

DIS-ORGANIZATION

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Outline

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B/ Taking stock/New frontiers

C/ On logics

D/ Three cases

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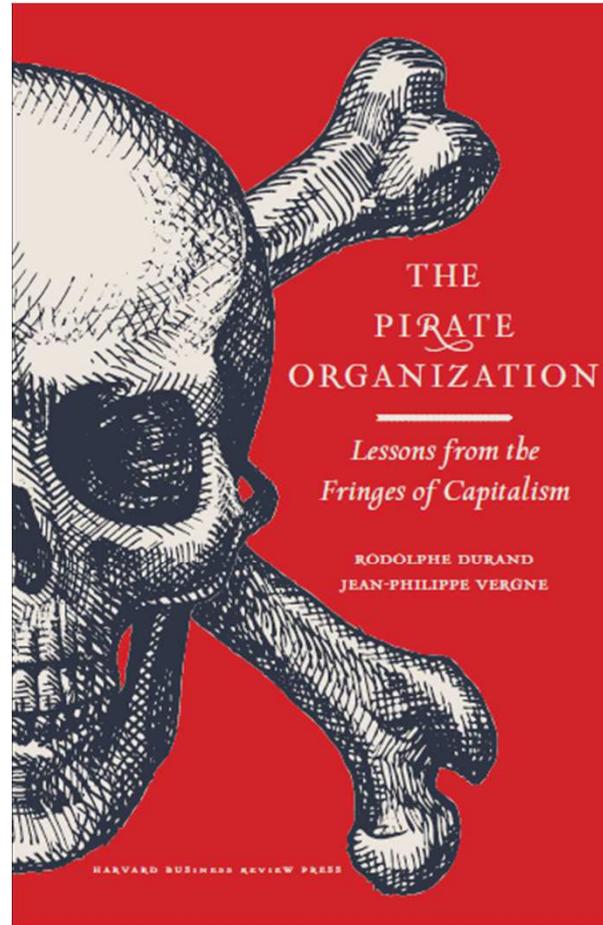
F/Q&A

STRATEGY DESIGN

organizational evolution and strategic management



RODOLPHE DURAND



ORGANIZATIONS, STRATEGY AND SOCIETY

THE ORGOLOGY OF DISORGANIZED WORLDS



RODOLPHE DURAND



landscape

4

- AMJ
- SMJ
- ASQ
- ASR
- ...

A

Where to start

Where we start

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- Heterogeneous organizations/firm level
- Selection of firms not purely based on economic efficiency
- Markets as evolving allocative and coordination mechanisms
- Individual action thwarted by organizational context

Assumptions IFM

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Agents' (substantial) rationality
Monolithic firms
Strong efficient markets

Agents' (limited) rationality/firms
Multipart firms
Markets as evolving coordination
and allocation mechanisms

Agents' (limited) rationality firms
Multipart firms
Markets as evolving coordination
and allocation mechanisms

Logics and
selection
criteria
change

Redefining strategy and CA

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Strategy is a theory about competitiveness that helps organizational members select among available resource utilization and exchange modes.

Strategic management is a set of concerted concrete actions that actualize (or not) the theorized competitive potentialities resulting from the combination of resources and modes of exchange

Competitive advantage is the concrete manifestation of rent potential resulting from the conjunction of resources (with isolating properties) and capabilities (actualizing resources' potential rent-accruing services)

Strategy as SPC/STC

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- In my view, every firm's choice equals a selection-criterion choice that increases or relaxes the selective pressure on competitors. In other words, a SPC maintains established rules of action and puts pressure on competitors to conform to the current model of competition, whereas a STC requires the firm's competitors to react to new selective rules and criteria.
- Most markets are mediated (e.g. cultural, experience, hedonistic, financial products) and ribbed/filled with discrete logics
- Selection criteria vary under the conjoint action of mediators (critics, raters,) and producers

Implications

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1. Such an approach defines the sets of actions undertaken by firms to deliver their competitive offering, assuming a preeminent role of firms in the process of industry evolution –rather than considering industry influences as a given to be integrated into a firm’s adaptive reaction.
2. This approach contributes to a realistic understanding of how competitive advantage is being built and improved in the socially-bound contexts of industries. Therefore, I advocate for a socio-institutional characterization of firm choices that would complement an economic valuation to better explain strategic outcomes, such as competitive and reputation advantages.

B

Taking stock, new frontiers

Antitrust policy defines selection

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- Cooperation as a natural business logic; after law, avoidance of predation consequences
 - ▣ Finance model replaced cooperative model as predatory model loom perilous for bankers

- P651: rational behavior is socially produced

Organizational moderation

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- Attempts to respond to TCE principles
- Two-stage model of adjustment relative to optimal case and consequences on performance (survival)
- Organizational characteristics impede or facilitate the right selection criteria

Selection criteria have an history ...

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- Pure members and hybrids
- Frequency of hybrids has a positive influence on how raters cover and evaluate hybrids whereas ambiguity has a negative effect
- Institutionalization of credit rating (2 periods; legal protection; education of raters)
- Selection criteria (category boundaries) are in flux (p517)

Selection untangled?

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- There may be various ways at defining selection that entail different rationales and criteria
- Underlying rationalities explaining and justifying advantage and firm death become embedded and transparent to actors
- Hence a nice object of study

In sum,

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- Selection is a causal process that makes replication differential
- If selection is a causal process, then selection criteria have an « history »
- ... and there can be evaluations and judgments on this history of selection criteria

c

On logics

Definition

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- (Institutional) logics are defined as the socially constructed, historical patterns of symbols and material practices, assumptions, values, beliefs, and rules by which individuals and organizations produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality (Thornton and Ocasio 1999:804). Institutional logics shape the way individuals and organizations perceive and act upon reality and serve as a basis for collective identity.

Institutional logic

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- As a frame that connects coherently
 - ▣ Society as composed of institutional sectors (Market, State, Family, Professions,)
 - ▣ Organizations as sets of sub-entities with local definition of ends-means chains
 - ▣ Individuals as endowed with limited rationality, perception bias and focused attention

- As embodied by powerful agents, logics help explain changes in practices and industry evolution

Shift in logics

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- Logics consists of mission, source of authority, theory of value, identity, etc all components that stick together in a coherent whole (Weberian perspective)
- Shift in logics popularized by M&A expressed in executive succession (business profile)

Logics and practices

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- Impose constraints on how group of comparable firms behave
 - ▣ E.g. using services of third parties
- Are likely to be prevalent on local communities
 - ▣ Trustees of Boston, funds of NYC
- Determine how practices are used internally or not, and therefore have an impact on the emergence of (sub)populations of suppliers for instance

Coexistence of logics

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- Because logics emanate from higher-order sectors of society, they never completely disappear from an industry

- There is variation in the degrees of prevalence of logics in industries but different logics can coexist
 - ▣ Science logic and care logic

Underlying assumptions

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- Logics' features are known and clear
- As institutional, logics don't change
- Actors mostly react to logic holders
- Linkages across distinct logics' features make less sense than within each logic
- No interference with social markers (reputation, celebrity, status)
- No conflict of interest
- ...

D

Three cases

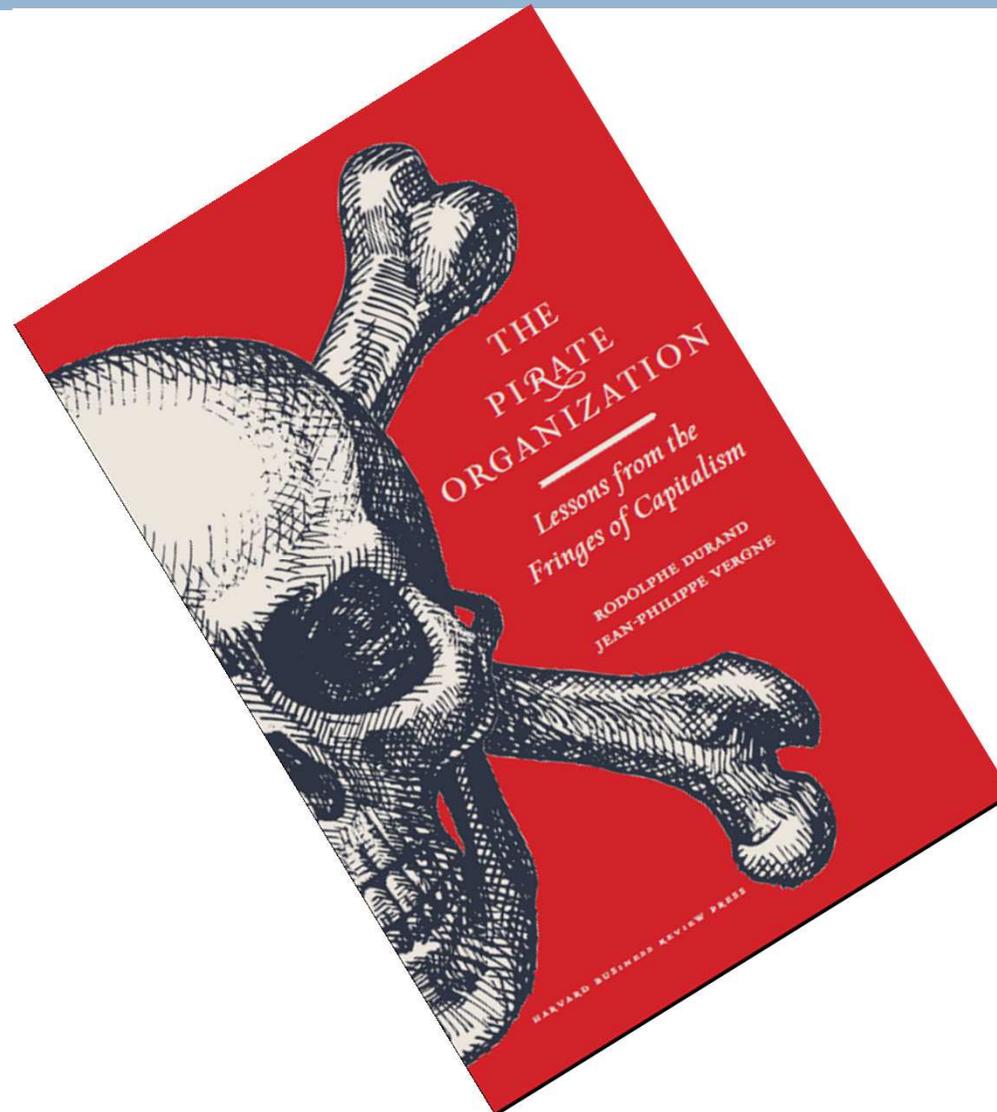
Radical

logic domination: no challenge

Logic domination: challenge

A radical example?

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- There is always an economic explanation for everything in the pirate legend. P. Leeson used signaling theory to dissect the Jolly Roger, the black pirate flag with the white skull and crossbones. It would seem that the acceptance of emancipated slaves, who were treated as equals, is based on a simple cost-benefit calculation. Looking back, Leeson ascribes purely economic motivations to all pirates' decisions. His economic approach sees these things as logical consequences that resulted from the costs associated with the running of the organization: its banishing, its capital structure, its riskiness, and so forth.

- We are tempted to reverse this logic and see the pirate organization as the consequence of the wide-reaching presence of more democratic, more modern, and more egalitarian principles in society. In a way, the banishment of the pirate organization is not the reason why it establishes different principles for living and distribution. Rather, the reverse is true. The pirate organization is pushed to the fringes because it creates dissonant rules for living and alternative theories of ownership in the gray areas that have yet to be normalized.

Logic domination: no challenge

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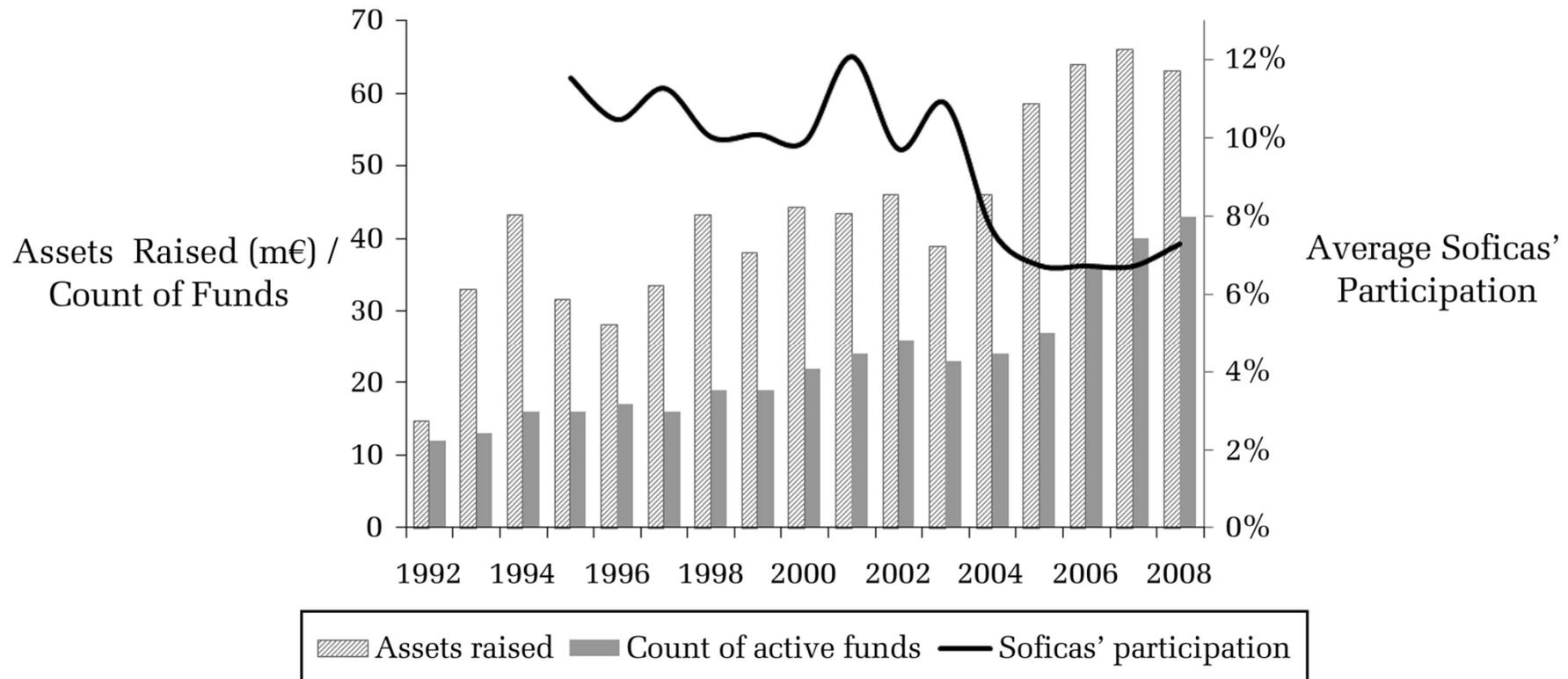
- Entry of Sofica in French film industry
- Coexistence of logics
- Material exchanges and mechanisms leading to alternative conformity consequences

	Auteurs Logic	Market Finance Logic
Societal-level Logic	Profession Family	Market
Symbolic Analogy	Profession & Family as relational network	Market as allocation mechanism
Economic System	Personal capitalism	Market capitalism
Sources of Identity	Film as art & culture Director as artist	Film as asset Producer as manager
Sources of Legitimacy	Aesthetics of film Prestigious awards Box office sales	Economics of film Fund performance Box office profits
Mission	Build art Breakeven	Build fund reputation Maximize returns
Basis of Norms	Membership in guild	Self interest
Focus of Attention	Film historical position	Quality of Deal flow
Strategy (of films' production)	Build producer's reputation	Hedge risks Predict box office hits
Theory of Value	Quality of craft	Mass market demand

Table 1. Ideal Types of Institutional Logics in the French Film Industry, 1987-2008

Population of Active Soficas, Volume of Assets Raised, and Average Soficas' Participation in a Film's Production Budget

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The terms of the exchange

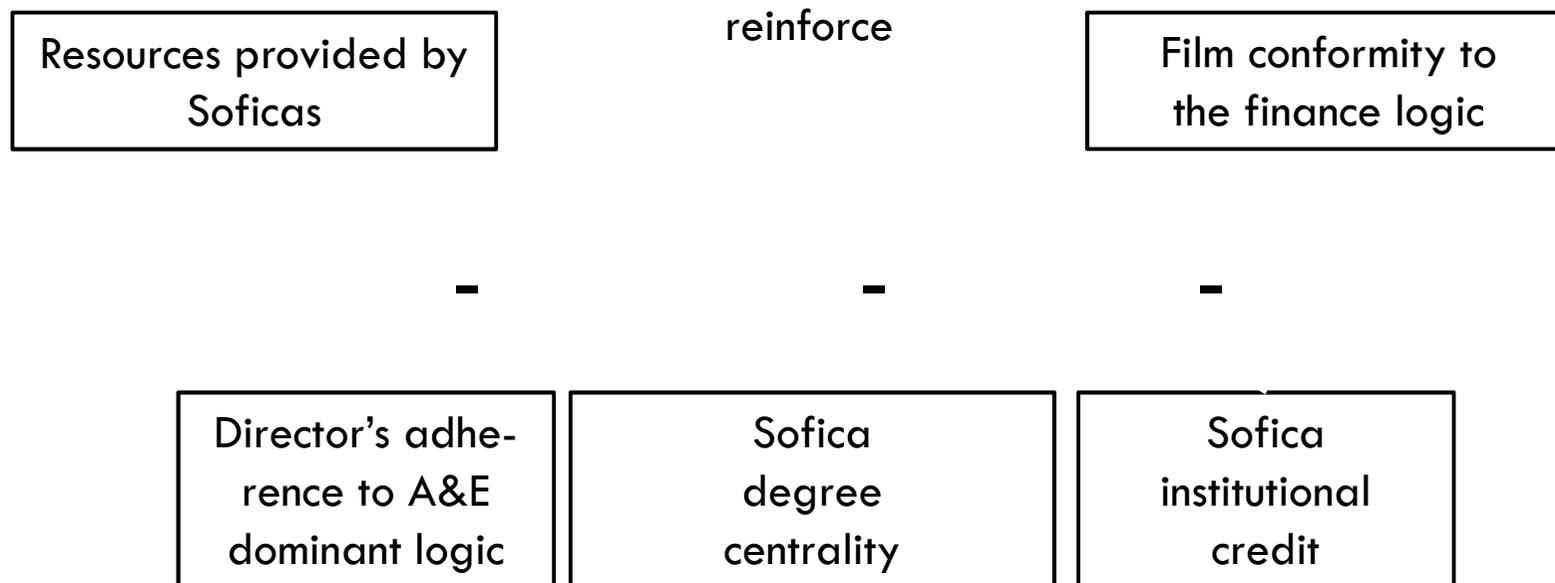
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When minority participation occurs, organizations can use alternative conformity (i.e., modification of their behavior to accord with the minority resource providers' logic)

- to reduce the control their dominant resource providers enjoy
- to socialize foreign actors
- to alleviate the symbolic pressures exerted by dominant resource holders

Resources & Alternative Conformity

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Unit of analysis: Filmmaking organizations (1994-2008)

Method: GMM regression (IV)

concrete consequences

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Our study indicates that without soficas' investments, the release policy of the average film studied here would have differed substantially; on average, 71 copies instead of 166 would have been released

Concretely, when considered in combination, a 10 percent simultaneous increase in logic adherence, structural position, and institutional credit relative to their average values would lower the estimated number of prints for an average sofica-financed film by about 55 percent.

Same results with Box Office First week:

For the average film financed by soficas, a 10 percent increase in sofica investment (€49,500) is associated with adding about €56,334 in gross box office over one week

Logic domination: challenge

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- Case of French cuisine, 2 logics, 1 evaluator
- Move beyond monolithic firms (not in term of products but in terms of codes or logics)
- Both conservative and innovative in both logics

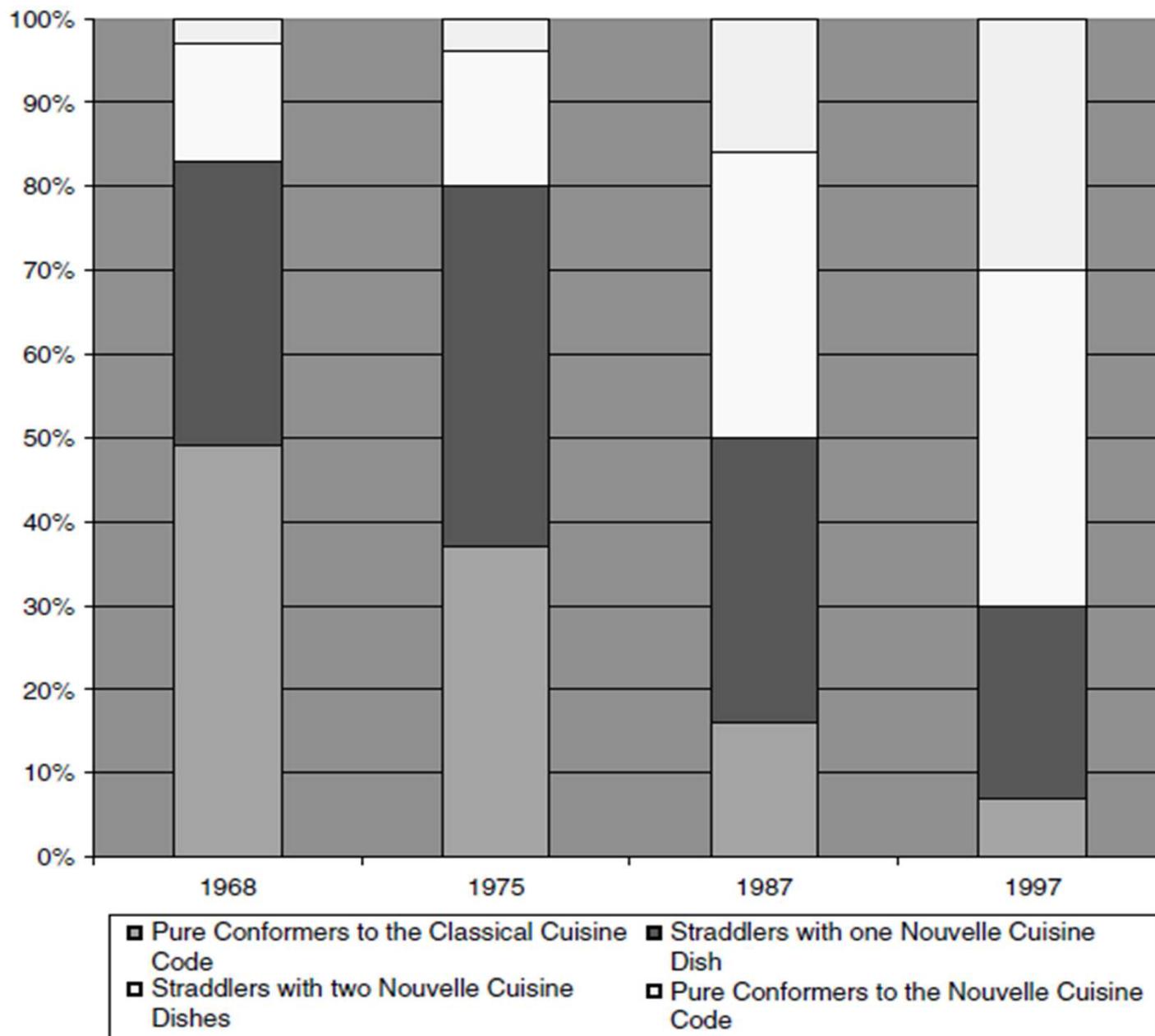


Figure 1. Distribution of chef-restaurant dyads by cuisine types (dish level, 1968-97)

- Selection criteria evolve as a function of both code-preserving and code-violating choices made by firms and of external evaluations
- Rewards are positive for change but not for too high relative change

Boundaries erode

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- Industry logics change over time due to producers' strategic choices
- The competitive value (here defined relative to a rank in a social order) of strategic choices (like bricolage and borrowing) varies according to prior status and extent of acceptance of this choice
- Mediated market where producers define logics that critics validate ex post

E

Finally...

Story Line

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- Market structures result (also) from collective representations institutionalized in logics and practices
- Logics have an history that determine firms' behavior and impose expected behaviors that constrain strategy definition and implementation.

Strategy as SPC/STC

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Final (?) implication

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The evolution of meaning in our lives, of the disorganization of our known- world and its reorganization is the story of our memberships and attachments to multiple organizations. These organizations are tangled in the twisted strings of numerous logics of action and solutions competing with one another within the public spaces for which they create an infrastructure.

One reason for the disorganization of the known-world is the constant fade and disappearance of solutions proposed by organizations in favour of new proposals, and even the disintegration of organizations that produce depreciated solutions. Competition devalues organizations and the meaning we derive from them. More profoundly, the disorganization of the world results from the succession of organizational successes and failures that fail to make immediate sense to us. As such, the genealogies, both of solutions offered by organizations and of the competitive advantages that allow some solutions to prevail, are chaotic, often dragging us back in time, and are rarely optimal. In this cacophonous concert, it is incumbent on us, as individuals, to assess and find our place, to mend the links that will reorganize our world and to generate a coherent narrative for our existence.

F

Thank you for your attention

Q&A