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The Changing Organization

The Changing Organization provides a multi-disciplinary approach for studying the management of change under conditions of complexity. Single-discipline approaches frequently miss essential elements that reduce the possibility of seeing coherence within a multi-agency organizational setting. Using a cybernetic 'living system' approach, Guo, Yolles, Fink, and Iles offer a new agency paradigm designed to model, diagnose, and analyse complex real-world situations. Its capacity to anticipate patterns of agency behaviour provides useful means by which the origin of crises can be understood and resolutions reflected upon. Scholars and graduate students in fields as diverse as management, politics, anthropology, and psychology will find numerous applications for this book when considering socio-political and organizational change. It offers an invaluable guide for consultants who may wish to apply advanced techniques of contextual analysis to real-world situations.

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The Changing Organization

Agency Theory in a Cross-Cultural Context

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Kaijun Guo , Maurice Yolles , Gerhard Fink , Paul Iles
Frontmatter
More Information

Contents

List of Figures *page* viii
List of Tables xi
Preface xiii

Introduction 1

Part I The Agency 19

1 The Cultural Agency 21
1.1 Introduction 21
1.2 The Configuration Approach and the Socio-Cognitive Approach 26
1.3 Viable Living Systems and Cultural Agency 31

2 The Instrumental and Strategic Agencies 41
2.1 Introduction 41
2.2 Two Views on Strategic Management 43
2.3 The Knowledge Management Paradigm 48
2.4 Complexity and Viable Systems 54
2.5 The Strategic Agency 59
2.6 Agency Pathology 75
2.7 Social Responsibility and Practice 76

3 Agency Personality 83
3.1 Agency Minds 83
3.2 From Minds to Personalities 88
3.3 Agency Trait Theory and Maruyama Mindscapes 94
3.4 Intelligences and Efficacy Agency 104

4 The Intelligent Agency 111
4.1 Introduction 111
4.2 Theories of Intelligence 114
4.3 Organizational Intelligences 120
4.4 Agency Process Intelligences and Efficacy 125
4.5 Knowledge Strategy Agency Case 132

5 Agency Traits and Types 138
5.1 Introduction 138

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CAMBRIDGE

Cambridge University Press
978-1-316-60091-7 — The Changing Organization
Kaijun Guo , Maurice Yolles , Gerhard Fink , Paul Iles
Frontmatter
More Information

5.2 Traits, Enantiomers, and Agency Type 143
5.3 Individualism and Collectivism 160
5.4 Some Thoughts 172

6 Agency Consciousness 174
6.1 Introduction 174
6.2 Undecidability and Generic System Hierarchies 174
6.3 Substructure Modelling 177
6.4 Illustration of Superstructure Modelling 188
6.5 Internalization as Knowledge Migration 191
6.6 Generic System Hierarchy Generator 194
6.7 The Case of Negotiation and Agency Internalization 196

Part II Agency Change 203

7 Joint Alliances 205
7.1 Introduction 205
7.2 International Alliances in Central and Eastern Europe 207
7.3 Knowledge Management and Knowledge Transfer in a Cross-Cultural Context 210
7.4 Viable Knowledge Creation and Learning in International Alliances 213
7.5 Modelling Alliances 217
7.6 Application of the Model to a Case Study of the Czech Academic Link Project (CZALP) 225
The CZALP Project Phase 1 226
The CZALP Project Phase 2 227
7.7 Outcome 230

8 Agency Dynamics 231
8.1 Introduction 231
8.2 Kuhn, Piaget: From Paradigm Crisis to Transformation 233
8.3 Understanding Paradigms 235
8.4 Paradigms under Change 239
8.5 Transformation of Paradigms 242
8.6 Agency Life-Cycle 246
8.7 Baoshang Bank Case Study 252
8.8 Conclusion 261

Part III Agency as Society 263

9 The Sociological and Political Agencies 265
9.1 Introduction 265
9.2 The Sociological Approach 265
9.3 Parsons 267
9.4 Luhmann 272
9.5 Habermas 280
9.6 Agency and Socio-Cultural Processes 286
9.7 The Political Agency 289
9.8 Luhmann, Habermas, Agency, and Practice 296

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CAMBRIDGE

Cambridge University Press
978-1-316-60091-7 — The Changing Organization
Kaijun Guo , Maurice Yolles , Gerhard Fink , Paul Iles
Frontmatter
More Information

10 The Economic Agency 303
10.1 Introduction 303
10.2 Economics and Policy 305
10.3 Macroeconomic Modelling 308
10.4 Economic Agency 315
10.5 Traits, Policy, and Macroeconomics 321
10.6 Case Situation: The 2007/2008 European Recession and Mindscapes 326
10.7 Observations 331

11 The Financial Agency, Society and Corruption 333
11.1 Introduction 333
11.2 The Chinese Context 336
11.3 The Chinese Banking Industry 339
11.4 Finance and the Evolution in Chinese Banking 341
11.5 The Impact of Shadow Banking 343
11.6 Understanding Agency Issues and Corruption 349
11.7 Society, Development and Corruption 366

Bibliography 371
Index 434

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CAMBRIDGE

Cambridge University Press
978-1-316-60091-7 — The Changing Organization
Kaijun Guo , Maurice Yolles , Gerhard Fink , Paul Iles
Frontmatter
More Information

Figures

1.1 Model of organizational culture connecting internal and external environments *page* 27
1.2 Model of a sociocultural agency 28
1.3 Socio-cognitive trait model of the agency connecting normative personality with social and cultural systems 32
1.4 Relationship between the ego, superego, unconscious mental states and preconscious disposition in an agency personality 39
2.1 Dynamic relationship between the operative and figurative systems of the instrumental agency and its environment 42
2.2 Connection between resources and competitive advantage 44
2.3 Six forces model as an extension of the five forces Porter model 46
2.4 Model of the resource based approach to business strategy 47
2.5 Relationship between the knowledge and strategic gap through visualization 51
2.6 The Relationship between knowledge and sustainable competitive advantage 52
2.7 Semantic map showing the outline concept of the Strategic Viable System Model, with implicit connections between management and operations 58
2.8 Cybernetic map for the Strategic VSM 59
2.9 The VSM migrated into the strategic agency 63
2.10 Distinction between the system schemas and their orientations in the strategic agency 70
2.11 Reactions to fluctuation affecting an organization showing control action through anticipation, where knowledge processes are inferred 72
2.12 Influence diagram exploring the epistemological nature of an autonomous agent with inferred cognitive system 73
2.13 Possible relationship between learning, knowledge and intelligent agencies 75
2.14 Transverse psychological model of the collective showing type O and F pathologies 76

© in this web service Cambridge University Press www.cambridge.org

CAMBRIDGE

Cambridge University Press
978-1-316-60091-7 — The Changing Organization
Kaijun Guo , Maurice Yolles , Gerhard Fink , Paul Iles
Frontmatter
More Information

2.15 Representation of the strategic (noumenal) agency adopting attributes of VSM 81
3.1 Normative personality as a cognitive system with figurative and operative intelligences, seated in the noumenal domain of the plural agency 90
3.2 Socio-cognitive trait model of the agency connecting normative personality with social and cultural systems; Boje's personality traits here are technical-interest power, self-relational ethics, and knowledge disposition 100
5.1 Illustration of personality temperament trait for a 'personal political' space showing trait enantiomers, with social collective terms shown in brackets 148
5.2 Distribution of strategic economic agency (normative personality) meta-types in a three-dimensional trait space, each displaying its cultural and social trait natures 162
6.1 Agency with a single cognitive metasystem, which controls its operative system, showing potential generic pathologies as bars across operative intelligence (including feedback) 177
6.2 Core concept for the Cultural Agency 180
6.3 The Cognitive Agency with a knowledge creating cognitive system and instrumental figurative system, illustrating generic pathologies 181
6.4 The Affective Agency indicating the role of emotions in the agency, and their connection with the cognitive agency 182
6.5 The Defining Plural Agency, with new generic autogenetesis (self-defining), showing generic triple-loop learning (with generic pathologies) and feedback. 184
6.6 Learning theory terminology permits seeing the Defining Agency as a Cultural or Socio-Cultural Agency 185
6.7 Cultural Agency involving a Collective 'Personality' using superstructure modelling in the Cultural Agency substructure, I's indicating intelligences with possible generic pathologies 190
6.8 Recursive simplex generator for an nth order simplex model through the generation of (n+1) higher order generic constructs in an implied autopoietic hierarchy 194
6.9 Illustration of levels of consciousness from an action context to the living system and onwards, where the dotted area indicates living system occupation 195
7.1 Knowledge migration between two agencies, one operating as a source and the other as a sink via knowledge intermediaries 214
7.2 Development and performance in alliances, including CZALP 216

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CAMBRIDGE

Cambridge University Press
978-1-316-60091-7 — The Changing Organization
Kaijun Guo , Maurice Yolles , Gerhard Fink , Paul Iles
Frontmatter
More Information

7.3	Relationship between types of worldview and behaviour	218
7.4	An operative suprasystem of agencies in an alliance and a decision making imperatives metasystem of one partner	219
7.5	Relationship between the parent agencies entering an alliance, and the resulting child agency	223
8.1	Cycle of paradigmatic change, and the relationship between four modes of science	242
8.2	Corporate body embedded in an ambient national culture	251
8.3	Adaptation of the corporate life-cycle (assumption: ambient culture is in normal phase of stability)	256
9.1	An interpretation of Parsons General Theory of Action Model	268
9.2	The frame of reference enabling a rational speech act	286
9.3	A representation of the cultural agency interacting in a social environment	288
9.4	Basic systems model for political policy making	292
9.5	Model of socioeconomic development deriving from political arguments of Huntington (1968)	293
9.6	Agency model that relates to political development	295
11.1	Impact of change on China	337
11.2	Interrelating attributes of organizations and impact of World Trade Organization (WTO)	338
11.3	Typical relationship between Chinese banks and larger sector shadow banks	345
11.4	The national (Chinese) politico-economic agency	350
11.5	Type F and O pathologies	356
11.6	Interpretation of Piaget's notion of the relationship between subject and object	357
11.7	Interactive relationship between distinct images of objects, each interaction susceptible to (type L1 or L2) lateral pathologies that interfere with the deductive reasoning processes that affect perspective coordination	357
11.8	The Strategic Agency expressed in terms of the interaction between Ideology (Legitimacy, Opportunity) and Ethics.	360
11.9	The nature of opportunity in a politico-economic agency	362
11.10	Deeper notion of legitimacy with possible pathological breaks	363

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CAMBRIDGE

Cambridge University Press
978-1-316-60091-7 — The Changing Organization
Kaijun Guo , Maurice Yolles , Gerhard Fink , Paul Iles
Frontmatter
More Information

Tables

1.1 Consciousness defined in terms of three psychic domains *page* 38
2.1 Proposed attributes for sustainable competitive advantage 53
2.2 Types of capability 56
2.3 Description of VSM model 57
2.4 Examples of weaknesses seen through the lens of VSM functions 60
2.5 Identifying the strategic aspects of VSM with agency 65
2.6 Distinction between learning, knowledge, and intelligent organizations 74
2.7 Types of ontological pathology, and possible associative relationships between type combinations 77
3.1 Maruyama's core epistemic types with connected Boje traits 102
4.1 The non-conscious dispositions of habitus 115
4.2 Gardner's (1983, 1993) classes of competence intelligence 116
4.3 Organizational competence intelligence, catalyzed from Gardner's classifications 117
4.4 Nature of cybernetic intelligence in organizations 121
4.5 Migrating conceptualizations of knowledge strategy to the cultural agency 134
5.1 Trait variables and their enantiomers for personal political temperament in MBTI trait space, and its equivalent social trait space 145
5.2 Cultural agency traits, strategic economic agency traits and social agency traits, and their possible polar orientations 151
5.3 Summary of the traits and their bi-polar enantiomers for an agency 156
5.4 Nature of the Maruyama mindscapes 161
6.1 Literature support for paradigm shifts of different agency intelligences 187
6.2 Characteristics of paradigms 192
7.1 Example Alliance situations and their cognitive attributes as viable systems 229

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CAMBRIDGE

Cambridge University Press
978-1-316-60091-7 — The Changing Organization
Kaijun Guo , Maurice Yolles , Gerhard Fink , Paul Iles
Frontmatter
More Information

8.1 Explanation of the options for paradigmatic change 243
8.2 Sources of firm growth and evolving crises 247
8.3 Causes of insolvency – information collected in Austria and Germany 250
8.4 The phases of the corporate cycle 257
8.5 Illustration of the connection between the first two phases of the corporate life-cycle and its dynamic development process 258
9.1 Types of autonomous system in Luhmann's theory 273
9.2 Communication is a synthesis of three elements 275
9.3 Concepts associated with meaning in social systems 276
9.4 Equivalence between Shannon and Weaver's and Lynn's models of communication 278
9.5 Types of rationality in Habermas' theory of communicative action 281
9.6 Habermas' three worlds model of communications 285
10.1 Illustration of economic intelligence to figurative trait value options 323
11.1 Nature of the terms and coupling relationships in Figure 11.5 361
11.2 Variables to fight corruption, illustrations/explanations deriving from Anderson and Grey (2006) 367

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CAMBRIDGE
Cambridge University Press
978-1-316-60091-7 — The Changing Organization
Kaijun Guo , Maurice Yolles , Gerhard Fink , Paul Iles
Frontmatter
More Information

Preface

This book is a research monograph concerned with social collectives and change. It presents a theoretical and practical framework capable of improving our understanding of the nature and processes involved in socials (i.e. social collectives/organizations/systems) and our capacity to anticipate their patterns of behaviour. It is an output of the loosely structured international Organizational Orientation, Coherence and Trajectory (OCT) project (www.octresearch.net) centred at Warwick University in the UK. It arose as the result of a selected collection of peer-reviewed research papers that have been assembled, reformulated, and integrated into a coherent theme, put together to service the developmental needs of a fast-growing Chinese commercial bank needing to ensure that its distributed branches recognize some of the issues relating to rapid growth through start-up branches or joint alliances.

The theme is about the plural agency – a *learning* viable organized social collective that might be an enterprise, a nation state, or a civilization. Agencies pass through change, and the issues that this promotes arise where, for instance, a corporate body engages in a merger or acquisition, thereby creating a cultural schism over its new self, or when a social moves through immanent processes to embrace a plural value system, cleaving cultural coherence. In either case, a culture may become unstable, and when this occurs the agency may find that a coherent set of values becomes incoherent, and single values may become collectively or individually confused, *and* the instrumental norms that populate its cognitions and behaviours lose meaning, becoming semantically vacuous. For an agency to regain cultural stability it requires a coherent value system and set of meaningful instrumental norms to emerge. Zetterberg (1997), commenting on the distinction between values and norms, suggests that values are associated with actualization and the emergence of spontaneous order, while norms are associated with compliance. Order from values occurs with a shift back to *cultural stability*, while compliance occurs with *instrumental stability* when cognitive and behavioural norms facilitate order. Models can be useful to explain how long regaining stability might take. Strang & Meyer (1993) suggest diffusion models for this. By diffusion we mean the socially mediated spread of a

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Kaijun Guo , Maurice Yolles , Gerhard Fink , Paul Iles
Frontmatter
More Information

coherent set of values and semantic norms within a population. Young (2009) distinguishes between types of diffusion: contagion, social influence, social learning, and inertia. Inertia is likely to be most relevant to the spread of core values, since people tend to find it quite difficult to replace one set of core values with another. The time it takes for an agency to regain stability will be dependent on its conditions, like population mass. For Yolles, Fink, & Frieden (2012) this is a metaphor for *resistance to change*. While early inertial models of society have been unable to represent the dynamic nature of its culture (Pickering, 1987), more modern treatments (e.g. Yolles, Fink, & Frieden, 2012) can provide explanation for inertial dynamic processes and hence explain change through social momentum (e.g. Green & Griffith, 2002; Ching & Yu, 2010) from instability to stability.

Using systems concepts, a plural agency is populated by sub-agencies, some of which may be plural (e.g. groups) and some singular (individuals). Agency is also viable having *cybernetic* processes of control and communication, as it develops and maintains itself, with qualities of adaptability, survival, and (more or less) coherence, particularly in relation to successful strategic processes and a capacity for efficacious performance. As a modern meta-framework approach, it avoids the problems of mainstream social science with a paradigmatic framework whose conceptual walls advocates often have difficulty in breaching (Alvesson & Willmott, 1996; Jeffcutt, 2004; Koot, 2004; Suddaby, Hardy, & Huy, 2008; Suddaby & Huy, 2009). While such partitioning may well assist in creating greater theoretical depth, it loses the perspectives needed to relate disciplines and their points of interaction. This is implicitly supported by Yoon (2010) who points out (citing Almond & Verba 1963; Barry, 1978; Patemann, 1980; Almond 1980; Inglehart, 1990 & 1997; Harrison and Huntington 2001) that economic, social, political, and cultural processes are all intimately connected, and to consider one without the other creates explanatory deficiency.

This text offers a dynamic cultural theory that couples with advances in agency theory. The agency may be modelled to have representative variables, called *traits*. These are influenced by its instrumental norms, creating formative orientations that influence collective cognitions and patterns of behaviour, immanent dynamics, and interaction with complex environments. The trait orientations are influenced by a cultural trait, which creates a field of attraction with particular cognitive pathways that predetermine strategic approaches and behavioural potential.

Understanding change in an agency requires the support of suitable theory. Traditional systemic frameworks used to model the nature and function of systems have limitations, while more recent complex adaptive systems theory draws on broader principles that involve uncertainty and emergence within and across dynamic contexts (Amagoh, 2008). Such systems are not just concerned with objects, but are populated by people who communicate, may be

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Kaijun Guo , Maurice Yolles , Gerhard Fink , Paul Iles
Frontmatter
More Information

conflictual, respond to management processes, and may or may not conform to the cultural norms that contribute to organizational coherence. The approach taken in this text is to create a *meta-framework*. This can deliver specific *context-dependent* frameworks such that, with purpose and intention, systemic detail and evidence of complexity result. The nature of the meta-framework is that it adopts a high level of conceptualization. As a result, complexity tends to become less relevant (Glassman, 1973).

We have said agency theory is a meta-framework. This consists of a *living system* substructure, with detailed theory added in as a superstructure. Its substructure is formulated as a super-system representing human agency, composed of systems that are ontologically distinct but interactively coupled. The systems are autonomous, generalized, and information rich. There are various agency models. The strategic agency represents a 'living personality' with an information-based cognitive system that strategically influences decision-making. In the cultural agency, *culture* drives agency norms and orientates agency traits. It has *cognition* that drives processes of individual and collective thought that together with emotion deliver action. *Context* derives from what may be identified as a set of environments in relation to the agency's immanent dynamics. A consequence of change in culture, cognition, and context is that the agency must adapt to maintain viability. Agency substructure, influenced by superstructure, creates behavioural *anticipation.* Anticipation is not prediction (Rosen, 1985; Schwarz, 2001; Leydesdorff & Dubois, 2004; Collier, 2006). Predictions are theoretical expectations often using system models to identify future states from structural properties (Rosen, 1985), while anticipation arises when the structure itself enables dynamic projections to the future to facilitate potential behaviour. Yolles & Fink (2015) offer an illustration of the differences: human agency uses strategic management models that interpret an environment from an examination of behavioural perturbations, while anticipation involves strategic and operative networks of processes that dynamically condition the way that the agency behaviourally responds to environmental perturbations.

Agency is a substructural *living system* enriched with superstructure. Living system theory (Vancouver, 1996: 165):

> [first, should] provide a framework for describing the micro (i.e. human), macro (i.e. social organizations), and meso (i.e. interaction between the two) levels of the field without relying on reductionism or reification. The more parsimoniously it can do this, the better (Bacharach, 1989; Whetten, 1989). Second, it should provide a model of the major processes of dynamic interaction between individuals, situations, and behaviour to address the major phenomenon of the field like behaviour, cognition, and affect (Bandura,1986). Finally, it should provide researchers with research ideas (Whetten, 1989).

Vancouver continues by saying that living systems theory entails the proposition that living systems can maintain regularity despite irregularity in their

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Kaijun Guo , Maurice Yolles , Gerhard Fink , Paul Iles
Frontmatter
More Information

environments. This regularity is accomplished by comparing current or anticipated states with internally represented desired states and converting any difference into actions that will enable the maintenance of small differences. He further notes that in living systems theory influences emerge from evolutionary and biological to sociological and economic processes. To capture such attributes, agency theory as presented here adopts the concept of autopoiesis, which Mingers (1995, 2001) notes refers to systems that are *self-producing* or *self-constructing,* and this is indicative of certain properties of *living* as opposed to *non-living* entities. This modelling approach has been enlarged, notes Mingers, to encompass cognition and language, leading to what is known as second-order cybernetics. Schwarz (1997) developed a more comprehensive general theory of living systems in which autopoiesis constitutes one part, the other being autogenesis or *self-creation*. Yolles (1999, 2006) has elaborated this into a knowledge-based theory that has its seat in the theory of anticipation. In this book we show that living systems theory can also be set within the context of learning, as represented by Piaget (1950), where autogenesis and autopoiesis are represented through forms of process intelligence.

It has been said that this text originated from the servicing needs of a rapidly growing distributed Chinese bank. It began its life as a series of lectures that derived from published papers in academic journals. Selected papers have been reworked and integrated with new material in order to create a streamed monograph. The bank's cultural diversity occurs since its origins derive from culturally diverse regions of China. Each branch constitutes a semi-autonomous organization that is expected to contribute to corporate coherence and as such is required to conform to national corporate goals. However, issues of goal adherence may arise where common understandings of goal meanings differ across the culturally diverse regions. That the corporate culture is distributed enables a plurality of normative differences to result, and while this can create corporate opportunity, it can also create corporate fissures. Corporate culture is the 'glue' that holds organizations together by providing cohesiveness and coherence among the parts (Schneider, 1988). Corporate growth is the result of ambitious intention. Corporate development is like having a plurality of cross-regional corporate projects, each a culturally distinct semi-autonomous branch running sub-project teams, where 'coordination and communication among the players is paramount for an efficient and effective outcome' (Evaristo et al., 2004: 177), and where 'culture, in itself, is a multidimensional factor, all affecting the performance of distributed projects in different ways' (ibid.: 184).

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