same time, the ship is rocking on the waves, the crew need a fresh supply of food and water, and any damages to the ship need to be fixed to pass through the dangerous grounds safely.

Each sail has a function which must be managed as it can be absolutely inefficient and working against the speed if badly handled. Functions are more than a simple execution of specific tasks where without one of them, the ship is not fully equipped for crossing the ocean and only fit for short trips around the harbour in good weather. Any experienced captain will never take an unsolicited decision which can put the crew and ship at risk. The same issue can be related to the management of an organisation which is going through the unfriendly and competitive whirls of the ocean of commerce.

Similarly to the management of sails in uncertain wind conditions, balanced decision-making comes from the ability to listen to the whole body of an organisation and map all processes without neglecting all the small details, whilst bearing in mind the core goal. In this sense, the organisation is not a bike and a good manager is not a joy-rider, changing it every few months and managing it irresponsibly, but someone who understands its living

nature and knows how to exploit its capacity in the most effective way. The overall organisational energy comes from each part of the organisation, so processes and functions should be complemented and considered as adding value through their synergy. Such an approach allows the management to see the whole picture as well as recognising organisational problems and pathologies at the same time.

In practice, a summary of all information about the organisational condition is produced through inconsistent observation and is usually prepared after a challenge to its health. This issue can be partially addressed through the lessons learned in managing functions. However, the problem is that managers often tend to think that organisational problems have a sudden nature and refuse to acknowledge or address the low-level long-time signals.

Similarly to any living creature, organisations have problems, pathologies and diseases which have an accumulating nature in their majority, except for the ones rooted from sudden uncontrollable external forces and factors. Reasons behind problems can be rooted in unsolicited decisions, inconsistencies of processes, poor resource utilisation, functional disorders, incapacities, and unprofessional management. The problem is that a managerial choice is not always purely rational and the logic behind certain decisions lies in the non-monotonic logic perspective. This is not simply weighing the pros against cons and ticking boxes on the list of choices, but acting as organisational developers who take care of it in the long-term perspective and who apply their best abilities and senses in solving problems or taking a risky action. While listening to the whole body of an organisation or each part of it, managers are required to make decisions which are based on considering each option and alternative, and choosing the best one that is the most appropriate for a particular situation and will remain sustainable, at least for a while.

It is interesting to note that people often consider different things on a taken-for-granted basis which are not physically proven. Such speculations lead to faulty assumptions and actions which are

resource-consuming. Experienced and well-balanced decisions are not made based on speculations and rumours. Good decisions are always supported by the gut feelings of managers who are able to listen to their intuitions that are developed with experience. The Scottish proverb used by fly-fishermen that says "the more I know, the luckier I am" is also true for managers.

Recognising problems and diseases

The intention of this book is to describe each organisational problem precisely by going deeply into the details, but to demonstrate the actual advantage of organisational anatomy that allows for recognition of problems in a systematic manner and developing appropriate remedies for the costly problems, pathologies, diseases and injuries, which can be of physiological or psychological nature. Organisational diseases can be typological, neurological, functional, age-related or general in nature.

Typological disorders

Typological disorders reveal themselves when organisations use the pattern of resource utilisation relevant to another archetype, size or operational principle, and by doing so they ignore their own advantages and inappropriately use non-specific and undeveloped properties. A wolf will not be a shepherd. Typological properties dictate the need for clear understanding of operational principles and thus decide whether to fully use organisational potentials, or not. In simple words, it is difficult to expect a weightlifter to be a long-distance runner.

The size of a company defines the scale and scope of organisational potentials as well as operations. It also defines the need for relevant structural properties. This is related to organisations which are lacking the feel of their own boundaries, which makes processes quite costly, inappropriate and excessive. In such cases, an organisation carries an extra weight and will suffer eventually for not making the anticipated distance. Such a problem can be viewed as an organisational "Napoleon complex", where

small organisations inappropriately attempt to incorporate elements, processes, policies and functions which are typical for larger organisations.

Neurological diseases

Neurological diseases directly affect the internal and external activities of organisations, and thus limit the manageability and efficiency of organisational processes. Such problems can be seen in the form of thrombosis, tie atrophy and incoordination syndrome.

Thrombosis

We rightfully assume that resources should be naturally and easily transferred via external and internal channels, and not cause any problems and demanding extra costs. It is not always true, and each organisation has experiences in locking resources, even very valuable ones, somewhere in the midst of processes and responsibilities. This is a neurological problem which is called thrombosis, the disease which limits access, gain and the processing of resources and information. It may be caused by inconsistencies in processes, unprofessionalism, poor performance or being sabotaged by relevant departments. For instance, this can be seen when a truck with perishable products such as fresh fish or meat unloads at the supermarket's gates and takes too much time without any valid reason. Another example can be seen in service-centred organisations which are unable to provide timely services because of their front line's unprofessional staff.

Resources and assets can be caught between departments and functions, thus increasing governance and processing costs as well as reducing the production rate. Thrombosis is a voluntary or involuntary delay, or blockage of resources, which increases costs and negatively influences overall performance. Thrombosis can also be seen occurring in a number of processes simultaneously where fractions of problems lead to serious underperformance.

Tie atrophy

Tie atrophy is a neurological disorder in which a limb or organ atrophies if not used for a long time, or at least loses its strength and capacities. The blood flow slows down, sensitivity is low or almost lost, activity is limited or entirely absent, and its functional role and activity is limited or almost lost and thus it becomes more of a hindrance than a help, making the whole body disabled to some extent. Organisations have similar problems where their willingness and ability to serve external relations are limited, causing tie atrophy. Tie atrophy is characterised by insufficient and ineffective exploitation of organisational relationships which leads to limited and irregular flows of resources and information. Organisational relationships become weak as they are not properly exploited, and their capacities and functionality are limited. Organisations become inefficient due to the loss of the key abilities – access and efficient processing of resources and information. Tie atrophy tends to develop in organisations concentrating only on the development of weak relationships with stakeholders which eventually results in total inability to develop strong ties and a smooth flow of resources and information. Whilst ignoring their own important functions and constant exchange with others, organisations must be prepared to be ignored by others in return, which is very costly for anyone.

Incoordination syndrome

Organisational inability or a lack of readiness to provide certain results or performances due to the damage of internal process coordination and broken internal communication is called incoordination syndrome. This is a problem which directly affects organisational metabolism and is a result of poor and inappropriate organisational design and structural composition, where the roles are not clearly defined, execution of duties is poorly controlled, performance is measured only within the frames of a single department or unit, and organisational culture is negative and not motivating for collaboration.

This syndrome can be seen in: young organisations where the assignment of roles is still in an early stage; in mature organisations during the period of active growth; and in poorly managed organisations with low internal culture. Incoordination syndrome is also typical for larger organisations as the power of middle-line managers often goes out of control. This disease can lead to a complete loss of organisational internal stability, making achievement of organisational goals difficult and consuming a fortune of resources allocated for internal consumption, which is difficult to control in this type of internal environment. Such a diagnosis shows that a company becomes scarcely controlled or almost unmanageable, and is an easy target for competitors and is vulnerable to hijacking.

Functional pathologies

Functional pathologies restrict the effectiveness of single processes and overall organisational performance. Functions and processes can be seriously damaged, leading to organisational malfunctioning; for instance, in the case of cross syndrome.

Cross syndrome

Cross syndrome relates to appears in cases of the dominance of one function over others without an appropriate reason. The syndrome negatively affects structural composition which is originally balanced for the achievement of organisational goals. It may look similar to functional dystrophy; however, it results in the malfunctioning of one department over unrewarding hyperactivity in other departments. This disease is a result of unfair managers' behaviour which causes internal inequality, damages the flow of processes and affects internal balance. In medical terms, cross syndrome is when one group of muscles is relaxed, but others are constantly under tension, thus bending the body.

Let's imagine that you are crossing a sea on a rowing boat. Would you agree to row all the time while others who are supposed to row with you are enjoying the fan and eating your food which is

reserved for the trip? As a result, the rower will be tired and others lose their capacity and custom to work. Being unfair to colleagues from other departments becomes a game which has serious implications for the whole organisation. The department that does less than others, but reaps all the rewards becomes inefficient and parasitic, whereas other departments which are constantly blamed are exhausted and underperforming as they waste a lot of time correcting the mistakes of others. For instance, the sales department tries to dictate to the operational department how to perform their duties and blames them for their own faults and poor performance. The sales department is probably underperforming, but want their bonuses and put the operations department into a rush to solve irrelevant blames. In such cases, organisations are losing the efficiency of two functions at least and the overall performance rate.

In the case of cross syndrome, organisational skeletons are bent as the metabolism is not efficient because of functional pitfalls, low overall performance and low organisational endurance. It should also be considered that organisations with separated and non-unified functions cannot resist environmental challenges as they are in pieces, rather than being a mutually supported whole.

Age-related diseases

Each age period is characterised by different diseases and problems specific to the certain stage of life and organisational condition. Stiffness is one of these diseases. Other age-related problems are also discussed in the relevant chapter.

Stiffness

Organisational productivity and success depend on the smooth flow of processes and internal transactions which can be limited by organisational stiffness. Traditionally, this pathology is assigned to old organisations as it is considered a problem which accompanies the ageing of companies. Organisations become stiff with the growth of formalities where, in such cases, complicated and even

conflicting routines, policies and practices become restricting barriers to organisational flexibility and willingness to change. Stiffness lowers the endurance of the organisation and its capacities for environmental adaptability. This is like someone with stiff joints, for whom each movement is painful and slow, and demands concerted effort. However, this problem is seen not only in old organisations, but also young, mature and adolescent organisations as it directly relates to the culture and policies implemented by the founders and management. Taken as a means of control and hierarchical reporting, it becomes a negative factor as it restricts movements and does not allow departments to correlate with market dynamics.

In the case of stiffness, routines and formalities are prevailing over the logic of processes and natural development. Is it a physical or psychological problem? Organisational stiffness has nothing to do with the shortage of resources or market limitations, but it is related to internal practices and policies which are purely based on certain types of decision-making and the attitude of managers, so it should be treated as a psychological problem. However, it becomes a physical problem as the living body of the organisation cannot jump, bend, or simply cannot be active enough to go that "extra mile". The bent posture of a stiff organisation does not allow it to become active. Therefore, it is not a matter of restructuring or reorganisation, but necessary changes to be made in approaches and policies.

Stiffness is costly to the same extent as mortality is. Holding organisations back from developing along with others and the market's requirements is counterproductive and risky. Market opportunities and conditions are given once and organisations with stiffness are in scrutiny if they cannot keep adjusting and acting at the same pace as market changes.

General diseases

There are a number of diseases which can be diagnosed in organisations of all types and forms, and therefore they are

considered general.

Resource blindness

Some people have problems seeing a spectrum of colours, which is known as colour blindness. Managers also have a similar problem which is related to the difficulty of seeing the spectrum of resources that is called resource blindness. Although it is taken as a simple issue and neglected by business programmes, this problem costs organisations a lot in terms of time, funds and effort wasted on a serious scale. Classification and the role of different resources in the organisational diet remain unclear for managers and, as a result, remain much undervalued. It may sound strange for twenty-first century business where a high percentage of managers have advanced business degrees, but the need for clear resource classification training still remains acute. People will perform much better if they know what they can achieve and add to an organisation in a multidimensional value of tangible and intangible resources, and what knowledge and capability can be gained, as well as the values that the management entrusts them with.

Weather sensitivity

The majority of organisations are sensitive to weather. Depending on its nature, organisational product or service can be affected by hot, cold or windy weather, which affects the consumers' willingness to purchase a product, the production itself, or product characteristics. This can be seen quite obviously in the consumption of ice cream, fresh meat and fish, groceries, open air events like sports and entertainment, farming and fishing, travel and holiday, and construction. Weather sensitivity is related to the change in demand caused by consumers' behaviour in different weather conditions. It cannot be avoided, and therefore organisations should have other products in their portfolio or develop practices to reduce costs during the low seasons. This is not a disaster, but this problem can be turned to the organisation's favour if organisational capacities are additionally exploited in bad weather conditions. Although this problem is fairly common and

the majority of organisations have policies to deal with it, it is still entertaining to hear that, for instance, the fact it was snowing in winter was a surprise for a northern town's city council.

Dystrophy

Dystrophy, as an organisational term, defines the constant lack of resources caused by inefficiency of processes, limited access to resources, regular underfinancing, policies, and practices that artificially limit organisational capabilities, therefore restricting the development and growth of an organisation. Dystrophy can be of a different nature depending on whether it has been a problem from the point of establishment due to poor organisational design and business model, or whether it has been acquired with time as a result of the organisation being squashed by managerial decisions that concentrate on a limited number of performance indicators or a faulty understanding of the richness and complexity of organisational processes.

Organisational dystrophy does not leave much chance for getting into the higher leagues and limits development even while opportunities are available that could be easily grabbed. If a flow of customers suddenly comes to an organisation, it will collapse overnight. In such organisations, processes and functions are thin, and they have limited capacities and elasticity of functions. The problem for them is not the lack of resources, but any increase in the flow of resources or customers' demand, even if predicted or not especially dramatic.

Besides organisational dystrophy which affects the whole organisation, a dystrophy of certain functions can also be seen quite often. Functional dystrophy comes from the inequality of functions which is caused by inappropriate power distribution, irrelevant structural dependencies and poor planning. A functional department which is not designed for high performance receives little attention and care, not developing along with the rest of the organisation, eventually gets dystrophic and unproductive as anticipated by the overall organisational strategic goal. This is a tree with dry

branches which will not resist a serious storm. Organisational dystrophy is more typical for small-sized organisations, whereas functional dystrophy can be diagnosed in organisations of all sizes.

Goal perplexity

Strange or not, organisations may face frustrations about their goal which drives all processes and differentiates it from other organisations. Whilst encountering such serious problems, organisations actually perplex their core activities. Unfortunately, the most important problem which comes with goal perplexity is that organisations lose core abilities, expertise, customers and market position as a result of all these. For instance, if a religious organisation with the core goal of saving souls gets more interested in high-risk financing, it will affect the organisation dramatically. This organisation would not become a good financial organisation but, surely, would face a shrinking number of parishioners and lack of good priests as they are not interested in conducting constitutional activities. It is fairly obvious that such an organisation becomes an easy target for competitors and loses its market position.

We have seen producers becoming location-dependent sales companies and losing it. In any case, changing the archetype is not a productive exercise. Organisations cannot change their archetype with simple cosmetic surgery. Organisational constitution cannot be easily changed as it will demand relevant changes in all processes, practices, policies, culture, knowledge sharing, external relations pattern and style of management. Therefore, if an organisation is willing to get involved in other kinds of business, it will be logical to establish completely separate entities which will take care of the new ventures. In this case, if the organisation has already gotten into the trap, then it will be logical to separate it as soon as possible and conduct structural revision in order to restore and revitalise the constitutionally imprinted core activity, making sure that it becomes pure again.

Epidemic disasters

All organisations exist in one ecosystem, where disease in one archetype immediately causes disease in others. It is like an epidemic disaster which goes viral from organisation to organisation, from industry to industry, from market to market, and from country to country. The importance of recognising and classifying organisational pathologies and diseases can help outfight problems which affect the wealth of people, companies and states.

Organisational pathologies and diseases are not such big problems if they do not affect others virally. The pace of disease distribution is equal to the rate of flow of human resources which is changing companies and transferring malpractices and misleading approaches. What is a crisis or the nature of it? Generally speaking, a crisis is an organisational disorder of an epidemic nature which goes deeply under the skin and puts its existence at risk, which then spreads to numerous organisations across industries and economies. Malpractices of a company can grow to the scale of a disaster for an industry if blindly employed. We have all seen large scale problems in different sectors such as banking, real estate and insurance. It can occur in any industry that is developing on a big scale like pharmacology, health service, retail, and so on. It does not mean that people should not migrate between organisations and industries, or that quarantines should be raised high, but the adoption of practices from other organisations should be well thought of. Migration of human resources is needed to enrich all organisations, bringing knowledge, expertise, ideas, networking relationships and other qualities. However, problems also migrate with people and thus should be considered seriously.

These are only a few examples of diseases and pathologies which are typical for the vast majority of organisations and a lot of work is still to be done in the area of classifying pathologies and developing remedies to help managers nurture healthy organisations. The healthier an organisation is, then the wealthier it will be as profit is a result of organisational effectiveness and

strength. On a larger scale, the greater the number of healthy organisations, the wealthier industries and economies will be.

The role of organisational anatomy

All organisations are purely pragmatic in the sense of their existence, goals and logics of external and internal processes. However, processes happening in organisations of all breeds and forms have a biological explanation behind them. Effective exploitation of organisational capacities is only possible if an organisation is treated as a whole and not as fragmented parts so that it is transparent to managers. This is the worst and costliest problem when the vision of an organisation is limited to a manager's desk and all other things are ignored.

Similarly to humans and animals, organisations can cure themselves and need the active involvement of managers whose responsibility and direct duty is to take care of organisational health and wellbeing, and that includes productivity and effectiveness. Managers are aware of all the problems of their organisations better than any external consultant, unless they are careless and inconsistent. They are experts on their own organisations. Of course, they may be biased and take faults and problems for granted, and in such cases they may need an external party to help diagnose a company. In any case, effective diagnosis can be achieved with superior understanding of the anatomy of the organisation and its specific features and contextual conditions, thus allowing the development of focused and effective treatments.

Enhanced management demands sophisticated sensing and understanding of all processes at the anatomical level which allows for all organisational potentials to be revealed. A meaningful change cannot be implemented unless the understanding of consequences of all parts, systems, organs and functions is present, and certain standards of organisational wellbeing are developed and based on a single understanding of certain processes where the organisational anatomy is a standard in itself, allowing enhanced manageability of all types of organisation, in all countries.

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