

Autonomy of Individuals and Organizations: Towards a Strategy Research Agenda

David M. Brock*

*Department of Business Administration, Ben-Gurion University of the Negev, Israel
and*

Department of International Business, University of Auckland, New Zealand

Abstract

This paper presents a review of the use of autonomy in the organization literature and explores definitional and methodological issues. A typology of four combinations of autonomy and centralization, four matching strategic types, and several strategic contingency propositions are developed.

Key words: autonomy; centralization; strategy

JEL classification: M19

- | | |
|---------------------|--|
| Retail manager: | “I had to wait for home office permission to mark down that merchandise, and by the time I got [the permission] the stuff was completely unsaleable.” |
| S&L branch manager: | “We had no way of knowing whether a proposed development was going to be viable or not, but we had to make the judgment calls. We had weekly targets to achieve and were under pressure to grant those loans...” |

One does not have to talk with managers long before being alerted to problems due to someone having either too little or too much autonomy. Moreover, these problems often reflect serious negative organizational outcomes. Autonomy significantly influences work-related behavior: For individuals it may be a motivator (Porter et al. 1975, p. 302). For organizations autonomy may have significant bearing on strategy formulation (Hart, 1991) and implementation (White, 1986). The two quotes above illustrate that autonomy has significant face validity and relevance. As will be discussed later, reliable instruments are available to measure autonomy, and this construct has been used (with concomitant losses of validity) as an analogue for

Received December 8, 2002, revised March 17, 2003, accepted April 17, 2003.

*Correspondence to: Department of Business Administration, School of Management, Ben-Gurion University, P.O. Box 653, Beer-Sheva 84105, Israel. E-mail: dmb@bgumail.bgu.ac.il. The author is grateful to Professor Kerr Inkson (Massey University) for his help with this project and to the editorial team of this journal for their constructive advice on this paper.

other structural variables—like decentralization, empowerment, power, authority, and control (Govindarajan, 1988; Holdaway et al., 1975; Inkson et al., 1970). However, to improve construct validity it is necessary to distinguish among autonomy and these other variables (especially centralization), and a large part of this paper will deal with this issue.

This paper is an attempt to explore autonomy as an organization structure variable and to suggest ways and means to use it in contemporary organizational strategy research. The following section contains some definitions, followed by a review of organization theory literature dealing with autonomy.

1. What is Autonomy and What Research Pertains?

Autonomy may be defined as the degree to which one may make significant decisions without the consent of others. At various levels of analysis we may look at the autonomy of *individuals* within an organization or the autonomy of *organizations* or subunits thereof. Beginning with the individual level, a manager—or any other organizational member for that matter—is relatively autonomous if she can make most of the important decisions relevant to her job without requiring permission from other people in the organization.

An individual's autonomy is typically reduced when one requires consent from organizational superiors. However it is also possible that consent may be needed from specialists (like lawyers), colleagues at the same organizational level, a committee anywhere in the organization, and even operators at a lower level. So autonomy may be impacted from many directions around a person or organization.

Although autonomy has not been a commonly used structural variable in organizational research, publications in the past few decades have certainly reflected its use from time to time. In 1958 William R. Dill published a study of two Norwegian firms in which multiple measures of manager and worker autonomy were evaluated next to various environmental factors. Among his findings we see that higher autonomy was associated with less complex task assignments, lower risk, more control over information flows, and more formalized interaction (Dill, 1958). Osborn et al. (1980, p. 87) evaluate some research findings and surmise that low autonomy is associated with a low quality working life, although this may vary from person to person. Porter et al. (1975, pp. 42-43) suggest that autonomy is a human need, in a sense similar to those in Maslow's (1954) hierarchy of needs. Turner and Lawrence (1965) used autonomy as a "requisite task attribute" found to promote job satisfaction and lower absenteeism among employees located in small towns (yet results were not positive in urban settings). And giving front-line employees more decision-making autonomy was found to help the competitiveness of the firms (Nielsen and Pedersen, 2003).

An *organization* may similarly be rated according to its degree of autonomy. This idea is especially relevant to organizations that are divisions or subunits of larger entities, like a business that is part of a corporation or a fraternity belonging to a national organization of fraternities (Hall, 1991, p. 32). Datta et al. (1991) defined

the autonomy of an organization in terms of day-to-day freedom to manage. Harris and Holden (2001) as well as Darr (2003) juxtapose autonomy and control, framing them as opposing organizational forces.

Evan (1966) studied the autonomy of related organizations, finding that the less autonomous organizations had more power. Like some tenets of political and resource dependency theories, these findings reflect the power gained by controlling resources (Pfeffer and Salancik, 1978). In the Aston studies, centralization and low autonomy, the principal constituents on the dimension called concentration of authority, were found to be strongly related to standardization of personnel procedures, low functional specialization, percentage of superordinates, and percentage of non-workflow personnel (Holdaway et al., 1975). Kochan et al. (1975) found that public sector organizations with low autonomy were characterized by more interdependence among units. They also found that managers tended to centralize decision-making in these contexts.

Research on the autonomy of various units within multinational corporations has also been fruitful, often addressing the question of whether certain functions should be based at headquarters or delegated to local managers (Gifford, 1998). Vachani (1999) finds that a subsidiary's autonomy is greater in certain functional areas (like marketing and personnel) than others (R&D and finance). Patterson and Brock (2002) use word counts on a small sample of articles to indicate that contemporary authors seem to indicate a trend toward concepts related to autonomy rather than control. And Robins et al. (2002) suggest that while international cooperative ventures need to become autonomous, aspects of strategic integration seem to be key success factors.

Studies have also shown that autonomy may have desirable outcomes in the right context. Hackman and Oldham (1976) showed that autonomy (along with other core job dimensions like task significance and feedback) promotes positive motivation, performance, satisfaction, absenteeism, and turnover outcomes. White (1986) found that certain strategies that require high levels of control produce better results with low rather than with high autonomy.

So, along with affecting people at their jobs, autonomy is also related to many variables crucial to organizational effectiveness. Many of these relationships will be referred to in a subsequent section of this paper. The distinction between the individual and organizational level of analysis, however, may be blurred in the special case of the CEO: to the extent that CEOs represent their organizations, a CEO's autonomy would be analogous to organizational autonomy. The next section will show some well-accepted methods by which autonomy has been measured in organization research.

2. The Measurement of Autonomy

The science of measuring organizational variables has been significantly advanced by the Aston studies: Pugh et al. (1963) described the conceptual framework for the basic yet inclusive multivariate analysis and in subsequent works described

the empirical development of these analyses (Pugh et al., 1968). This work led to further developments concerning the “centralization” construct (Child, 1972; Donaldson et al., 1975; Greenwood and Hinings, 1976; Grinyer and Yasai-Ardekani, 1980, 1981; Mansfield, 1973). Significant findings from this body of research concerned centralization’s correlation with standardization (mainly positive), size (mainly negative), and autonomy of the organization (negative). However, strong reservations were raised about the reliability of measures of centralization (Greenwood and Hinings, 1976; Mansfield, 1973). One of the problems is captured by Grinyer and Yasai-Ardekani (1980, p. 418) when they conclude that “the use of autonomy to measure centralization, as in the abbreviated scales of Inkson et al. (1970), is potentially misleading.”

Generally autonomy has received far less attention than centralization. Inkson et al. (1970) used abbreviated measures for some organizational variables described in earlier Aston studies (like Pugh et al., 1968) including a 23-item measure of autonomy. The organization’s autonomy score was the number of decisions taken at a higher level of authority. Typical “decisions” from this instrument include “promotion of supervisory staff,” “to determine marketing territories covered,” and “which suppliers of materials are to be used” (Inkson et al., 1970, pp. 328-329). In these studies autonomy was treated as a measure of centralization (Pugh et al., 1968) or concentration of authority (Inkson et al., 1970). A subsequent section of this paper will cover the distinction between autonomy and centralization.

Hackman and Lawler (1971) measured autonomy of workers by asking them to rate their levels of autonomy on a 7-point scale. The question asked was, “How much *autonomy* do you have on your job; how much are you left on your own to do your own work?” and the extreme and mid-points of the seven-point scale were labeled with an explanatory statement. For example, the mid-point is “Moderate autonomy; I make some of the decisions about my work, but many of them are made for me” (Hackman and Lawler, 1973, pp. 267-268). These researchers also went on to ask for further measures to similar questions for “employees and supervisors.” Tests of internal consistency among the different measures were conducted.

Sims et al. (1976) studied autonomy and other dimensions of job characteristics using a model similar to Hackman and Lawler’s (1971). In doing so, they developed an instrument called the Job Characteristics Inventory (JCI), using a five-point scale and a series of 37 questions. Six of these items measured autonomy; for example, “How much are you left on your own to do your own work” and “To what extent are you able to act independently of your supervisor in performing your job function” (Sims et al., 1976, p. 200).

There are thus a number of established methods of measuring autonomy. Researchers who wish to use this variable in empirical studies have ample precedent at their disposal upon which to draw. In addition, a number of more recent attempts have been made to measure autonomy. However, some approaches have not differentiated between autonomy and decentralization; they will thus be mentioned in the following section.

3. Autonomy and (De)Centralization

Although autonomy and decentralization may coincide and have similar connotations, they often differ and imply varying organizational outcomes. Later we will show that the distinction between these two constructs is potentially so significant that, given reliable and valid measures, effective strategic contingencies for a decentralized unit will differ from that for an autonomous unit, and similarly for a centralized versus a low autonomy organization. In addition, organization scientists might wish to value the accuracy of expression gained in this pursuit.

3.1 Similarities and Differences

So at this point a distinction should be drawn between these two related constructs, *autonomy* and *(de)centralization*. *Autonomy* refers to *the extent* of decision making authority wielded by a given position, person, or organization. In evaluating autonomy, we ask the question, “How much decision-making authority does X (person or organization) have?”

Centralization concerns *the locus* of decision-making authority in an organization (Pugh et al., 1968)—the extent to which decision-making is concentrated in a single point or diffused throughout the organization. A decentralized organization is one in which power is dispersed among many individuals (Mintzberg, 1989, p. 105). Pugh et al. (1968) measured centralization by finding the level of the organization at which certain administrative decisions (from a list—for example, hiring, firing, and changing procedures) were made. In evaluating the degree of centralization we ask the question, “Where does decision-making authority reside?” Table 1 summarizes salient elements of these two constructs.

Table 1. Typical Definitions and Operationalizations of Centralization and Autonomy

	Definition	Operationalization
Autonomy (of a person or an organization)	Extent of decision-making authority (How much?)	How many decisions can be made without higher authority
Centralization (in an organization)	Locus of decision-making (Where is it?)	Lowest level of organization at which decisions are made

A complicating factor is that similar instruments can be used to measure autonomy and centralization. The instrument to measure autonomy in Inkson et al. (1970) is similar to that measuring centralization in Pugh et al. (1968). However, although a similar instrument was used, these two studies succeeded in differentiating between centralization and autonomy as follows: Centralization was measured by ascertaining the *level at which* the decisions were made. Autonomy was *how many* decisions could be made at a given position or person. So centralization was a characteristic of the entire structure of an organizational unit—a more generalized measure, whereas autonomy was a reading of decision-making authority at a specific location. An example to illustrate the possible interplay of these two constructs is presented shortly.

Further, common usage of (de)centralization is the extent to which *operators* are autonomous. So in the case where one evaluates autonomy of operators one can simultaneously evaluate the degree of centralization. The term “operator autonomy” is thus generally analogous to decentralization; conversely, low operator autonomy generally indicates centralization. This point will be illustrated in the example below.

Statistical tests have found that these two constructs are highly correlated. Pugh et al. (1968) found that centralization and autonomy loaded highly (factor loading of 0.83 and $-.92$ respectively) on the factor they termed concentration of authority. Child (1972) reports significant negative correlations between centralization and organizational autonomy in two different samples. Walton (1981) compared a number of structural concepts and measures and reported that only autonomy relates to the primary dimension of centralization.

Pennings (1973) had some contrary findings, albeit with a sample of only ten organizations. Using the same 23-item instrument as Inkson et al. (1970), he found that autonomous organizations tended to have centralized decision making. Pennings interprets these results by distinguishing between “autonomy of members” and “autonomy of organization” and cautions that these two constructs are different (1973, p. 696). The differences among centralization and these two versions of autonomy are illustrated in the following example.

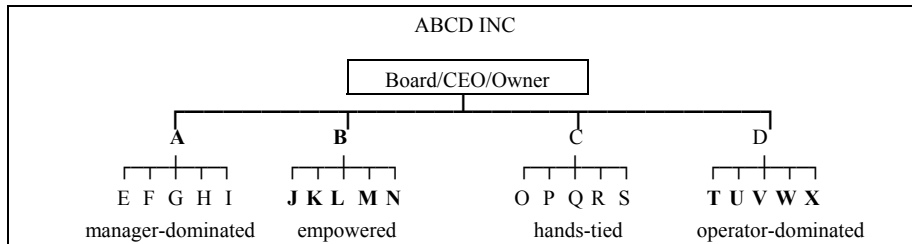
3.2 An Example

Consider the following example to illustrate possible combinations of autonomy of members, autonomy of organization, and decentralization. Figure 1 shows the formal organizational charts of the three levels of organization ABCD Inc. ABCD consists of four divisions, A, B, C, and D. For simplicity, each division has just two levels: a manager and five subordinates. Assume that we carry out some research using an instrument and approach similar to Inkson et al. (1970) to measure the autonomy of all the members of these four divisions. We administer a battery of questions to all members of these organizations and find that the managers of divisions A and B were able to make 90% of a list of important decisions relevant to their jobs (like hiring, firing, price changes, new product decisions, and short-term financing plans) without requiring consent. The other managers (C and D) have to defer to the CEO or board of directors for the majority of these decisions. This would lead us to conclude that A and B are relatively autonomous individuals; and that C and D are not.

Taking this project a step further, we could consider the decision-making authority of the next line of employees (E, F, ..., X). Assume that we find that B's subordinates (J, K, ..., N) and D's subordinates (T, U, ..., X) are able to make 90% of their job-related decisions (like granting customer credits, reworking, scheduling shifts, and purchasing materials) without approval from a higher authority. Further, the other members on this level (E, F, ..., I and O, P, ..., S) have to request permission for most of these same decisions. This would lead us to conclude that

members in subunits B and D are relatively autonomous; and that those in subunits A and C are not.

Figure 1. Possible Combinations of Autonomy and Centralization



To describe this situation accurately we should choose the terminology carefully: A and B are *autonomous individuals* relative to the other two managers. In addition, managers A and B are the representatives and boundary spanners for the organization under them. Thus the organizational units under A and B’s control (assuming that these subunits are indeed under control of these individuals) can be termed *autonomous organizations*. However, in organizations A and C, the locus of decision making does not extend to the lowest organizational level. In fact, decision making authority rests with C’s boss (the CEO or Board) and with A. Thus the organizational structures in A and C are more *centralized* and those in B and D relatively *decentralized*. These conclusions are summarized in Table 2.

Table 2. Autonomy and Centralization of the Four Hypothetical Organizations

Organization	Description of Structure
A	Autonomous and centralized
B	Autonomous and decentralized
C	Low autonomy and centralized
D	Low autonomy and decentralized

So the four organizational units studied here represent the four possible combinations of degrees of autonomy and centralization. More detail and a typology of these four will be developed below. There is evidence in the findings of Pennings (1973) mentioned above and in Mintzberg’s (1993) five structural configurations to suggest that all four of these combinations are possible: autonomous and centralized organizations—like division A—were found by Pennings and are akin to Mintzberg’s simple structure; Mintzberg’s adhocracy is like B, departments in a machine bureaucracy like C, and the professional bureaucracy like D.

3.3 A Word of Caution

The instruments described earlier thus can be used to measure both autonomy and centralization. For example, Govindarajan (1988) used a list of four decisions that a manager may make (like increasing promotional spending beyond the budget),

and asked managers to rate on a seven-point scale their likelihood of making these decisions without consulting a superior. The results were added to create an “index of decentralization” for each manager. This method may be misleading due to level of analysis ambiguity and because we have no data on decision making below the manager’s level. So having measured the autonomy of the manager, we really do not know how centralized the organization is.

Although it may be acceptable in some cases to use autonomy as a surrogate for decentralization, researchers should take care to clarify their *modus operandi* when doing so. There are possible cases—such as those found in the Inkson et al. (1970) and Pennings (1973), studies mentioned earlier and illustrated in divisions A and D in our example—where autonomy and decentralization do not coincide.

4. Toward a New Typology

The four combinations of autonomy and centralization in the above example may be extended into a typology of combinations of these variables. Typologies are “shorthand,” summarizing many concepts into a word or two. A meaningful typology promotes understanding, recall, and application of a common set of variables. The five types outlined below concentrate on the operational levels of the organization, namely the operators (workers or professionals) and one or two level(s) above them. These examples conform with contemporary, relatively flat organization forms.

4.1 The manager-dominated form:

The organizational type depicted as division A in the example has an autonomous manager with centralized authority—like Mintzberg’s (1993) simple form. The operators are required by the organization’s policies to refer many decisions to the manager. For example, workers in most banks need to request approval for loans and retail workers are typically not permitted to change prices without authority from elsewhere.

4.2 The empowered form:

The organizational type depicted as division B in the example has an autonomous manager and autonomous workers—like Mintzberg’s (1993) adhocracy. The managers are empowered to make decisions and the operators are empowered to handle affairs at their level.

4.3 The hands-tied form:

In the organizational type depicted as division C in the example, neither the manager nor the workers are authorized to make a majority of their important

work-related decisions. The operators and managers have three alternatives for dealing with many decision situations: They may either seek permission from specialists or superiors elsewhere in the organization; they might break organizational policy and go ahead without that permission; or they may simply avoid the situation (usually not being able to serve the customer). This form may be used for stable, routine activities like warehousing or production of commodities. Alternately it may be a “holding pattern” where organizational inactivity is desired; it would thus be selected for temporary situations such as the period prior to a liquidation or merger.

4.4 The operator-dominated form:

The organizational type depicted as division D in the example has autonomous operators but a manager with low autonomy. The operator autonomy usually derives from expert power (e.g., professional qualifications). The manager is often titular, and obliged to get authority for many organization-level decisions from either the operators (in the example of the professional organization) or from owners, boards, or managers at higher levels.

4.5 The mixed form:

The organizational type depicted as ABCD in the example has some—but not all—decentralized units, autonomous managers, and autonomous operators.

5. Using Autonomy in Organization Research

The earlier review section of this paper shows that autonomy is an important factor with respect to organizational effectiveness (Evan, 1966; Hackman and Oldham, 1976; Osborn et al., 1980; Turner and Lawrence, 1965; White, 1986). The typology developed above helps distinguish between the autonomy and centralization when appropriate; now we will explore some of the implications of this distinction for organization conduct. In evaluating the administrative theorists who dominated organization theory during the first half of this century, Scott (1981, p. 67) concludes that their major fault was “failure to develop conditional generalizations—statements that specify the limits of ... applicability to particular situations or types of organizations.” We will thus continue by developing some theoretical arguments leading to contingency propositions that demonstrate the use of different combinations of autonomy and centralization.

To enhance the relevance of the arguments it should be interesting to use “strategy” as a contingency variable. If we consider strategy as being shorthand for what the organization aims to achieve, these contingency propositions will explore levels of autonomy and centralization suitable for implementing different strategies.

Remembering that autonomy is defined in terms of the decision-making ability of a person or organizational unit, one can eliminate some potential ambiguity by

concentrating on the manager (or CEO) of a division or business unit; in this way we can assume that the organization's autonomy is analogous to the manager's autonomy. Further, if strategy is conceptualized as business unit strategy (as opposed to corporate or functional-level strategy), we can initially measure strategy, autonomy, and effectiveness at the same place, namely the business unit manager representing the business unit. This simplifying assumption will be dropped later in the paper, and the autonomy of the operators will be considered along with the autonomy of the manager and the centralization of the organization.

5.1 Strategy, Autonomy, and Effectiveness

Strategy includes decisions about (1) what an organization wants to achieve and (2) how it is to accomplish these objectives (McCarthy et al., 1983). The practice of using two polar strategies from one typology has become very common in strategy research (Feeser and Willard, 1990; Gupta and Govindarajan, 1984, 1986; Hoskisson, 1987). We shall begin with a relatively simple conceptualization of strategy and develop a more complex typology later. Miles and Snow's (1978) strategic typologies have been widely used to classify competitive strategies in organizational research (Hambrick, 1983). The two polar successful "Miles and Snow strategies" are:

(1) *defenders* maintain a relatively stable offering (of products and services) to a relatively narrow, stable target market and gain competitive advantage through focusing on satisfying the demands and needs of their traditional customer base; and

(2) *prospectors* generate revenues through seeking out new customer markets and developing additional offerings.

For effectiveness of an organization, it helps if the structure supports the strategy (Govindarajan, 1986). For instance, a strategy that emphasizes disciplined concentration on traditional customers and products—like the *defender* strategy—is best implemented with a structure that focuses and constrains the options of the CEO to service that market. On the other hand, a strategy that emphasizes innovation—like the *prospector* strategy—is best implemented in a structure that gives managers the freedom and authority to try different approaches. Structures with low autonomy entail frequent reporting and tend to constrain the actions of organizational members. These constraints typically include the purposive controls inherent in effective defender strategies but inhibit the innovation needed for successful prospecting. On the other hand, structures with substantial autonomy afford more freedom and promote innovation and prospecting but typically fail to impose the disciplines needed by the defender (Brock and Zeithaml, 1988; Govindarajan, 1986).

These relationships may be reinforced by the possibility of sharing resources. A defender strategy, for example, should benefit from the economies of scale to be gained on shared support, technical, and administrative functions (like data processing and purchasing) of the organization, thus cutting costs and increasing efficiency. An emphasis on shared services and resources, however, may intensify

the need to ensure consistency and coordination among departments. These integrating activities would require that businesses and departments be coordinated and controlled to ensure that these services and resources are shared and used efficiently by all. Conversely, because of the need for flexibility and autonomy, emphasis on shared resources may be neither necessary nor desirable for implementing a prospector strategy.

The following pair of propositions summarizes these relationships:

Proposition 1a: For businesses implementing prospector strategies, high autonomy of the manager will be associated with greater effectiveness than low autonomy.

Proposition 1b: Using the typology developed above, the manager-dominated and empowered forms would be better at implementing a prospector strategy than the hands-tied and operator-dominated organizations.

Proposition 2a: For businesses implementing defender strategies, low autonomy of the manager will be associated with greater effectiveness than high autonomy.

Proposition 2b: Using the typology developed above, the hands-tied and operator-dominated forms would be better at implementing a defender strategy than the manager-dominated and empowered organizations.

The above propositions only consider autonomy (i.e., not centralization) and are thus relatively simple. The introduction of (de)centralization in the next section will render more complex yet more realistic arguments.

5.2 The Role of Centralization

The degree of centralization in an organization should modify the applicability of the above theories. For example, although forms A and B fit with the prospector strategy in general, degree of centralization alters the contexts in which these strategies should best be implemented. To refine the strategic along with the structural context, a second strategic typology—namely Porter's (1980) generic strategies—will be considered. While some have criticised this typology in recent years (Johnson and Scholes, 1993, pp. 205-209), more researchers have built on and extended the original generic strategies (e.g., D'Aveni, 1994; Govindarajan, 1988, Hill, 1988; Johnson and Scholes, 1993, pp. 209-216; Miller, 1988; Murray, 1988). The approach in this paper will be in a similar vein to other researchers who have combined Porter's with Miles and Snow's (1978) generic strategies (Segev, 1989; Walker and Ruekert, 1987). The two industry-wide successful Porter strategies are:

- (1) *differentiators* gain competitive advantage through creating a perception of uniqueness, quality, and thus desirability of their products and services; and,
- (2) *cost leaders* gain competitive advantage by driving down costs below those

of their competitors; this low cost base typically enables the cost leader to compete on the basis of price.

Suitable structural dimensions of these strategies will depend on the degree to which the operators in the organization—be they sales people, surgeons, or inventory control clerks—require freedom of decision-making at work. For example, a strategy that involves customization, creativity, and market research—like the differentiation strategy—needs a structure that allows operators the freedom to try new approaches, react to changing market conditions, and negotiate with customers. On the other hand, a strategy that involves competing on the basis of efficiency—like the cost leadership strategy—will be best implemented if the structure reinforces strict controls and accountability over work standards, production, inventories, and customer service (Gupta, 1987). So differentiation strategies generally require more operator autonomy—or decentralization—than do cost leadership strategies.

Hofer and Schendel (1978) have explained that there are four components or dimensions to a strategy: *distinctive competence*, *scope*, *resource deployment*, and *synergy*. Of these four, the first two are primarily dimensions of strategy at the business unit level while the latter two should be stressed at the corporate level. Integrating Porter's generic strategies—which primarily capture *distinctive competence* from which competitive advantage is won—with the Miles and Snow types—which primarily capture *scope* of the business unit—should thus render a more valid typing of the business level strategy construct. An integration of these types is outlined below and depicted with examples in Figure 2.

1. cost leader/prospector continuously develops new offerings and markets and competes on the basis of low cost;
2. differentiator/prospector continuously develops new offerings and markets and competes on the basis of perceived uniqueness;
3. cost leader/defender maintains relatively stable offerings and customer bases and competes primarily on the basis of low cost; and,
4. differentiator/defender maintains relatively stable offerings and customer bases and competes primarily on the basis of perceived uniqueness.

Figure 2. Integrated Strategy Typology and Examples

	Scope: Continuous Change	Scope: Stable, Concentrated
Competitive Advantage: Cost	Cost leader/prospector Example: discount retail chains, discount motel chains, clone hardware manufacturers	Cost leader/ defender Example: producers of commodi- ties, state college, warehousing & distribution, mens' barber shops
Competitive Advantage: Differentiation	Differentiator/prospector Example: small advertising & PR agencies, small craft shops, fledg- ling management consultants	Differentiator/defender Examples: tourist (incl. Gambling) resorts, Ivy League colleges, large advertising agencies, up-market department stores

Centralization implies, *inter alia*, that the operators in an organization have low autonomy. Yet lack of autonomy at lower levels may fit with some strategies. Referring back to the example outlined earlier, the manager-dominated form (division A—the centralized/autonomous type) has low autonomy operators compared with the empowered form (division B—the decentralized/autonomous type). Both suit prospector strategies because the “strategic apex” of the organization is autonomous, enabling decisions to pursue new niches and adopt new products. However the manager-dominated form should be better suited to cost leadership because of the extra savings and efficiencies likely to arise from the constraints and adherence to procedures at the operating level. Indeed, White (1986) found that low-cost strategies produce better results with low rather than high autonomy. On the other hand, the empowered form should be better suited to differentiation because of the incremental freedom of operators to be creative and flexible to customer needs. Similarly, while both the hands-tied and the operator-dominated forms suit defensive strategies, the former should fit better with cost leadership and the latter better with differentiation. This is summarized as follows:

Proposition 3: For businesses implementing differentiation strategies, decentralization will be associated with greater effectiveness than centralization.

Proposition 4: For businesses implementing cost leadership strategies, centralization will be associated with greater effectiveness than decentralization.

Now, abbreviating the process, using the typology developed above, and combining propositions 1a, 2a, 3, and 4:

Proposition 5: The manager-dominated form would be best suited to implementing a cost leader/pro prospector strategy.

Proposition 6: The empowered form would be best suited to implementing a differentiator/pro prospector strategy.

Proposition 7: The hands-tied form would be best suited to implementing a cost leader/defender strategy.

Proposition 8: The operator-dominated form would be best suited to implementing a differentiator/defender strategy.

6. Conclusions

Autonomy is a topical and important organization structure variable that is relatively simple to measure and lends itself well to strategic and structural contingency theory. There is a difference between autonomy and decentralization: Researchers should note that while the two constructs generally are correlative at the operating level, they may or may not coincide at other levels. The examples and

typology presented above should help to clarify the distinctions between, and possible combinations of, autonomy and centralization.

The final section of this paper showed how autonomy may be used in *conduct + context* → *performance* propositions that should be of some interest to theorists and relevance to managers. An integration of the Porter and Miles/Snow strategic types adds a dimension to the strategic context missing from prior literature in this domain. These more sophisticated strategy types allow us to see the relevance for competitive strategy of the centralization/autonomy nexus developed here. Future research should involve the development of more complex theories incorporating personal and organizational autonomy as variables and, importantly, empirical testing of these theories.

References

- Brock, D. M. and C. P. Zeithaml, (1988), "Strategy Implementation at the Operating Level: The Role of Operating Managers and Decision Autonomy," Proceedings of the Southern Management Association, 359-361.
- Child, J., (1972), "Organization Structure and Strategies of Control: A Replication of the Aston Study," *Administrative Science Quarterly*, 17, 163-177.
- Darr, A., (2003), "Control and Autonomy among Workers in Sales: An Employee Perspective," *Employee Relations*, 25, 31-42.
- Datta, D. K., J. Grant, and N. Rajagopalan, (1991), "Management Incompatibility and Postacquisition Autonomy: Effects on Acquisition Performance," in *Advances in Strategic Management*, Shrivastava et al., eds., Greenwich, CT: JAI Press, 7, 157-182.
- D'Aveni, R. A., (1994), *Hypercompetition: Managing the Dynamics of Strategic Maneuvering*, New York: The Free Press.
- Dill, W. R., (1958), "Environment as an Influence on Managerial Autonomy," *Administrative Science Quarterly*, 2, 409-443.
- Donaldson, L., J. Child, and H. Aldrich, (1975), "The Aston Findings on Centralization: Further Discussion," *Administrative Science Quarterly*, 20, 453-460.
- Evan, W. E., (1966), "The Organization-Set: Toward a Theory of Interorganizational Relations," in *Approaches to Organizational Design*, J. Thompson, ed., Pittsburgh: University of Pittsburgh Press, 173-191.
- Feeser, H. R. and G. Willard, (1990), "Founding Strategy and Performance: A Comparison of High and Low Growth High Tech Firms," *Strategic Management Journal*, 11, 87-98.
- Gifford, D., (1998), "How Much Autonomy Is Enough?" *Harvard Business Review*, 76, 11-13.
- Govindarajan, V., (1986), "Decentralization, Strategy, and the Effectiveness of strategic Business Units in Multibusiness Organizations," *Academy of Management Review*, 11, 844-856.
- Govindarajan, V., (1988), "A Contingency Approach to Strategy Implementation at the Business-Unit Level: Integrating Administrative Mechanisms with Strat-

- egy," *Academy of Management Journal*, 31, 828-853.
- Greenwood, R. and C. R. Hinings, (1976), "Centralization Revisited," *Administrative Science Quarterly*, 21, 151-155.
- Grinyer, P. H. and M. Yasai-Ardekani, (1980), "Dimensions of Organizational Structure: A Critical Replication," *Academy of Management Journal*, 23, 405-421.
- Grinyer, P. H. and M. Yasai-Ardekani, (1981), "Research Note: Some Problems with Measurement of Macro-Organizational Structure," *Organization Studies*, 2, 287-296.
- Gupta, A. K., (1987), "SBU Strategies, Corporate-SBU Relations, and SBU Effectiveness in Strategy Implementation," *Academy of Management Journal*, 30, 477-500.
- Gupta, A. K. and V. Govindarajan, (1984), "Business Unit Strategy, Managerial Characteristics, and Business Unit Effectiveness at Strategy Implementation," *Academy of Management Journal*, 27, 25-41.
- Gupta, A. K. and V. Govindarajan, (1986), "Resource Sharing among SBUs: Strategic Antecedents and Administrative Implications," *Academy of Management Journal*, 29, 695-714.
- Hackman, J. R. and E. Lawler III, (1971), "Employee Reactions to Job Characteristics," *Journal of Applied Psychology Monograph*, 55, 259-286.
- Hackman, J. R. and G. Oldham, (1976), "Motivation through Design of Work: Test of a Theory," *Organizational Behavior and Human Performance*, 16, 256.
- Hall, R. H., (1991), *Organizations: Structures, Processes, and Outcomes*, Englewood Cliffs, NJ: Prentice Hall.
- Hambrick, D. C., (1983), "Some Tests of the Effectiveness and Functional Attributes of Miles and Snow's Strategic Types," *Academy of Management Journal*, 26, 5-26.
- Harris, H. and L. Holden, (2001), "Between Autonomy and Control: Expatriate Managers and Strategic IHRM in SMEs," *Thunderbird International Business Review*, 43, 77-101.
- Hart, S. L., (1991), "Intentionality and Autonomy in Strategy-Making Process: Modes, Archetypes, and Firm Performance," in *Advances in Strategic Management*, Shrivastava et al., eds., Greenwich, CT: JAI Press, 7, 97-127.
- Hill, C. W., (1988), "Differentiation versus Low Cost or Differentiation and Low Cost: A Contingency Framework," *Academy of Management Review*, 13, 401-412.
- Hofer, C. W. and D. Schendel, (1978), *Strategy Formulation: Analytical Concepts*, St. Paul, MN: West.
- Holdaway, E. A., D. Newberry, D. Hickson, and R. Heron, (1975), "Dimensions of Organizations in Complex Societies: The Educational Sector," *Administrative Science Quarterly*, 20, 37-58.
- Hoskisson, R. E., (1987), "Multidivisional Structure and Performance: The Contingency of Diversification Strategy," *Academy of Management Journal*, 30, 625-644.

- Inkson, J. H. K., D. Pugh, and D. Hickson, (1970), "Organizational Context and Structure: An Abbreviated Replication," *Administrative Science Quarterly*, 15, 318-329.
- Johnson, G. and K. Scholes, (1993), *Exploring Corporate Strategy*, New York: Prentice-Hall.
- Kochan, T. A., G. Huber, and L. Cummings, (1975), "Determinants of Interorganizational Conflict in Collective Bargaining in the Public Sector," *Administrative Science Quarterly*, 20, 10-23.
- Mansfield, R., (1973), "Bureaucracy and Centralization: An Examination of Organizational Structure," *Administrative Science Quarterly*, 18, 477-488.
- Maslow, A. H., (1954), *Motivation and Personality*, New York: Harper.
- McCarthy, D. J., R. Minichiello, and J. Curran, (1983), *Business Policy and Strategy: Concepts and Readings*, Homewood, IL: Irwin.
- Miles, R. and C. Snow, (1978), *Organizational Strategy, Structure, and Process*, New York: McGraw-Hill.
- Miller, D., (1988), "Relating Porter's Business Strategies to Environment and Structure: Analysis and Performance Implications," *Academy of Management Journal*, 31, 280-308.
- Mintzberg, H., (1989), *Mintzberg on Management: Inside Our Strange World of Organizations*, New York: Free Press.
- Mintzberg, H., (1993), *Structure in Fives*, Englewood Cliffs, NJ: Prentice Hall.
- Murray, A. J., (1988), "A Contingency View of Porter's "Generic Strategies," *Academy of Management Review*, 13, 390-400.
- Nielsen, J. and C. Pedersen, (2003), "The Consequences of Limits of Empowerment in Financial Services," *Scandinavian Journal of Management*, 19, 63-83.
- Osborn, R. N., J. Hunt, and L. Jauch, (1980), *Organization Theory: An Integrated Approach*, New York: Wiley.
- Patterson, S. and D. Brock, (2002), "The Development of Subsidiary Management Research: Review and Theoretical Analysis," *International Business Review*, 11, 139-163.
- Pennings, J., (1973), "Measures of Organizational Structure: A Methodological Note," *American Journal of Sociology*, 79, 686-704.
- Pfeffer, J. and R. Salancik, (1978), *The External Control of Organizations: The Resource Dependence Perspective*, New York: Harper & Row.
- Porter, M. E., (1980), *Competitive Strategy: Techniques for Analyzing Industries and Companies*, New York: Free Press.
- Porter, L. W., E. Lawler, and J. R. Hackman, (1975), *Behavior in Organizations*, Tokyo: McGraw-Hill Kogakusha.
- Pugh, D. S., D. J. Hickson, C. R. Hinings, K. Macdonald, C. Turner, and T. Lupton, (1963), "A Conceptual Scheme for Organizational Analysis," *Administrative Science Quarterly*, 8, 289-315.
- Pugh, D. S., D. J. Hickson, C. R. Hinings, and C. Turner, (1968), "Dimensions of Organizational Structure," *Administrative Science Quarterly*, 13, 65-105.
- Robins, J., S. Tallman, and K. Fladmoe-Lindquist, (2002), "Autonomy and De-

- pendence of International Cooperative Ventures: An Exploration of the Strategic Performance of U.S. Ventures in Mexico," *Strategic Management Journal*, 23, 881-901.
- Scott, W. R., (1981), *Organizations: Rational, Natural, and Open Systems*, Englewood Cliffs, NJ: Prentice Hall.
- Segev, E., (1989), "A Systematic Comparative Analysis and Synthesis of Two Business-level Strategic Typologies," *Strategic Management Journal*, 10(5), 487-505.
- Sims, H. P., A. Szilagyi, and R. Keller, (1976), "The Measurement of Job Characteristics," *Academy of Management Journal*, 19, 195-212.
- Turner, A. N. and P. R. Lawrence, (1965), *Industrial Jobs and the Worker*, Boston: Harvard University Graduate School of Business Administration.
- Vachani, S., (1999), "Global Diversification's Effect on Multinational Subsidiaries' Autonomy," *International Business Review*, 8, 535-561.
- Walker, O. C. and R. Ruekert, (1987), "Marketing's Role in the Implementation of Business Strategies: A Critical Review and Conceptual Framework," *Journal of Marketing*, 15, 15-33.
- Walton, E. J., (1981), "The Comparison of Measures of Organization Structure," *Academy of Management Review*, 6, 155-160.
- White, R., (1986), "Generic Business Strategies, Organizational Context and Performance: An Empirical Investigation," *Strategic Management Journal*, 7, 217-231.