

DIALOGUE

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1. Dialogue comments should address only *AMR* articles or *AMR* Dialogues.
2. Dialogue comments must be timely. Preference will be given to submissions received within two months of the publication date of the material on which the author is commenting.
3. Dialogue comments must be brief. Commentaries on articles should not exceed 4 double-spaced manuscript pages. Commentaries on previous Dialogue entries should not exceed 2 double-spaced manuscript pages.

On Hikers, Tigers, Trust and Opportunism

In a previous issue of the *AMR* (January 1996) Sumantra Ghoshal and Peter Moran tell a story of two hikers camping in tiger country. When a tiger approaches, one of the hikers reaches for his running shoes stating that he will not be eaten if he can outrun his companion. The story is used as a starting point for an insightful discussion of conditional and behavioral mechanisms in organizations—a discussion that acknowledges the merits of Williamson's theory of transaction cost economics (TCE), and states that "its usefulness is much more limited than we believe is necessary" (Ghoshal & Moran, 1996: 40).

Williamson's (1996: 49) response is that if the hikers had anticipated the possibility of meeting man-eating tigers, they might have brought a weapon. He thus states that decision makers should take account of the anticipated decision-environment—a view that is supported by his distinction between day-to-day affairs and long-term contractual relations.

For all their differences Ghoshal and Moran and Williamson do not reject each other totally, but they do not agree on which view is the most important for the shaping and working of organizations. We attempt to resolve part of the dispute by proposing a distinction between the decisions taken when running an organization and the decisions taken when designing the organization.

Basic to all TCE is "the transaction": Transactions occur between "parties" (people, organizations etc.), and any transaction results in some form of decision (buying, selling, investing, shaping of organizations etc.). Thus, TCE could be regarded as a decision-theory which has its merits under certain conditions. But all transactions are not alike and neither are

decisions. Accordingly, it is not likely that an organization should always face situations that are opportunism-prone.

Let us consider two parties preparing for interaction in a given environment. Let us further claim *ceteris paribus* in the sense that the focus is on uncertainty, and that all considerations of dependence and vulnerability are disregarded. Under these circumstances the two parties face uncertainty that can be ascribed to three different sources of doubt: The environment, themselves and the partner.

The reaction to "self-doubt" is evident: if I doubt what I myself can accomplish, I will only make limited commitments. The reaction to "partner-doubt" will force me to make contractual safeguards in the Williamson-style. And the reaction to "environment-doubt" will make me strive for the negotiated environment first introduced by Cyert and March (1963) or a sealing of my technical core proposed by Thompson (1967).

If one considers the problem from the side of one of the hikers (and dichotomizing the three scales), this kind of reasoning gives rise to 8 ($= 2 \times 2 \times 2$) different caricatures of decision situations ranging from low on all three dimensions (self-doubt/environment-doubt/partner-doubt) over an array of mixed situations to a clear high on the three scales.

With low on all dimensions we are in the ultimate trust situation: If our hiker trusts the other one, knows there are no tigers, and is in excellent health or physical condition, he will happily go off for a splendid weekend (i.e., he will make full commitment, will not think about safeguards, and face God's nature as it is).

With a high on all scales we are in the ultimate doubt-situation: If our hiker does not trust the other for help in difficult situations; if he thinks there might be tigers around and if he does not believe he can hit a tiger even if he brought a gun—then he will certainly only go for a short walk (limited commitment) with the tigers behind bars (negotiated/sealed environment) and he will make some kind of insurance-arrangement in case the other hiker should leave him behind with a broken leg (contractual safeguards).

In between these two extremes sketched above is an array of intermediate situations, each with identifiable characteristics towards the decision in question. And as there are many decisions in and around organizations, any organization will probably contain a blend of these decision situations.

We do not propose that this taxonomy is sufficient for drawing normative implications based on TCE logic (cf. Ghoshal & Moran, 1996: 15), i.e. for practical use, rather it indicates a line of thought that could bridge the apparent gap between Ghoshal & Moran's perception of organization theory and Williamson's TCE. But we find it essential for bridging the gap that TCE be regarded as the decision theory it really is.

Of course, there are situations where the environment is so opportunism-prone that TCE decisions ought to play the dominant role in the organization's design decisions—but no one could be sure that the

organization would not be able to find trustworthy partners even in this environment. And it is just as possible that an environment characterized by trust calls for an open approach to organizational design—but even this organization could meet prospective partners with which it felt insecure. However, as always, it is the mixed situations that are the most realistic.

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Jens Genefke
Per Nikolaj D. Bukh



A Few Quibbles with Denison

Denison (1996) has made an overdue and important contribution to the literature on organizational culture and organizational climate with his comprehensive comparison and contrast of the two constructs. The distinctions drawn between research perspectives, dimensions studied, and theoretical foundations of each organizational perspective are clear, valid, and useful, and in my view, a step toward some integration between the culture and climate perspectives. If progress is to continue in the study of the creation and impact of social contexts in organizations, then the “paradigm wars” must end between climate and culture researchers. Denison’s suggestion that the culture and climate literatures be viewed as two dominant traditions in the study of organizational contexts is helpful in this regard because it does provide a framework for applying the best of each tradition to future studies.

I do have some quibbles with Denison’s otherwise comprehensive and thoughtful analysis. As the history of climate research is developed, Denison neglects an important sector of that literature—the study of organizational climate in education. The historical roots of climate research rest in educational organizations. Although Denison traces the theoretical foundations of the climate literature to the field theory of Kurt Lewin (1951), he neglects some of the earliest applications of field theory to the study of organizational climate. There is no mention of the pioneering work either George Stern (1970) or his colleague Robert Pace (1958) in which they developed a needs-press model to conceptualize and measure the organizational climate of colleges. Their work is arguably the most sophisticated and comprehensive treatment among the early climate studies. The research is clearly based on Lewin’s classic formulation of the importance of person and environment, and provides a foreshadowing