ABSTRACT

This chapter explores the mechanism of how structural and behavioral organizational characteristics lead to organizational deterioration as a source of organizational decline. First, using an original construct of organizational deterioration named “organizational deadweight” that is defined as ineffectual managerial load at the middle management level, the authors explore the relationships between the organizational characteristics and organizational deadweight. Data was collected through a questionnaire survey in 2006 involving more than 942 respondents from 128 business units of 16 large Japanese firms. The results suggest that reference to formal strategic planning, participation in the planning process, and vertical communication improve deterioration, whereas organizational size and layered hierarchical structure aggravate it. Finally, the authors discuss the roles of vertical communication and formal planning to safeguard against deterioration.

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INTRODUCTION

Speed of decision-making has been one of the key issues in increasing the adaptability of organizations in the face of rapidly changing and unpredictable environment during the last two decades (Eisenhardt, 1989; Kessler & Chakrabarti, 1996; Stalk, 1988). Under such turbulent environment, any organizations are not allowed to waste their members’ time and energy for coordination and communication. Because management of organization is a process of getting work done with the efforts of others through organizational communication and coordination, efficient communication and coordination are indispensable for the speed of decision-making. However, many modern organizations are functional and hierarchical so that fragmentation and compartmentalization of work make it difficult for managers to realize a common organizational goal because of isolated departments, poor coordination, and limited commutation (Garvin, 1998). Insufficient integration of members’ knowledge bases and their individual goals or low organizational cohesiveness hamper efficient coordination and communication, and they can become sources of organizational deterioration that lead to eventual maladaptation and organizational decline. Long before the organizational soundness is totally lost, corporate executives have to find the early signs of deterioration and safeguard against it (Lorange & Nelson, 1987).

Whereas innumerous historical examples of “rise and fall” of business organizations supported the idea of “lost momentum theory” (Durham & Smith, 1982) that regard deterioration and resulting failure as inevitable in such a way that “success breeds failure” or “failure further breeds failure” (Mellahi & Wilkinson, 2004; Weitzel & Jonsson, 1989), we believe that it is more imperative to ask under what condition and why not all but some established organizations tend to deteriorate and eventually decline: (1) what are the internal causes of organizational deterioration resulting in organizational failure? (2) How do organizational members perceive the early warning signs of deterioration? (3) How do they succeed in or fail to cope with deterioration?

Based on the premise that dysfunctional internal symptoms within an organization become sources of maladaptation to environmental change that in turn results in organizational failure (Mckinley, 1993), we aim to explore the preconditions for how organizational characteristics cause dysfunctional symptoms in established organizations. The symptoms we specifically shed light on are dysfunctional states caused by low organizational cohesiveness among middle managers in the business units of large established firms, in which a shared goal of organizational members and their managerial efforts are not fully integrated for the realization of a common organizational goal. Such low cohesiveness among middle managers might be regarded as symptoms of deterioration, and it might become a source of maladaptation that finally leads to organizational failure.

In the remainder of this chapter, we review organizational deterioration and failure literature and point to the lack of organizational cohesiveness as a source of deterioration and eventual failure. We then introduce a construct named “organizational deadweight” that is defined as ineffectual managerial load caused by lack of cohesiveness at middle management level (Karube, Numagami, & Kato, 2009; Numagami, Karube, & Kato, 2010). Following the construct that captures the symptoms of organizational deterioration at middle management level, we test the relationships among structural characteristics (organizational size, hierarchical structure), behavioral characteristics (formal strategic planning, and vertical communication), and organizational deadweight. Finally, we discuss the importance of role of vertical communication
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