De wisselwerking tussen organisatie en markt

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Summary

The relationship between an organization and its market is of crucial importance to the entrepreneur as the organization derives its rights to exist from its market as sales are generated there. It is therefore important for an entrepreneur to pay sufficient attention to both the internal and external management activities as well as to the interrelationship between these two sets of activities. Both internally and externally, the entrepreneur undertakes different actions and there is a continuous necessity to link these actions. Influencing the market situation by a price policy, and marketing are just two examples of external actions. But also actions aiming at influencing the market players as well as the entire range of sequential production and distribution stages, are external actions. The entrepreneur can influence the market players and change the structure of the market by initiating or participating in mergers, takeovers, networks, strategic alliances and obtaining patents, licenses etc. Internal actions on the other hand are meant to change the design of the organization, the decision making process, the planning and control, the production processes, and the like. Whether or not to influence the internal and external aspects directly and whether or not there is a coherence between them, are two important issues an entrepreneur has to deal with. This is the so called problem of balance. Balance between the actions exists when the entrepreneur tries to influence the internal and external actions directly based on his vision and goals. The word ‘tries’ is used as one can only answer the question of whether or not the entrepreneur has met his targets in retrospect. Before, one can only guess whether or not there is balance in the actions. The question on how the entrepreneur can debate whether his/her actions are balanced, is the central subject of this study. An instrument that can be used to solve the problem of balance will be designed.

A number of assumptions are underlying the problem of balance. First it is assumed that the internal and external actions are closely interrelated. Second there is a certain discretion in the way a balance between internal and external actions can be achieved. The actions the entrepreneur undertakes are not predetermined. A third important assumption is that the internal and external actions are subject to change. These changes can occur through self initiated changes e.g. product and process improvements, organizational changes as well as entering new (geographic) markets. Changes can also be initiated by other market players. These changes turn the problem of balance into a changeable and dynamic one. Due to the interaction between the organization and its market a certain dynamism is created which in turn initiates and enhances market developments.
The subject of this dissertation is probably evident. However, the interaction between an organization and its environment has been attracting attention as a subject only since the end of the second world war and the thoughts and ideas on the subject are not even close to being crystallized.

The research presented here has got a design approach. The product of knowledge can be described as an instrument relating the actions, through which the market, the production process, and the organization structure are being controlled, to one another. The instrument enables entrepreneurs and organization experts to determine whether or not actions are focused and consistent. If corrective actions are sensible, one can debate in which direction these actions should be pointed. The instrument contains a methodology in the format of a conceptual model.

It is presumed that focused and consistent actions enhance the process of meeting the set objectives and targets. Focused and consistent actions are however no guarantee for success. There is a possibility that an entrepreneur who undertakes consistent and focused action does not generate any profits. An entrepreneur whose actions are inconsistent and not well focused can still generate profits. The entrepreneur on the other hand whose actions are focused and consistent can still generate losses. An entrepreneur can have several objectives. Here it is assumed that the ultimate objective is making a surplus. The right to exist is strongly influenced by the ability of overcoming and reducing or avoiding problems related to bottlenecks present in the market. The problem of balance is therefore related to an array of problems an individual entrepreneur can be confronted with during the development of the market. Through balanced actions, problems related to bottlenecks can be avoided, reduced or overcome. As problems related to bottlenecks change during the (self initiated) development of the market, the problem of balance will remain because once solved, a new problem will arise. The interaction between the organization and its market turns the problem of balance into a dynamic one.

In order to develop the instrument, ideas were derived from theories in internal and external organization literature. The ideas have to provide an insight into the different levels of aggregation e.g. technology, organization, and market. Insight into the dynamics of the market and the options available to influence should also be provided. The objective of this research is to develop an instrument (in the format of a conceptual model) that assists an entrepreneur in balancing internal and external actions. The core question is: 'Which instrument can assist the entrepreneur in balancing the internal and external actions?' Sub-questions are: 'Which concepts and thoughts can be derived from external and internal organization literature? Which characteristic bottlenecks can be identified in the develop-
ment of the market? How can these be avoided, overcome or reduced through the elements of the conceptual model? and ‘Is the instrument going to pass the test?’

The contingency approach is the ultimate course looking into the relationship between the environment and the internal organization. The main contingency factors are the environment and technology. Technology is an ambiguously described concept however Woodward’s way of thinking about the relationship between technology and the organization structure contributes to the development of the instrument. The definition of environment is not specific either. The definition is often too broad and rather abstract dimensions are being used. The contingency approach appears to be rather deterministic and static. The role of the handling actor is eventually minimized.

Because of these critical remarks on the contingency approach, the concepts of choice and equifinality are redefined. Choice offers several options for action. Reasonable actions are consistent actions. Unreasonable actions are inconsistent actions. Reasonable actions can be divided into meaningful and non-meaningful actions. As can be expected, meaningful actions make the entrepreneur reach his goals more directly, while the non-meaningful actions have no direct effect, negative or positive, on the pursued goals. The senseless actions have a negative effect on reaching the pursued goals. From this point of view these actions are not effective and therefore considered wasted efforts. The meaningful actions are only meaningful if they are achievable both from a technological as well as an economical point of view. The distinction between the actions can only be made by debating and using logic. Equifinality can be seen as the result of actions. It is a qualification of a situation. Prior to that it is possible to debate whether or not a specific set of actions will deliver the required results. Different sets of actions are seen as equifinal if each set is consistent. The set can contain achievable as well as non-achievable actions but can still be qualified as reasonable as a whole.

For the development of the conceptual model only the element of organization structure (design parameters and coordination mechanism) of Mintzberg is important to this thesis. His description of the organization structure is consistent and describes individual positions and the structure of departments as well as the mutual connections and the decision-making process. The factor technology requires some further research in order to clarify its influence on freedom to chose and how the dynamics of technology can be explained. The factor environment requires further research as well. The discussion about the contingency approach indicates that the most important component of the environment is the market and that the product life-cycle is an important factor as well. But it is still unclear how the market can be defined, how the competitors can be
distinguished, how the dynamics arise and how individual entrepreneurs can influence the market.

The industrial organization is the mainstream where the market is the central theme. The central idea is that market structure, market conduct and performance of the participants in the market are interconnected. This is called the Structure-Conduct-Performance paradigm. In the behaviouristic approach of the industrial organization, it is possible that conduct changes the structure. The approach assumes that entrepreneurs react differently and that they can generate initiatives themselves. The addition of the behavioural component does not imply full freedom of choice. There are also some conditional factors. Therefore choices must be made and the problem of balance becomes an issue. The problem of balance is, however, not solved. The behavioural approach doesn’t have a design approach.

De Jong belongs to the dynamic approach. He developed the dynamic market theory. The essence of the dynamic market theory is the pattern in the relationship between the product life cycle and the Structure-Conduct-Performance paradigm. The phases of the product life cycle are regarded as market phases. These market phases have different characteristics and bottlenecks requiring different strategies and consequently behaviour changes over time. An interaction between the structure and behaviour exists resulting in market developments and changes in results. Because of the interaction between the organization and its market, the product life cycle can have a different course than the standard S-curve. The market can be influenced by innovations and actions such as competition, cooperation, and control. De Jong gives a clear definition of the market and the industry by using the concept of parameter-interdependence. His perspective does not have a design-approach.

For the development of the conceptual model several ideas and concepts were borrowed from the dynamic market theory. The interesting ideas behind the market theory are related to the interaction which assumes dynamism and freedom of choice. Important concepts are the market, the market structure, the market situation, the development of the market, the industry and parameter-interdependence. The paradigm of the product life cycle is not used for its capacity to forecast but as a concept for thinking about the control of the potential bottlenecks in various phases of the product life cycle.

The technology factor plays a part in the contingency approach and the industrial organization. Through innovations initiated by the entrepreneur, interaction occurs between technology at the level of the organization, the industry and the market influencing the development of the market. At industry level there appears to be a
relationship between the product life cycle and the production process leading into a process life cycle. Each phase of the product life cycle corresponds at industry level with a stage of the process life cycle in the standard S-curve of the cycle. At organization level, deviations are conceivable. The deviations occur either because organizations initiate process innovations or through decisions made by entrepreneurs not to copy competitors’ inventions. In this research it is assumed that the technology at meso-level develops in such a way that technology becomes more productive. The contribution of Hayes & Wheelwright and Van Donk, De Vries and Van de Water to the conceptual model is, the assumption of the dynamics of technology at micro-level. These authors assume a development of technology during the standard S-curve of the product life cycle from jobbing, unit or one-off and project during the introduction phase, to batch in the expansion phase and then to a flow structure in the maturity and declining phase.

Looking at the interaction between technology at industry and organization levels and several innovations which influence the interaction, it is important to know how competitive edges can be achieved through the production process. It is assumed that when the prospects of competitive edges increase, the freedom to choose in the production process increases. With that much room for move about in technology not only initiatives can be generated and implemented, it also creates opportunities for innovations related to scale, breadth, and time advantages. These advantages in the production process of an individual entrepreneur make it possible to introduce innovations. These innovations can lead to a competitive edge or possibility to react in an comfortable way to the market development. The scale, breadth and time advantages indicate to what extent there is a certain number of choices in the production process in order to face developments in the market.

Partially based on ideas from the contingency approach and the industrial organization, the conceptual model is developed, resulting in a new theory. The framework for the integration of ideas is De Leeuw’s Systems and Control Theory. The conceptual model is a framework for balancing and integrating the relationships between entrepreneur, organization structure, production process, the market structure, the market situation, and the development of the market. There’s an interaction between these variables. Because of this interaction there are changes at the level of the organization in the control of the organization structure, the production process, and the market.

As a conceptual model should prove its relevance, the model was tried and tested. The trial is a way to check whether the conceptual model truly is an instrument to balance. The trial was conducted in three companies in three different industries: the clothing industry, paper and board industry, and the
electro technical industry. The entrepreneur’s vision as well as the actions aimed at controlling the organization structure, the production process, the market structure, the market situation, and the development of the market were discussed. The actions are checked on consistency and whether or not they are focused. The reasoning behind the actions is discussed and. The trial focuses on the bottlenecks as well as on the balance between internal and external actions. The conclusion of the trial is that the conceptual model works. Unreasonable actions can not solve problems related to bottlenecks, in fact they deteriorate the situation in some cases. The conceptual model is therefore a relevant instrument and knowledge product that can assist management in the choosing between potential options and as such enhances the achievement of the set objectives and targets.