

**VERTICAL INTER–UNIT RELATIONSHIP QUALITY:  
THE CONCEPT AND ITS CONCOMITANTS**

by

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**A thesis submitted to The University of Birmingham**

**for the degree of DOCTOR OF PHILOSOPHY**

**Birmingham Business School  
College of Social Sciences  
The University of Birmingham  
2014**

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## **ABSTRACT**

Managing vertical relationships within diversified organizations is crucial to the attainment of overall organizational goals, yet it can also present a significant challenge. Vertical relationships can be characterised by intensified political games and incompatible interests. It is thus a contested relationship of conflicting interests; yet both parties to the relationship are motivated to maintain the relationship because they assume that its long-term benefits outweigh the costs.

Whilst most of the literature focuses on managerial issues that are likely to emerge in vertical relationships, it does not appear to focus on the needs of vertically-related units and the development of such needs, particularly as the lower level unit develops. Therefore, the consequences that are likely to occur if these needs are not met have not been explored. One way to address this gap is by focusing on vertical inter-unit relationship quality; positioning relationship quality as a social resource in a power-dependence relationship (the vertical dyad). This thesis therefore aims to explore the meaning and the concomitants of relationship quality between vertically-related units in the context of diversified organisations. This is expected to contribute to the understanding of vertical inter-unit relationships by shedding light on the underlying meaning of relationship quality and the attributes that are likely to be attached to it from the perspectives of the parties to the relationship. In turn, this enables an exploration of the factors impacting on that quality as well as its consequences.

To meet the study objectives, data collection was divided into two stages; a qualitative and a quantitative stage. First, an intensive qualitative investigation was conducted into 15 cases of the relationship between UK University-based Business Schools and their Higher University

Authorities. In total, 54 in-depth interviews were conducted with boundary spanners that participated in the vertical relationship from both sides; the Higher University Authority (the higher level) and the Business School (the lower level). Second, an online survey directed to the Deans of Business Schools was conducted to test some of the propositions suggested by the qualitative findings. 47 usable replies were received, giving a response rate of around 41% of the study population.

The qualitative results suggest that the meaning the higher level unit tends to attach to high relationship quality is in terms of exercising effective control and influence on the lower level unit. The lower level unit, on the other hand, tends to view a relationship of high quality as one in which it can realise what it regards as a satisfactory balance of influence between the two levels. Influence, thus, becomes a contested resource.

Focusing on the perspective of the lower level unit, concomitants of the perception of relationship quality highlight the critical role played by the balance of interdependence. Different modes of reciprocity are found to take place based on the perception of relationship quality; affecting both the behaviour of the boundary spanners and the behaviour of the lower level unit. This in turn has implications for the organisation as a whole. The quantitative findings generally support the qualitative propositions. The study opens up a number of avenues for future research and offers significant theoretical and practical contributions.

For my Family

My Father: Nour El-Din Ramadan

My Mother: Zeinab

My Sisters: Amany, Rana, and Heba

My Nephew: Hamza

## ACKNOWLEDGEMENTS

O You, whose mercy is a refuge for all those  
In dire need to flee to You to lose their woes.

You bring us to the path should we all go astray  
And overlook our slips when we lose our way.

No strength can ever match Your awesome majesty,  
No might can ever breach Your just authority.

I can't enumerate the blessings You've bestowed—  
Forbid, my God, my pardon from being withheld.

(By Imam Muhammad b. Nasir al-Dari, translated by  
Hamza Yusuf)

Many of the classical Arabic books used to start with praising God. For me, this is not just a prelude; it is a humble statement of gratitude. Indeed, I cannot count His blessings, His mercy, His grace, and His kindness. One of His countless blessings is the people He surrounds me with and gives me the pleasure to know and meet. With the grace of God, this work would not have come to light without the overwhelming help and the immense support of my supervisor Professor John Child; not only a distinguished professor but a distinguished person and a role model whom I learned and continue to learn from at different levels. Rare it is to find someone willing to give all what he could and beyond, rare it is to find someone with an enormously rich knowledge who happily and eagerly listens to his students, rare it is to find someone whose door is always open. While studying for my PhD, I have faced a number of setbacks, but John has been always there to patiently and untiringly listen, advise, guide, help, support, motivate, and encourage. I am indebted to him and privileged to be one of his students. Not only my ideas and thoughts are inspired, but I, as a person, am too.

They say that in the darkest minutes of the night, light will always come. For me, this light was Dr. Fairouz Omar, a godsend, who crossed thousands of miles to illuminate the darkness.

I am very grateful for Fairouz; knowing her was enlightenment; was a life experience.

I should also pay tribute to my incredible friends, just a few of whom I can name here. I am profoundly indebted to Rubina Ahmed, my friend, my companion, and my comfort; a blessing, I cannot find words enough to thank her. I am indeed thankful to my dear friend Rose Francis, a kind heart and a pure soul, who is always there for me. Without the immense support, love, and kindness of Rubina and Rose, this work would not have been completed. This work would not be also complete if I failed to express my heartfelt and deep gratitude for Rose Narooz, my sincere friend and reliable soulmate who never spared any effort to support and comfort me. Heba Hedia and Saima Chowdhury are friends whose inspiring sincerity, kind help, and enormous support I can never forget.

I am also very grateful for a number of people and bodies who helped and supported me at different stages of this research. My great gratitude goes to the interviewees and various research participants who gave up their time, insights, and experience to make this research possible. This research would also not have been possible without the funding awards of Birmingham Business School and the Overseas Research Student Award Scholarship (ORSAS). I am very thankful to the staff of Birmingham Business School who helped me throughout my years at the school and to my friends in the Muirhead Tower especially Daniela and Myada. I would like also to thank Dr. Tamer El-Sharnouby, Dr. Mohammed Sobhy, Dr. Said El-Banna, and Nasir Salari for their help and inspiration. I am thankful to Julie Davies and the Association of Business Schools for their help and assistance throughout the years of this research.

Last but not least, I am thankful to my family who always surround me with unending love, care, and all kinds of support. I am indebted to my parents who taught me how to think critically but logically; and to my sisters whose smiles revive my dreams and hopes.

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## LIST OF ABBREVIATIONS

AACSB	The Association to Advance Collegiate Schools of Business
ABS	The Association of Business Schools
AMBA	Association of MBAs
BS	Business School
EFMD	European Foundation for Management Development
EMBA	Executive MBA
EQUIS	EFMD Quality Improvement System
HEFCE	Higher Education Funding Council for England
HL	The Higher Level to the Vertical Relationship
HUA	Higher University Authorities
LL	The Lower Level to the Vertical Relationship
MNC	Multinational Corporation
MBA	Master of Business Administration
RAE	Research Assessment Exercise
REF	Research Excellence Framework
VIRQ	Vertical Inter–Unit Relationship Quality
UBBS	University–based Business Schools

## CHAPTER 1: INTRODUCTION

*“The attempt to combine wisdom and power has only rarely been successful and then only for a short while.” (Albert Einstein)*

Perusing the world political news might be one possible way to assess the veracity of this statement. As a student of organisations, I am intrigued by the study of the use of power in organisations. This thesis undertakes an in-depth exploratory study into vertical inter-unit relations in diversified organisations or simply relations between vertically-linked units within the same organisation. Borrowing from the relationship marketing literature, I introduce the concept of vertical inter-unit relationship quality (VIRQ) in order to develop an understanding of vertical inter-unit relationships and the factors affecting, and affected by, their perception by parties to the relationship.

### **1.1 An Introductory Note on the Research Problem and Objectives**

The vertically structured organisation remains the norm. Vertical inter-unit relations exist when there is a controlling higher level unit and a controlled lower level one. These relations could be areas of potential conflict, particularly when the controlled lower level unit evolves and develops its own sources of power. With the evolution of the controlled lower level unit, the structural power (emerging from the organisational structure) of the controlling higher level unit could be put into question. Vertical relations can become somewhat akin to political battlefields, although normatively they are expected to be harmonious in order to support the achievement of the general organisational goals. The quality of relationships within this verticality is therefore highly consequential for how organisations perform, including how well they permit innovation and other initiatives by subsidiary units. It is also highly

consequential for the quality of working life experienced by the people heading the subsidiary units and ultimately for the kind of voice that those at the lower levels of an organisation can express. What relations are considered good and what relations are considered poor, and why, seem thus to be important, but as yet unanswered questions.

In the study reported here, I use the concept of VIRQ specifically to address the following research questions:

1. What are the meanings and the attributes associated with the concept of VIRQ (based on the perspectives of both the higher level and the lower level units)?
2. What are the likely antecedents that affect the perception of VIRQ (from a lower level perspective)?
3. What are the likely concomitants and consequences associated with the perception of VIRQ (from a lower level perspective)?

The study gives most attention to the perspective of the lower level unit since it is likely to be less present in the academic literature and because it is the object of the structural power of the higher level. However, the views of the higher level unit are not ignored. I shall attempt to establish the meaning and the attributes attached to VIRQ from the perspective of both higher level and lower level units. However, the antecedents and consequences of the perception of the quality of vertical inter-unit relations are mainly explored based on the lower level unit's perspective.

The vertical relationship between UK University-based Business Schools (UBBS) and their Higher University Authorities (HUAs) is the unit of analysis in this study. This context is selected for several reasons (see Chapter 4) but mainly because it is a well-defined institutional field, which facilitates comparisons across the different cases under investigation

and because Business Schools are likely to be central to their host universities due to their presumed economic power. To meet the study's objectives, both qualitative and quantitative methods are employed. The qualitative investigation is more exploratory in nature and was conducted through 15 revelatory case studies. The quantitative investigation tests the propositions postulated by the qualitative investigation in the wider context of UK University-based Business Schools as a whole.

## **1.2 Internal Organisation of the Study**

**Chapter 2** begins by reviewing the general organisation studies literature relevant to the subject in hand. Following this, there is a note on theories related to organisational vertical authority or internal power relations. To reflect on the contemporary issues that have emerged in the study of vertical inter-unit relationships, the chapter finally discusses the literature on headquarters-subsidary relationships.

**Chapter 3** presents the rationale for using the concept of VIRQ. It outlines the use of the concept of "*relationship quality*" by students of marketing. To help build an *apriori* framework to guide the study of the concept of VIRQ and its likely concomitants, insights from social exchange and power-dependence theories are used. VIRQ is conceptualised as a social resource that is exchanged between the vertically-linked units (the higher level and the lower level units) in a power-dependence relationship (the vertical dyad).

**Chapter 4** reports on the philosophical and the methodological considerations that were taken into account while conducting this study, and provides a brief introduction to the selected research context; UK University-based Business Schools. This chapter is concerned with describing methods, data collection, and data analyses techniques as well as the rationale behind their use. The study employs both qualitative (comparative case study) and

quantitative (survey) approaches and uses them in a complementary manner whenever possible.

**Chapter 5** is the first of four chapters that present the empirical findings. The first three chapters discuss the qualitative data and the fourth chapter presents the analysis of the quantitative data. Chapter 5 addresses the first research question – what are the meanings and the attributes that are likely to comprise VIRQ from the perspective of both higher level and lower level units. The chapter, however, raises the question of what leads the vertical inter-unit relationship to be perceived favourably or unfavourably. This question is addressed from the lower level perspective in Chapter 6.

**Chapter 6** is concerned with identifying the antecedents that are likely to cause variations in the perception of VIRQ; the second research question. The chapter focuses primarily on the lower level unit's perspective and uses a combination of within-case and cross-case study analyses to derive the reported findings. This chapter first presents and discusses the likely antecedents, then it discusses how these antecedents can be linked to the perception of VIRQ and how the different antecedents are themselves inter-linked. The chapter highlights the significant role played by the balance of interdependence between the vertically-linked units and how its perception tends to colour the perception of the other relationship variables. The chapter also completes the construction of the meaning of VIRQ by shedding light on what affects its perception.

**Chapter 7** builds on within-case and cross-case analyses to answer the third research question, which is concerned with identifying the likely consequences and other concomitants associated with the perception of VIRQ from the lower level unit's perspective. The findings are in line with the premises of social exchange theory that social resources (VIRQ) are likely to be reciprocated even in power-dependence relationships (the vertical dyad). The important

role of reciprocation is discussed along with its various identified modes. The chapter also shows how the distribution of power between the vertically–linked units can be affected as a consequence of the choice of the mode of the reciprocation.

The chapters reporting the qualitative findings (Chapters 5, 6, and 7) conclude with a series of propositions directed towards answering each of the research questions. **Chapter 8** builds on these propositions, by converting them into testable hypotheses whenever possible. This chapter builds on quantitative data analysis to test the qualitative findings in the wider population of UK University–based Business Schools, whereby evidence from 47 Business Schools is used. The quantitative analysis generally supports the qualitative findings. The chapter provides a general support for a newly–developed scale to measure the concept of VIRQ. The chapter also provides general support for the meaning, the antecedents, and some of the other concomitants suggested based on the case study evidence.

**Chapter 9** summarises and discusses both the qualitative and the quantitative findings. This chapter also discusses the various theoretical and practical implications of the reported findings. The findings advance the study of vertical inter–unit relationships in general by putting forward a measure of VIRQ. In addition, the findings can extend social exchange and power–dependence theories by discussing the crucial roles of the perception of the balance of interdependence and the choice between the modes of reciprocation. Implications for UK University–based Business Schools and their Higher University Authorities are also presented.

**Chapter 10** concludes this study by discussing its limitations and suggesting possible avenues for future research.

## CHAPTER 2: VERTICAL INTER–UNIT RELATIONS IN ORGANISATIONS

### 2.1 Introduction

This chapter is one of two that report on the literature relevant to the three research questions posed in Chapter 1. The chapter starts with an exploration of the general organisational studies' literature. Surprisingly, this rich and broad literature appears largely to have ignored vertical inter–unit relationships, at least within the last decade. The multinational (MNC) headquarters–subsidiary relationship literature seems to be the only literature that can provide an updated source of information about vertical inter–unit relationships; albeit in internationally diversified corporations. This literature is deemed to be useful as:

- First, it can inform the study of any diversified organization (related or unrelated diversification); not only the internationally diversified organization<sup>1</sup>.
- Second, most of the MNC headquarters–subsidiary literature is built on theories and literatures that are commonly applied to the study of organisations in general. For example, ideas such as subsidiary initiatives (Birkinshaw, Hood, and Jonsson, 1998) have its roots in the work of Bower (1970) on resource allocation, while the study of subsidiary innovation (Nobel and Birkinshaw, 1998) is motivated by Knight's (1967) work on firm innovation. In addition, the MNC headquarters–subsidiary literature draws heavily on economic and organizational theories such as the agency theory (O'Donnell, 2000), resource dependence theory (Mudambi and Pedersen, 2007), and network theory (Forsgren, Holm, and Johnson, 2005). With its richness, the MNC

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<sup>1</sup> Issues such as autonomy, formal and normative control, and resources allocation are evident in almost all divisional and diversified organizations. The only issue not relevant to the non-internationally diversified organization concerns country differences, although institutional difference might be still relevant.

headquarters–subsidiary literature provides a deeper and a sophisticated understanding of vertical inter–unit relationship issues; given the current academic and the economic attention devoted to MNCs.

The headquarters-sub subsidiary relationship literature shows the vertical inter–unit relationship as one that is characterised with heightened potential conflict and political games although cooperation represents its core *raison d’etre*.

Based on the issues identified in the literature, the concept relationship quality is suggested in the next chapter; not necessarily as a remedy for a difficult relationship but as inspection tool that could help in identifying and understanding reasons, conditions, demands, and preferences of parties to the relationship. The marketing literature is then briefly accessed in order to understand the term “relationship quality” and show how it is used in different contexts. This literature tends to view relationship quality as a social resource; and it is the perception of this social resource that affects the stability of the relationship and other relationship outcomes. This is the premise of social exchange theory. However, since power relations are seen as an integral part of the vertical relationship, power–dependence theory, which draws on the tenants of social exchange theory, is summarised before the feature of an *apriori* research framework is outlined.

## **2.2 Vertical Inter–Unit Relationship in the General Organisational Literature**

This section aims to uncover the importance of studying vertical inter–unit relationships in intra–organisational contexts through exploring the general organisational literature. However, in doing so, a general paucity of discussions about vertical inter–unit relations is noticed. This is attributed to the possibility of placing an over–emphasis on new organisational forms as a supposed alternative to traditional hierarchies; ignoring the vertical dimension that could be inherent in these forms. After arguing that vertical relationships are likely to be relevant to any organisation that has a purpose, builds on group effort (whatever the name of the form is), and requires management; the discussion then moves to highlight theories that could explain vertical inter–unit relationships. This is to show that studying vertical inter–unit relationships is not only still relevant, but also addresses vital unresolved issues. This section is, therefore, sub–divided into two main sub–sections. The first attempts to establish the contemporary relevance of vertical relationships, and the second moves a step further to highlight why it is still not only relevant but also important to study these relationships.

### **2.2.1 Vertical Inter–Unit Relationship: the Ignored Relationship**

Within the last decade, there has been what could be described as a dearth of studies concerned with vertical relationships between units except for the headquarters–subsidiary relationship literature stream. Perhaps one of the key reasons behind this dearth is the general shift in the organisational literature towards the discussion of newly developed organisational forms. Federalism, teamwork organisation, the virtual corporation, the reengineered corporation, the knowledge company, the ambidextrous organisation, the high commitment work system, the boundaryless company, the hybrid organisation, and the transnational solution are some of the newly suggested forms that have “*pervaded the scholarly*

*community*” (Child and McGrath, 2001: 1135). Other forms include the modular organisation, spinout corporation, cluster organisation, learning organisation, perpetual matrix (Daft and Lewin, 1993), the latent organisation (Starkey, Barnatt, and Tempest, 2000), and temporary organisational forms (Bakker, 2010).

The fundamental premise in these organisational forms is an emphasis on decentralisation instead of centralisation, distributed instead of centralised power, harmonising leaders instead of controlling ones, and flat structures and team-working instead of hierarchy. These organisations are also portrayed as flexible, horizontal, relationship-based, empowering, self-organising with structure independent from assets and permeable or fuzzy boundaries (Daft and Lewin, 1993; Child and McGrath, 2001). The focus is on innovation rather than efficiency and adaptation; tolerance rather than absorption of uncertainty (Child and McGrath, 2001).

Such features could, implicitly or sometimes explicitly, promote the idea that vertical relationships in general and hierarchical authority specifically have become irrelevant. The irrelevance of discussing vertical relationships in an intra-organisational context is further emphasised by the growing body of literature on a particular form; the network organisation. A review of the network literature (and related terms) conducted by Borgatti and Foster (2003) shows that the last two decades are characterised by an exponential increase in the network research which mainly emphasizes lateral relationships, reciprocity and mutual gains, social controls (trust and embedded social relationships) as governance mechanisms in place of hierarchical authority or pure price-based transactions<sup>2</sup> (Larson, 1992).

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<sup>2</sup> Traditionally economic exchanges were either done through markets or hierarchies. Markets tend to be governed by prices while firms tend to be governed by hierarchical authority. Hierarchical governance structures are used to manage internal, repetitive, investment-specific transactions. Prices govern straight forward, non-

The discussion of the network organisation has its roots in the 1980s when the either-or approach of either markets or hierarchies was no longer appealing or adequate to explain contemporary organizational forms. For example, Ouchi (1980) described what he called a “clan” governance which is a hybrid of markets and hierarchies and characterised by reciprocity, vertical authority (unlike markets), and common values and beliefs. In a similar vein, Miles and Snow (1986) described the network as a form of organization which emphasizes flexibility as response to the changing competitive environment, but the network organization was still seen as a hybrid form of markets and hierarchies. However, it is Powell’s (1990) work that positions networks as a distinct organizational form that is neither a market nor a hierarchy. Powell (1990) argues that boundaries between a firm and a market have become blurred with an increase in contractual relationships entered into by organisations that are neither similar to the arm length market nor to the hierarchical relationship. A network organization is hence suggested. Market and hierarchical transactions are seen as two poles of an economic exchange continuum (Powell, 1990; Dunning, 2002), and networks lie somewhere in the middle on this continuum.

Nonetheless, uncertainty remains about whether a network is a collection of semi-autonomous firms, or a distinct mode of governance, or an organization with new features of self-governance and flatter hierarchies (Borgatti and Foster, 2003). Borgatti and Foster (2003) argue that despite the widespread discussion of networks and their acknowledged flexibility, their ontological status is not clear. There are still some questions about the exact nature of network governance, the circumstances under which this form of governance will be most

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repetitive, non-investment specific transactions. Hierarchical transactions were originally market transactions but they were internalized by the firm to overcome uncertainty and opportunism (Williamson, 1975). Each method has its own inherited cost and certain situations where it is most likely to occur (Williamson, 1975). A further discussion of Williamson’s (1975) transaction cost economic theory will be presented later in this section.

likely to occur, and settings under which it will be most effective (Jones, Hesterly, and Borgatti, 1997). Despite this lack of clarity, inter-organizational research emphasizes the governance and pattern of interconnections dimensions of networks simultaneously. Different definitions suggest different meanings, and different studies typically have different foci. Yet, generally the organizational network literature implies the prevalence of this organisational form which is normally contrasted to traditional hierarchical or market transactions. This becomes a little puzzling since the Coesean<sup>3</sup> classical view of intra-organizational governance is based on the presence of hierarchy and power (Mudambi and Navarra, 2004a).

While it is beyond the scope of this research to critically evaluate the network literature, it can be deduced that the strong emphasis on the network paradigm and the other new organisational forms is a contributing factor to the lack of attention devoted to vertical inter-unit relations. Yet, the important question is whether the prevalence of networks truly makes the study of intra-organisational vertical relationships irrelevant.

There are several reasons to reply in the negative:

- First, control is one of the primary managerial functions as each organisation needs directing towards the set of goals it aims to achieve (Bennis, 1959). Indeed, control is the key distinctive feature of organisations (Clegg, 1994). Even though it might not be a perfect control, it will result in differential power relationships among the organisational members (Clegg, 1994). Once there is a unit, or a group of individuals, or even an individual in charge of control, vertical relationships will emerge; regardless of the control mechanism employed (whether behavioural or output

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<sup>3</sup> This is a classical economic theory upon which the transaction cost economic theory is based, articulated originally by Coase (1937).

controls) and regardless of the organisational form, structure, or mode of governance<sup>4</sup> (see Galunic and Eisenhardt, 2002).

- Second, any organisational form requires a structure (even though this may be partially informal). Being the organisational anatomy, structures are the platform of organisational power and decision making (Dalton, Todor, Spendolini, Fielding, and Porter, 1980). Since any structure will result in a structural advantage of some parts of the organisation over the others, vertical relationships will continue to exist<sup>5</sup>.
- Third, there are still unresolved questions about whether the network form changes the internal distribution of power and privilege (Hinings and Greenwood, 2002). The network literature itself does not deny the need for a lead orchestrating member (Child and McGrath, 2001), yet it gives an implicit and sometimes, explicit indication that intra-organisational vertical relationships are irrelevant; leaving us with unanswered questions about how this orchestrating member is going to lead. While the network form suggests lateral relationships among semi-autonomous units, in intra-organisational relationships; autonomy for the structurally disadvantaged unit remains “*loaned not owned*” (Baker, Gibbons, and Murphy, 1999: 56; Mudambi, 2011). In spite of viewing it as reducing the central power (Clegg, 1994), delegation (or other similar terms such as decentralisation) could be actually argued to enforce the idea of central power as it emphasises the premise that it is the centre which grants (or not) part of its authority; depending on whether the subordinate meets (or not) the centre’s conditions.

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<sup>4</sup> The process of control in hierarchical organisations has been described as setting goals and making sure that these goals have been achieved via monitoring, evaluating, and providing feedback (Ouchi, 1978). However, control is not the same thing as structure. Organisational structure is seen as “*the enduring characteristics of an organization reflected by the distribution of units and positions within the organization and their systematic relationships to each other*”, following James and Jones’ definition (1976: 76).

<sup>5</sup> On the persistence of hierarchical orders in organisations and societies see Diefenbach (2013).

- Fourth, empirical research suggests that under certain circumstances hierarchies can outperform horizontal structures (Afuah, 2001) and that firms usually rely on hybrid forms of governance where they combine features of hierarchies with features of markets (Larson 1992). This means that firms in real life do not abandon vertical relationships as much the current theoretical literature assumes.

It can be, therefore, deduced that the replacement of the hierarchical form by another organisational form does not mean the disappearance of legitimate authority or vertical relationship, yet it could nonetheless mean a change in the latter's scope or nature (Rajan and Zingales 2001; Rubery, Earnshaw, Marchington, Cooke, and Vincent, 2002)<sup>6</sup>. Since anarchy is not one of the suggested organisational forms, since the essence of management in any organization is about controlling, leading, and organising, and since any organisation requires a structure to enable the realisation of its goals; vertical relationships will continue to exist. Such relationships are present whenever there is a power advantage that is granted by dint of the organisational structure; whatever the name of the organisational form or the control mechanism employed. This argument is supported by Courpasson's (2000) concept of "*soft bureaucracies*" where a legitimate authority still prevails but it does not necessarily use means such as coercion to exercise its authority; it might use other softer sophisticated strategies and practices. The presence of a central (but not necessarily a single) legitimate authority is still persistent even in the presence of political games and multiple decentralisations (Courpasson, 2000). If one adopts the network terminology, in an intra-organisational network a vertical relationship will arise from legitimised authority granted to managers in order to coordinate the collective effort; and inter-organisational networks

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<sup>6</sup> This will be discussed in further detail in this chapter.

vertical relationships could arise from the structural position of some network members such as their centrality to coordinate the organisational activities.

## **2.2.2 Theories of Vertical Relationships**

Considerations of the theories that could be related to the explanation of vertical intra-organisational relationships is motivated by the question whether the study of vertical relationships is now unnecessary or whether there are areas that still remain open for further research. The following discussion of theories is not exhaustive; it just briefly presents the key underlying ideas behind each theory to indicate its main focus and reported shortcomings. This is done deliberately as this section is mainly concerned with the question why it is important to study vertical relationships; rather than providing a detailed critical review of each theory.

### **2.2.2.1 Bureaucracy**

The study of modern administration and organisation continues to be informed by the work of Max Weber, the well-known sociologist whose ideas are described to lie somewhere in the middle between Hegel's idealism and Marx's materialism (Weiss, 1983). According to Weber (1970), authority can derive legitimacy on three grounds; tradition, charisma, or rational-legality<sup>7</sup>. It is the latter authority that results in bureaucracy and bureaucratic organisations. Weber positioned bureaucratic organisations as the way forward towards modernity because bureaucracy was suggested to outperform other organisational forms due to its efficiency (Rudolph and Rudolph, 1979; Clegg, 1994; Hinings and Greenwood, 2002).

Specialisation and division of labour, hierarchical authority, formality and extensive rules, separation of management and ownership, and the use of technical competency as a base for

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<sup>7</sup> For a more recent analysis and critique see Aguilera and Vadera (2008).

hiring and promotion are the key attributes of bureaucracy. Bureaucratic authority implies that organisational privilege to control and coordinate will be distributed rationally as ownership is divorced from control; the latter representing a distinct managerial task (Hinings and Greenwood, 2002). Meyer (1968) further highlights that bureaucratic authority is impersonal as it is based on the authority of the office–holding and on norms and regulations rather than persons or personal wishes. However, Hall (1963) views these attributes as a dimension along which organisations could vary rather than being a bi–polar dichotomy.

Nonetheless, Weber’s analysis of bureaucratic authority has encountered considerable criticism; ranging from questioning its exact meaning to questioning its value and superiority. Blau (1963), for example, notes that the term authority used by Weber suggests that subordinates show at least a minimum degree of willingness to submit; as when people in authority resort to punishment to exert influence, authority would lose its value. However, according to him, authority will inevitably include an element of coercion as subordinates will always have at least a fear of coercion if they do not comply. Authority, therefore, is seen by Blau (1963) not only as a legitimised structural power but also as a power that is structurally and socially embedded in the fabric of the organisational accepted norms and values.

From another angle, Weber envisions that with the excessive bureaucratization of the modern organisation, humans will be similar to cogs entrapped in the bureaucracy machine (the iron cage). Hence, the world will lose meaning, and rational actions will be responses to the uncertainty that is posed by the meaningless world (Clegg, 1994)<sup>8</sup>. The idea of bureaucratization was described as crushing the human element inherent in organisations at the expense of emphasising the realisation of a common goal. For example, Bennis’s (1959)

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<sup>8</sup> In this vein, Clegg (1994) argues that perhaps bureaucracy can be also emancipating as it is the (only) way of organising effort toward a common goal and a direction.

work on leadership criticises the theory of bureaucracy for not considering the human dimension in either subordinates or managers. This is because the theory presumes that subordinates are unpredictable and passionate and it is only through a machine-like, impassionate, impersonal, and rational authority that their behaviour can be moulded to serve organisational goals.

More important are the criticisms directed to whether bureaucratic authority is truly the most efficient way or not. This is in spite of Weiss (1983) questioning of the preciseness of the translation by Talcott Parsons of both Weber's terms "rationality" and "ideal type" and in spite of Clegg's (1994) argument that Weber's ideas were more generalistic and were not meant to be as narrowly interpreted by organisational theorists as they are. Weber's thesis depicts formal authority as the unidirectional source of power in the organisation. Rudolph and Rudolph (1979) argue that Weber's bureaucracy tends to underestimate the strong possibility that the use of authority will result in resistance and conflict (i.e. the use of authority will be resisted by the organisational members' power once there is incongruence in motives and orientations; which they suggest as the likely scenario). Therefore, they argue that bureaucracy as such could be claimed not be technically superior as organisations are rarely characterised by harmony. Clegg (1994: 167) asserts that "*where there is organisation there will be resistance, as well as power, contradiction induced by control, rationalities instead of rationality and passions as well as interests*". In a similar vein, Aghion and Tirole (1997) distinguish between formal authority (the right to decide) and real authority (the effective control over decisions) and argue that subordinates might have real authority that can be derived from a multiplicity of sources (e.g. the expertise of the "knowledge worker"). According to them, formal bureaucratic authority is likely to be influential if the holder has access to the right information which is not an easy condition to achieve.

### **2.2.2.2 Transaction Cost Theory**

Extending the Coase's seminal analysis (Coase, 1937), transaction cost theory has been one of the influential theories that is used extensively since Williamson's (1975) seminal book, *Markets and Hierarchies* (David and Han, 2004). The transaction is the key unit of analysis and how to conduct transactions efficiently is the key goal of the theory (Williamson, 1975, 1985, and 1991). The theory suggests that transactions could take place through either hierarchies or markets, and later through hybrid arrangements (Williamson, 1991). Markets are controlled by prices and are characterised by low risk, low asset-specificity, arm length transactions which tend to be less frequent. Hybrid arrangements (such as strategic alliances) are forms that take some of the features of markets and hierarchies as they emphasise flexibility and provide more incentives than hierarchy but also offer more administrative control than markets (Tsang, 2000). Hierarchies are used when market transactions are internalised (internal organisation) where control takes place through managerial fiat. With the transaction cost as the primary concern, hierarchies are suggested when the exchange costs are higher if performed in the open market compared to being performed inside the firm (Tsang, 2000). Hierarchies are favoured when the transaction frequency, asset specificity and uncertainty increase so that potential problems of opportunism, conflict, information asymmetry could be resolved internally through the power of legitimate authority. Hierarchies are presumed to be more efficient under these conditions compared to negotiation with other autonomous counterparts, and therefore the theory is used to study organisational phenomena such as vertical integration and multidivisional structures (Dow, 1987; Carter and Hodgson, 2006).

This theory tends to over-emphasise the efficiency aspect at the expense of value creation (Tsang, 2000); this is in spite of Dow's (1987) doubts about the grounds upon which

hierarchical authority is argued to be more efficient than markets. According to Dow (1987) the theory does not explain why certain governance structures are likely to persist. Taking this line of argument further raises questions about the circumstances under which certain governances will cease to exist (the conditions under which hierarchies will become less efficient or the conditions that would limit further vertical integration (Gibbons, 2005; The Economic Sciences Prize Committee Report, 2010).

Criticisms have been directed also to the administrative authority advocated in hierarchies. Indeed, what characterises a firm or an organisation is the presence of authority and control (Dow 1987; Gibbons, 2005). Dow (1987) emphasises that neither ownership nor performance monitoring are the characterising features of an organisation as it is the employment relations not the ownership of human or physical capital or monitoring as such that makes the organisation identifiable from other market transactions. Yet, Dow (1987: 24) poses the question of “*who guards the guardians?*” considering the possibility that authority itself might be opportunistic as managers could pursue a self-interest agenda. Again, this theory blames the supervisee not the supervisor and assumes the former’s opportunism. At the same time, it admits that workers can be exploited by bosses and that hierarchy is the mechanism towards reaping the gains of such exploitation (Williamson, 1980, 1985; Dow, 1987). While workers might resist, the hierarchical authority is powerful enough to stop such resistance (Williamson, 1980; Dow, 1987). Therefore, the theory is argued not to pay enough consideration to organisational politics and intra-firm power dynamics; this motivates Dow (1987: 31) to call for “*an autonomous theory for internal strategic behaviour*”. Transaction cost theory is, in short, criticised for not considering the inescapable social dimensions of economic exchanges and the underlying motivations and contexts that shape the choice between market and hierarchy (Granovetter, 1985; Martinez and Dacin, 1999).

### 2.2.2.3 Agency Theory

While there are similarities between transaction cost theory and agency theory (Barney and Ouchi, 1986; Eisenhardt, 1989a), transaction cost theory is concerned with the boundaries of the firm while agency theory is concerned with the contract governing the relationship between the agent and the principal (Eisenhardt, 1989a).

Concerned with the question of how to ensure that the agent acts in the best interest of the principal, agency theory comes to shed some light on intra-firm dynamics after economic theory's long tradition of treating the firm as a black box (Jensen and Meckling, 1976). Agency theory highlights the inherent self-interest behaviour in organisational transactions (Eisenhardt, 1989a), which leads to the emergence of agency problem(s). Agency problems occur when the parties involved in a certain transaction (more precisely the principal and the agent);

- 1- have different goals,
- 2- or when the principal cannot (due to difficulty or impracticality) assure that the agent is following his/her agenda,
- 3- or when the principal and the agent have different attitudes towards risk (Jensen and Meckling, 1976; Eisenhardt, 1989a).

By providing assumptions about people (e.g., bounded rationality), organisations (e.g., goal conflict), and information (e.g., treating information as a commodity); the theory aims to suggest the most efficient contract to govern the principal-agent relationship (Jensen and Meckling, 1976; Eisenhardt, 1989a). This theory was argued to have supporting empirical grounds and to provide pioneering ideas to organisational thinking about risk, uncertainty, incentives and information system (Eisenhardt, 1989a). Eisenhardt (1989a) argues that agency theory could share some similarities with the political organisational models which highlight

the goal and interest incongruence, although the latter resolves problems via incentives and the former resolves problems via negotiation, bargaining, and coalition.

However, this theory was sometimes criticised for its narrow unilateral focus as it gives little attention to possibly agents that could be exploited by principals (Perrow, 1986) or who could be in an advantageous power position compared to the principal due to the latter's contingent limitations (Shapiro, 2005). Perrow (1986) also criticises the theory for its unconditional assumption about the unfavourable behaviour of the agent<sup>9</sup>. Agency theory tends to assume a misbehaving agent who needs to be either monitored, or incentivised, or penalised for not following the "righteous" directions of the principal<sup>10</sup>. This theory also gives primacy to the interests of the principal.

#### **2.2.2.4 Resource Dependence Theory**

The resource dependence perspective (Pfeffer and Salancik, 1978) is based on the work of Emerson (1962) pinpointing that dependence shapes power relations<sup>11</sup>. Unlike the previously discussed theories, the resource dependence perspective is more sociological than economic as it pays more attention to power relationships than efficiency or rationality. It is described to be one of the more comprehensive organisational theories as it does not only focus on power (which tended to be ignored by other theories), but it also takes into consideration the role of external environment and environmental uncertainties (Davis and Cobb, 2010).

The theory stipulates that organisations are embedded in a social context; hence, organisations are dependent on the external environment which makes them not completely autonomous.

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<sup>9</sup> For a rival view on the behaviour of the agent see the stewardship theory which assumes cooperation rather than conflict (Donaldson, 1990; Davis, Schoorman and Donaldson, 1997).

<sup>10</sup> For more comprehensive reviews see for example Eisenhardt (1989a) and Shapiro (2005).

<sup>11</sup> The power-dependence theory will be explained in further detail in Chapter 3.

Such dependence brings in a number of environmental contingencies and uncertainty that could threaten the organisational survival. Therefore, organisations have to attempt managing their dependence. These attempts might be fruitful (or not) and might result in creating a new pattern of (inter)dependence. Organisational interdependence results in the creation of power relationships; both internally and externally (Pfeffer and Salancik, 1978).

Resource dependence theory views the organisation as an open system that is dependent on its external environment, but nonetheless it can control this dependence to increase its power and reduce others' power over it (Hillman, Whithers and Collins, 2009). In this theory, the basis of power is neither the structure nor the hierarchical authority per se; a higher power position will be held by whoever possesses strategically important resources or possesses solutions to external uncertainties. Power is determined by the control over critical and scarce resources. However, resource dependence theory views power as shaped and defined by the social context; this is because what is seen as critical or scarce resources is usually socially constructed (Pfeffer and Salancik, 1978).

As put by Davis and Cobb (2010: 27), the core advice of the theory is to “*choose the least-constraining device to govern relations with your exchange partners that will allow you to minimize uncertainty and dependence and maximize your autonomy.*” The theory brings to attention the different tactics and strategies organisations have in order for them to manage their dependence, increase their autonomy, and pursue their interest (Davis and Cobb, 2010).

Being externally focused, most of the tactics of this theory are centred on the external environment (except for executive succession). Yet, many of its propositions remain applicable to the internal organisational environment. The reason lies on the way organisational boundaries are depicted and the way organisations are conceptualised. Pfeffer

and Salancik (1978) argue that organisational boundaries are defined by the organisations' relative ability to control other social entities with respect to other actors. Therefore, these authors argue that control is never absolute; it remains as a competitive area that is only stabilised in the short and medium-term through the institutionalisation of roles and other control mechanisms. The organisation thus becomes what it actually controls. Due to conflicting demands and uncertainties they have to confront, organisations will increasingly become similar to political structures where power dynamics dominate (Pfeffer and Salancik, 1978). Therefore, this theory recognises power, dependence and autonomy as organisational realities (Casciaro and Piskorski, 2005). Furthermore, Mudambi and Navarra (2004b) view firms as having internal capital markets where power dynamics are similar to those in the open market.

However, while resource dependence theory is described to be as one of the richest organisational perspectives (Casciaro and Piskorski, 2005), this theory is not without criticism. It is argued to be used as a metaphor rather than being subject to significant theoretical advances (Casciaro and Piskorski, 2005). Casciaro and Piskorski (2005) criticism of the theory has four key grounds. First, that the theory does not distinguish between two types of dependence; power imbalance (asymmetry) and mutual power as it groups both concepts under the term interdependence. Second, as being both normative and positive, it tends to mix predictions of what the organisation should do and what it can actually do<sup>12</sup>. Third, the boundaries of the theory are not clear. Fourth, while the theory is dyadic in nature, empirical investigations of the theory usually consider the unilateral dependence of one actor and seldom study interdependence; hence the study of power imbalance in particular was rare.

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<sup>12</sup> Tactics do not always take the organisational ability to act into consideration. For example, while constraint absorption is suggested by the theory to be effective under any form of interdependence, Casciaro and Piskorski (2005) assert that mutual dependence motivates constraint absorption while power imbalance hinders constraint absorption.

Casciaro and Piskorski (2005) give special attention to merger and acquisitions maintaining that they represent a tactic where the valuable external resources are totally absorbed by the organisation, and therefore, it is a unique tactic. Merger and acquisitions aim to either to absorb competitors or manage sources of supply or to diversify so as the dependence on the standing organisational arrangements is lessened. However, they suggest that in the case of mergers and acquisitions, the constraining party might have less motivation to be absorbed and hence lose its power; since it is already in an advantaged power position. Casciaro and Piskorski (2005) argue that the theory is useful in explaining unilateral tactics employed to reduce or restructure organisational dependencies (like finding alternative suppliers), but other tactics that require involving other parties in the process of absorption were not fully explained (like cooperation and merger and acquisition). They suggest that Pfeffer and Salancik's (1978) use of interdependence as an umbrella term for power imbalance and mutual power causes the theory to have some empirical and analytical limitations. They also note that the theory fails to explain the power dynamics after merger and acquisition (Casciaro and Piskorski, 2005). Moreover, the theory does not emphasise the dynamic aspect in the intra-organisational environment particularly with regards the different forms of interdependence and the evolution of interdependence (Hillman et al., 2009).

Based on this brief presentation of theories, one could conclude that we still have some unresolved issues with regards to intra-organisational vertical relationships. While theory of authority, transaction cost theory, and agency theory take the unilateral side of the structural power holder (i.e, the organisational formal authority); resource dependence theory is more comprehensive and it can shed some light on the intra-organisational dynamics through wearing the lens of power rather than that of rationality or efficiency. Yet, the latter theory is

argued not to pay attention to the different forms of interdependence and thus important power dynamics and intra-organisational evolutions are not fully captured.

### **2.3 The Headquarters–Subsidiary Relationship Literature**

Possibly the only contemporary literature that deals explicitly with vertical inter-unit relationships is that on headquarters–subsidiary relationships. It focuses on vertical relationships in internationally diversified organisations (the specific case of multinational corporations). This literature provides an in-depth analysis of the vertical relation and its related issues. The MNC literature has been influenced by discussions about the network organisation which is assumed to outperform traditional hierarchies (Egelhoff, 2010). This has led to viewing the MNC as a transnational corporation (Bartlett and Ghoshal, 1989), or as a differentiated network (Ghoshal and Nohria, 1997). This, in turn, influences the way vertical relationships are viewed. To address the recent conceptualisation of MNCs and the impact of this conceptualisation on the vertical relationship, the present section is divided into two main sub-sections dealing first with the conceptualisation of the MNC as an organisation, and second with the headquarters–subsidiary relationship literature.

#### **2.3.1 The Conceptualisation of Current MNCs: a Network or a Hierarchy?**

It is commonly accepted that in multinationals, the business unit/subsidiary is hierarchically linked to the firm (or its headquarters) because the “firm” chose to *internalise* such subsidiary’s activities (Buckley and Casson, 1976). One could, thus, assume the relationship between headquarters and subsidiaries to be similar to that of a typical hierarchical organisation, but in the light of the current “network wave”, analysis of this relationship could become less straightforward; yet thought-provoking.

There is some confusion associated with the term network as there is no unified definition of whether the term is used to describe the structure of an organization, or the governance mechanisms employed, or both. Despite this ambiguity, most international business scholars conceptualise the MNC as one form or another of a network organisation. MNCs have been regarded as networks since many authors started to note the similarities between intra–and inter–organisational settings (Ghoshal and Bartlett, 1990; Mudambi and Navarra, 2004 a,b; Mahnke, Ambos, Niel, and Hobdari, 2012).

One of the key reasons behind the indisputable prevalence of thinking of MNC as a network is the development of subsidiaries. The MNC is regarded as a network as subsidiaries become difficult to control and they develop their own external relations in their host environments when they mature. However, the key question for the purpose of this study is: what is the role of vertical relationships in such networks? To address this question, the following section first looks to the issue of control in MNCs and the view of the MNC as a network organisation and then assesses the role of vertical authority in MNCs.

### **2.3.1.1 Control Mechanisms in MNCs**

The relatively recent MNC literature reveals a shift of emphasis from formal control mechanisms to informal ones (Martinez and Jarillo, 1989; Paterson and Brock, 2002). Informal governance mechanisms are advocated as formal ones are seen as less effective in integrating and coordinating dispersed “mature” subsidiaries (for example see Prahalad and Doz, 1981a,b; Nohria and Ghoshal, 1994). Subtler mechanisms are emphasised in place of, or coupled, with formal controls due to the complexity and heterogeneity of the MNC and due to the difficulty of controlling subsidiaries. Thus, the MNC is described as one form or another of a network. According to Schmid, Schurig, and Kutschkier (2002), calls for conceptualizing the MNC as a network began more than three decades ago with ideas such as diversified

MNCs (Doz and Prahalad, 1991), heterarchical organizations (Hedlund, 1986), and transnational corporations (Bartlett and Ghoshal, 1989). Yet, the discussion of MNC networks does implicitly shed light on the premise that intra–organizational relations will still have an inherent vertical dimension represented by the power of its headquarters. Headquarters have a justified structural power to coordinate and integrate the dispersed units of the “network”, whether using formal or informal means, or a combination of coordination and control mechanisms.

### **2.3.1.2 The Business Network Perspective**

Viewing the MNC as a network is supported by another recent stream of literature. This stream emphasizes that MNC headquarters and subsidiaries are seen as embedded in a business network, stressing a complicated pattern of connection. Although this idea has its roots in the 1980s (e.g., Prahalad and Doz, 1981a), it has been recently developed by Nordic scholars (for example: Forsgren, Holm, and Johanson, 2005; Forsgren, 2008). In this perspective, the MNC is viewed as a multi–centre network organization (Tseng, Yu, and Seetoo, 2002) or a federation (Andersson, Forsgren, and Holm, 2007; Forsgren, 2008) of internal and external relations. Intra–organizational networks represent relationships among the MNC internal units such as sister subsidiaries and between headquarters and subsidiaries; and inter–organizational networks represent relations with external units such as suppliers, customer and various stakeholders. Therefore, each MNC subsidiary presents a distinct network as it is embedded and engaged in a different set of local relationships; in addition to its corporate relationship (Tseng et al., 2002). Such relationships represent what is called the subsidiary context which is important for both the subsidiary and MNC operations (Tseng et al., 2002). This view is interesting because it enriches our understanding of the current state of vertical relationships. It does not deny the formal authority of headquarters, yet, by focusing

on the subsidiary's value in the internal MNC network and its embeddedness in the external network, subsidiaries are seen to possess power.

This recent literature suggests that while hierarchical power is still evident, it is significantly different from the traditional view of hierarchical power where the boss knows best and that is why s/he orders and followers should obey. In this view, MNC headquarters is neither a stand-alone unit nor having a unidirectional power (Schmid et al., 2002). Subsidiaries also have power deriving from their local business context knowledge which the headquarters lack. Headquarters thus becomes only one player amongst others. It possesses hierarchical power that emanates from its legitimate formal authority granted to it to coordinate the various units. Headquarters might also have some knowledge and other resource power. Yet, this is not an absolute or an ultimate power. The power of the headquarters is constrained by its limited knowledge of the specific contexts of subsidiaries or by other sources of subsidiaries' power<sup>13</sup> (Forsgren, 2008). However, which source of power will be more significant remains an unanswered empirical question (Forsgren, 2008) given the distinction between formal authority and actual influence (Forsgren et al., 2005).

As Mudambi and Navarra (2004b) put it, the military-like formation of organization has loosened to give way to what resembles a political coalition. Unlike the traditional views on vertical relationships where subsidiaries are seen as passive agents, and do not have any power except this power delegated to them by headquarters (discretion), Mudambi and Navarra (2004a) argue that subsidiaries can bargain not only with other units (intra-firm

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<sup>13</sup> While knowledge is the most widely discussed source of power for the subsidiary, other sources of bargaining power according to Mudambi and Navarra (2004b) include subsidiary's experience in the organization, the level of subsidiary control over its operations, and the external orientation of the subsidiary.

competition) but with the headquarters itself. This in turn creates another source of autonomy other than discretion.

Based on these premises, most of the recent literature treats the MNC as a network form of organization and governance. Nonetheless, the over-emphasis on the network perspective tends to conceal the role of headquarters in the MNC (Egelhoff, 2010); and hence the role of vertical relationships<sup>14</sup> (although to a much lesser extent compared to the general organisational literature).

Returning to the key question posed in this section of whether the MNC is a hierarchy or a network; one could argue that MNC does not fit in the traditional hierarchy categorisation, but there remains an important vertical element in MNC represented in the role of headquarters. Whether the presence of subtler control mechanisms and the recognition of subsidiary power make for an intra-organizational setting called a network or not will depend on whether the definition of network is sufficiently flexible to accept the presence of vertical authority, whether this be weak or strong, “soft” or “hard”, implicit or explicit<sup>15</sup>.

What can be emphasized here is that the form of vertical relations that we are witnessing currently in MNCs is distinct from our traditional view of vertical relations, where hierarchical authority used to be treated as a unidirectional source of power. *Recognising*

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<sup>14</sup> Building upon network literature contributions, IB scholars tend sometimes to focus on the intra-organizational lateral and horizontal relations (i.e between units enjoying the same structural power), and marginalising or sometimes criticising headquarters’ vertical authority. Intra-firm value creation (Tsai and Ghoshal, 1998), knowledge transfer (Tsai, 2001), coopetition and knowledge sharing (Tsai, 2002), knowledge ties among sister units (Gynawali, Singal and Mu, 2009) are only some examples of the benefits suggested by the presence of horizontal ties, which tend to be an alternative focus of attention to vertical ties in some recent academic discussions.

<sup>15</sup> Further to this, one could question whether MNCs described as networks actually exhibit the full features of a network (Wolf’s (1997) investigation, for example, found that very few multinationals could be described as “pure” networks or “transnational corporations”).

subsidiaries' power has encouraged a search by headquarters for supplementary sources of power to support their hierarchical authority. The use of softer control mechanisms is seen as nothing more than a coping strategy to supplement hierarchical structural power with additional "softer and social" power to better control and coordinate these seemingly stronger subsidiaries. As noted by Paterson and Brocks (2002); the softer control mechanisms affect only the perception of power and control but they do not affect the exercise or the amount of control. This trend does not mean that vertical power does not exist; it just means that such vertical power faces an increasing challenge and that new forms of implementing it have been developed (Child, 2009).

One could, thus, view vertical relationships as containing different degrees of top-down power where the traditional hierarchy represent the orthodox and the highest extent and networks have a lesser; yet varying; extent of legitimised authoritarian power; but vertical relationships do not disappear in networks. Recognising subsidiaries as having increased power does not mean that the headquarters have lost its structural power; it just means that power relationships within the organisation have become more complex. Vahlne, Schweizer, and Johanson (2012) recognise this hierarchical role of headquarters in the MNC network which they view as a schizophrenic role due to the arguably loosely coupled nature of dispersed subsidiaries alongside the vertical responsibility of headquarters to coordinate and support such subsidiaries. Concepts such as the "intervention hazard" of headquarters in MNC networks (Foss, Foss, and Nell, 2012) stress the idea that headquarters has the legitimate right to intervene in decision making of a subsidiary when it sees that this is necessary (although this might cause a hazard (Foss et al., 2012)). Surprisingly Foss et al. (2012) propose that the higher the implementation of a network form, the higher the frequency of headquarters' intervention (for good causes such as reducing slack associated

with autonomy or to reap the benefits of subsidiaries' value creation, or for other reasons such as reasserting its power on seemingly powerful subsidiaries). For Foss et al. (2012) hierarchical authority is not confined to the narrow definition of centralisation or setting goals, it is more about avoiding costs associated with externalities that could emerge from subsidiary autonomy such as coordination failure and moral hazards (i.e. loss of general control). Nell and Ambos's (2013) empirical research confirms that headquarters will continue to have a special and a central position in the MNC network that makes it different to any other player. This is simply because headquarters have a role that cannot be performed by other organisational units; and to perform this role it needs a vertical authority. Headquarters still have authority over subsidiaries due to its different responsibility. Perhaps the role of headquarters has changed from a brain to a heart (Chiao and Ying, 2013), but the role of the heart is still to align and coordinate. One could argue that networks, thus, represent an evolutionary change in the MNC organisational form due to the recognised power of subsidiaries and highly dynamic environments but they are not a radical change where something has been invented to replace of the vertical authority, following Greenwood and Hinings's (1996) terminology.

### **2.3.2 Headquarters– Subsidiary Relations: the Contested Terrain**

After this brief discussion about the nature of the MNC, one can pose the question: how do vertical relations look like as discussed in the headquarters–subsidiary relationship literature? When trying to answer this question, one could see two different pictures; one picture highlights what should be done (the normative picture) and another picture that attempts to depict what actually happens (the realistic picture).

In the normative picture, with increased diversification, the headquarters' role is to harmonise and integrate the resources and initiatives of the different subsidiaries it oversees (Ambos and

Birkinshaw, 2010). Headquarters are to help in planning, support functions and in knowledge transfer among subsidiaries (Foss et al., 2012); they are to guide subsidiaries to deliver the best strategy and to use the benefits these subsidiaries bring to the MNC (Scott, Gibbons, and Coughlan, 2010). Subsidiaries, on the other hand, are the main organizational innovators, initiators, and entrepreneurs. There are a considerable number of studies emphasizing the role of subsidiaries as the main driver for organizational evolution and development of strategic direction (Anderson and Pahlberg, 1997). Following Bower (1970) and Noda and Bower (1996), strategic initiatives usually emerge from the (subsidiary) managers since the (headquarters') managers lack such front-line knowledge. Subsidiaries are accepted as the main contributors to the organization rather than headquarters. They are the main source of organizational knowledge (Mudambi and Navarra, 2004b), innovation (Almeida and Phene, 2004), initiatives (Birkinshaw et al., 1998; see also Dörrenbächer and Geppert, 2010), and recently strategic creativity and entrepreneurship (Scott et al., 2010).

However, there is another realistic picture that both underlies and complements this idealistic one. The realistic picture stresses that the headquarters–subsidiary relation is not as harmonious or simple as it seems. The academic literature highlights that neither headquarters are perfect integrators nor subsidiaries perfect innovators. While the normative picture could be based on some conceptual work, Ambos and Mahnke (2010: 405) argue that even for some of the empirical findings, there is some research bias as many studies are based on subsidiaries described as the centre of excellence, lead units, or value adding subsidiaries. This, as they argue, could risk “*overstating the marginal and ignoring the common practice*”.

The headquarters–subsidiary relationship is suggested to be a complex one. This is because the relationship is influenced broadly by two unsettled, yet, interrelated issues; the definition

of the headquarters and the subsidiary roles on one hand and the MNC internal management on the other hand.

### **2.3.2.1 The Definition of the Headquarters and the Subsidiary Roles**

There has been a notable change in the conceptualisation of the headquarters and the subsidiary roles. Headquarters shifted from being viewed as knowing to being ignorant and sometimes from being value creating to value destroying. Subsidiaries, on the other hand, moved from being seen as a follower to the strategic initiator and from an ignorant implementer to key knowledge holders. The key factor behind the shifting roles is the evolving subsidiary power and its recognition, as explained above.

#### **2.3.2.1.1 Headquarters' Changing Role**

Previously most of the literature contended, sometimes implicitly, that headquarters will take the role of a superior knowledge holder to integrate and coordinate activities of subsidiaries internally and to market them externally (Dellestrand and Kappen, 2012). As highlighted by Ciabuschi, Dellestrand, and Holm (2012), the headquarters have important roles as it manages organisational efficiency (adopting transaction cost economics perspective), helps realise synergies (adopting resource-based view), and supports the other organisational units (adopting business network view). Headquarters are assumed to add value or to reduce loss (Chandler, 1991).

Yet, only very recently, researchers started to question the role of headquarters (for example: Ambos and Mahnke, 2010; Egelhoff, 2010; Dellestrand and Kappen, 2011; Nell, Ambos, and Schlegelmilch, 2011; Collis, Young, and Goold, 2012; Foss et al., 2012; Nell and Ambos, 2013). The reason is that all of the previously mentioned roles require a knowledgeable headquarters. Since subsidiaries could have more knowledge about their external environment than headquarters, headquarters might lack the knowledge to perform their roles. Therefore,

the traditional headquarters' role might not be justified due to its inability to add value<sup>16</sup> (Ambos and Mahnke, 2010; Egelhoff, 2010; Dellestrand and Kappen, 2012). Niel and Ambos (2013) study draws attention that headquarters are not adding value by the merit of their structural position, they only add value when they have the necessary knowledge<sup>17</sup> and such knowledge is usually costly to obtain because it requires headquarters to be embedded into the subsidiary environment. The same argument is stressed by Ciabuschi, Forsgren and Martin (2011) where headquarters may not only lack the required knowledge about subsidiaries but also they may not know which knowledge is needed; a situation which they call "*sheer ignorance*". Headquarters intervention thus might be detrimental to the subsidiary performance and innovation as it is based on normative expectations by headquarters' managers rather than real knowledge (Ciabuschi et al., 2011).

However, fewer other studies suggest that the lack of knowledge might be only part of the story. Headquarters might also have an intrinsic irrationality (Piotti, 2012). Moreover, headquarters' intervention might not be always for "benevolent" reasons. Foss et al. (2012: 253), for example, argue that while headquarters' intervention might be motivated by good intentions of creating value, but they sometimes intervene just to show some powerful subsidiaries "*who the boss is*". Foss et al. (2012), therefore, highlight the role of normative integration and procedural justice not only to protect against subsidiary opportunism but also to protect subsidiaries from headquarters intervention hazard. Other suggested problems

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<sup>16</sup> Niel and Ambos (2013) regard value added as the positive difference in the subsidiary performance that occurs due to the headquarters' intervention which would not have otherwise occurred if the subsidiary is a stand-alone entity.

<sup>17</sup> It is acknowledged that knowledge limitations do not necessarily prevent headquarters from performing a synergy-creating role. Headquarters can have power to secure resources or opportunities that are not accessible to individual subsidiaries in general. However, having knowledge enhances the headquarters' ability to add value. Moreover, this strand of literature tends to focus on knowledge as a key strategic asset to its possessor.

associated with headquarters interventions include “bounded reliability” (Verbeke and Greidanus, 2009) and “radical uncertainty” (Forsgren and Holm, 2010).

Headquarters are sometimes seen as organisational units which have responsibility for the whole organisation excluding themselves (Collis, Young, and Goold, 2007). Although there are other definitions, this definition assumes that headquarters have no self-interest. However, one could question if this is really the case; particularly from the subsidiary perspective. Headquarters could be possibly seen by subsidiaries as redundant units or “*residual claimant to all rents*” (Dellestrand and Kappen, 2012: 222).

#### **2.3.2.1.2 Subsidiary Power**

Questions about the recognition of the changing role of headquarters reflect the evolution of subsidiaries. There are three key interrelated drivers that might lead to subsidiary development (Birkinshaw and Hood, 1998). These interrelated drivers could be related to the multinational itself (e.g. restructuring, internal competition, or resources availability), to subsidiary choice, and to the local environment. Due to the development of subsidiaries, Rugman, Verbeke, and Yuan (2011: 254) highlighted that the literature have moved from accepting subsidiaries as “*mere operational instruments*” to headquarters to recognising them having their own unique charters; and thus they became the key unit of analysis in a growing number of studies (Buckley and Strange, 2011).

Subsidiaries are seen as possessing increasing power. There are various definitions of power to the extent that the term is being used in a confusing manner (Uphoff, 1989). However, one of the most widely used definitions is that of Dahl (1957) which views power as the determination of behaviour of one actor by another. This definition focuses on constraining others; however, it holds an obverse meaning of power; it is the (self) capacity to make

choices with fewer constraints (Poggi, 2001). As the powerful unit, by determining the behaviour of other units, it is reducing the constraint on its own behaviour. Poggi's (2001) broader definition of power is adopted in this study. Since an organisation is built upon interdependence among its constituting subunits; and since each unit is at best semiautonomous (Pfeffer and Salancik, 1978), the capacity to reduce some of the constraint resulting from such interdependence is seen as potential power<sup>18</sup>. Power is sometimes conceptualised in more "productive" terms (Courpasson, 2000) as the ability to realise outcomes (Clegg, 1989), but this is also dependent on the capacity to make free or less constrained choices.

Power is argued to have different dimensions. For example, Kaplan (1964) described three dimensions of power; weight (probability of behaviour determination), domain (number of actor that are likely to be affected by other's determination), and scope (range of behaviours that are likely to be influenced by others' determination). More importantly are the sources of power. Subunits are argued not to have power per se (as power is relational), but to possess sources of power (Uphoff, 1989).

Focusing on the power of organisational subunits, Crozier (1964) suggests that power is related to uncertainty. In a study of a French tobacco manufacturing plant, the maintenance group in the plant had power as they had the ability to cope with uncertainty and their tasks were not routinized. Yet, Crozier (1964) suggests that the routinisation following the rationalisation of the work of the maintenance department will reduce this subunit's power in

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<sup>18</sup> Power is seen in this study as a capacity (Tushman, 1977; Buchanan and Badham, 1999) that when exercised it becomes an influence or an exercised power. Power is also seen as relational rather than an abstract property of the organisational units/social actor following Emerson's (1962) conceptualisation.

future incidents<sup>19</sup>. However, Hickson, Hinings, Lee, Schneck, and Pennings (1971) present a more comprehensive picture through the strategic contingencies' theory of intra-organizational power. Prior to their work, there was little study of the power of organisational subunits. Their theory suggests that because of division of labour and interdependence among organisational subunits, different contingencies will give more relative power to some subunits. In particular, they suggest that the greater the ability of the subunit to cope with uncertainty, the lower the substitutability of its contribution, and the higher its centrality to the workflow (represented in pervasiveness and immediacy); the greater the power of that subunit within its organisation<sup>20</sup>.

Focusing on more recent studies of the MNC, subsidiaries are argued to be powerful if the other organisational units are dependent upon them; emphasizing the premise that dependence is the key base of power. Since subsidiaries are embedded in their local context, dependence on subsidiaries increases particularly in areas dealing with subsidiary knowledge and technology transfer (Ciabuschi, Dellestrand, and Kappen, 2012). Based on the French and Raven's (1959)<sup>21</sup> typology of the sources of power; Schotter and Beamish (2011b) argue that coercive and reward power are less relevant in the headquarters–subsidiary relationship, while information and expert power will be the most significant. In a similar vein, Najafi–Tavai,

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<sup>19</sup> Hickson et al. (1971) disagree with Crozeir (1964) by arguing that routinisation as such does not reduce the future power of the subunit. They argue that there are two types of routinisation; by forecasting or absorption and through preventive routinisation. Only in case of preventive routinisation (preventing the uncertainty), routinisation will decrease the future potential power of the subunit but not in case of forecasting (coping by information) or absorption.

<sup>20</sup> Their propositions can be linked to the general premises upon which the power–dependence (Emerson, 1962) and the resource dependence (Pfeffer and Salancik, 1978) theories are based.

<sup>21</sup> One of the most widely used typologies of the personal sources of social power is that of French and Raven (1959). According to them, sources of power can be reward, referent, expert, coercive, and/or legitimate power. These sources can be based on economic resources, social status, information, physical force, legitimacy respectively (Ilchman and Uphoff, 1969; Uphoff, 1989). Uphoff (1989) argues that this typology is comprehensive, rigorous, balanced, and parsimonious.

Giroud, and Andersson (2013) suggest that the relationship between the subsidiary's possession of strategic resources (mainly knowledge resources and local relations) and its influence is mediated by the subsidiary's extent of reverse knowledge transfer; which stresses the point that influence is gained from centrality and from interdependence rather than just possession of resources.

Dörrenbächer and Gammelgaard (2011) draw a comparison between four main sources of subsidiary power: bargaining power, systematic power, resource dependence power and institutional power. Their conclusion is that out of the four sources of power, resource dependency power is the most effective and the most cited. Bargaining power is unstable and depends on the managerial skills and the ownership of resources. Systematic power is derived from the subsidiary position in the configuration of the value chain, yet they argue that the sustainability of this type of power could be questionable in the long run. Institutional power is when subsidiaries use the host institutional environment as an excuse to evade the headquarters' authority. They consider institutional power to be strong and sustainable due to the stability of the institutional environments. However, resource dependency power is emerges from the development of specialised knowledge, experience, or technology which the other parts of the MNC need. This type of power is argued to be strong and sustainable (as it is difficult to imitate based in Barney's (1991) resource-based view).

Subsidiaries have thus moved from being seen as passive implementators of the parents' strategies to key sources of knowledge and from powerless to powerful units. However, recognising subsidiary power makes subsidiaries to be seen sometimes with suspicious eyes by headquarters; shifting them from profit seekers to rent seekers (Mudambi and Navarra, 2004b; Mudambi, 2011); and from innovators to empire builders (see Bouquet and Birkinshaw, 2008).

Although the literature has started to recognise the MNC as a political coalition, and subsidiaries as having power, many writings still do not regard the subsidiary power as a legitimate power. It is a power that is looked at distrustfully as it carries many “unlawful” intentions. The possibility of having subsidiaries that resist headquarters authority for presumably legitimate reasons such as lack of knowledge, or poor decision making by headquarters, or genuinely different, yet benevolent objectives is rarely considered. Most of the literature considers headquarters to have the legitimate right to control subsidiaries, and therefore research effort has been directed towards advising headquarters on how to control and exercise its power on the powerful subsidiaries (for example see Dörrenbächer and Gammelgaard, 2011). Schotter and Beamish (2011b) argue that the traditional view of headquarters–subsidiary conflict blames the subsidiary for its opportunistic behaviour, rent seeking, and selfish demands. According to them, it has been only recently that conflict has been conceptualised as result of institutional duality and information asymmetry.

### **2.3.2.2 MNC Internal Management**

#### **2.3.2.2.1 Autonomy–Control Dilemma**

The previous discussion indicates that headquarters’ control or subsidiary autonomy has been a subject of special attention (Gates and Egelhoff, 1986; Paterson and Brock, 2002). Manolopoulos’s (2008) systematic review of subsidiary roles shows that such roles are highly influenced by the MNC internal management and hence the subsidiary’s relationship with headquarters with particular reference to autonomy. Autonomy is both an input and an outcome into the process of subsidiary development (Paterson and Brock, 2002).

Control and autonomy can be regarded as an issue that never settles in the MNC environment or in diversified organisations in general. Autonomy itself is a dilemma; what is the best level

that allows the headquarters to align the different subsidiaries (and control them) while not harming subsidiary initiative (Ambos, Asakawa, and Ambos, 2011) is a long-standing yet unanswered question. However, this is only part of the autonomy–control dilemma.

Control is problematic because it can be resisted by subsidiaries which become powerful. It is such resistance that is the main reason why headquarters want to exercise control. Headquarters might exert further control when it fears the accumulation of subsidiary power (Ambos et al., 2011) or attempts at empire building (Bouquet and Birkinshaw, 2008). Moreover, developing subsidiaries might want to build up slack resources that are not subject to the control of the headquarters. As this might affect the efficiency of the MNC's internal market (Paterson and Brock, 2002), the headquarters will attempt to exercise further control on such subsidiaries. This is further complicated by the inimical relationship between innovation and control and the need for headquarters to have innovative subsidiaries. It is generally argued that the lower the subsidiary autonomy, the lower its innovation (Asakawa, 2001; Mudambi and Navarra, 2007). Mudambi (2011) also pinpoints that high integration might lead to low subsidiary innovation as this innovation can be inhibited by the “*corporate immune system*”<sup>22 23</sup>.

More importantly, research suggests that subsidiaries also take autonomy for granted. When headquarters intervene or reduce subsidiaries' autonomy, subsidiaries start to resist because they perceive it as an attack from headquarters; it is the “loss aversion”, the undesirable loss of status quo (Kahneman, Knetsch, and Thaler, 1991; Foss et al., 2012).

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<sup>22</sup> The idea of subsidiary initiative/innovation being resisted by the “corporate immune system” of the MNC is originally introduced by Birkinshaw and Fry (1998).

<sup>23</sup> However, in some cases, Huemer, Bostorm, and Felzensztein (2009) argue that in some cases control can be used to increase subsidiary initiatives, if they are motivated by headquarters.

Such resistance cannot be ignored as those who have the right to control might sometimes become less powerful than the subjects of control (Ambos et al., 2011), for example due to increased dependence on subsidiaries. The possibility that subsidiaries become powerful enough to demand more autonomy and resist headquarters control adds complexity to the internal management of MNCs. Schotter and Beamish (2011b) proposed that subsidiaries are likely to resist the parent's initiatives in case where these initiatives negatively affect subsidiary autonomy, local competitiveness, internal organisational power, resources and capabilities, product/service mix, alliances with subsidiary partners, or the financial position of the subsidiary.

#### **2.3.2.2 Headquarters–Subsidiary Conflict**

Resistance by subsidiaries is also sustained by the presence of conflict that could be inherent in vertical relationships. Conflict generally can refer to irreconcilable objectives (Boulding, 1962) or disagreement between social actors (Roth and Nigh, 1992; Pahl and Roth, 1993). Piotti (2012) uses Pondy's (1967) broad definition of conflict in which one organisational member consciously stops the other members from achieving their goals (although not necessarily doing so on purpose). Kaufmann and Roessing (2005) indicate that conflict situations could arise in the case of interaction between two or more parties, if these parties are interdependent but their goals are incompatible, or when there is informational asymmetry between them. In addition to power–dependence, conflict can also arise due to heterogeneity in members' background, communication problems, conflict of interests, need for autonomy, or sharing resources (Pahl and Roth, 1993). The headquarters–subsidiary relation is thus a relationship that can exhibit high level of conflict given that subsidiaries have independent and dependent needs (Roth and Nigh, 1992; Pahl and Roth, 1993). Piotti (2012) argues that conflict is typical in headquarters–subsidiary relationships, both at the macro and the micro–

levels. At the macro level, conflict might result from institutional and cultural differences. At the micro-level, conflict might result from the actors' interactions in the presence of different interests and rationalities. Similarly, Schotter and Beamish (2011a,b) highlight the intertwining nature of organisational and interpersonal conflict suggesting the multi-level nature of conflict.

One important and key role of headquarters is budget or resource allocation (Bower, 1970). This role in particular can generate a lot of tension (Dellestrand and Kappen, 2012) as it means that the headquarters draws on the performance of the units it oversees, which may themselves be unwilling to cooperate for various reasons. The headquarters-subsidary relationship might be antagonistic not only because of difficulty in coordination but also because headquarters and subsidiaries might disagree on the goals, processes, or the terms of the relationship (Dörrenbächer and Gammelgaard, 2011). Subsidiary managers could be seen as both profit seekers (they want to maximize profit drawing on external environment) and rent seekers (they aim to maximise their share of the profit generated and limit the transfer of rent to the other organizational units through bargaining power) (Mudambi and Navarra, 2004a,b). Subsidiaries' rent seeking behaviour could develop as a defensive reaction to headquarters' rent seeking behaviour (Mudambi and Navarra, 2004b); and therefore the parties to the vertical relationship could have inherently opposing objectives and interests.

Conflict might also arise due to different perceptions. Studies by Schotter and Beamish (2011a,b); and Schmid and Daniel (2011) suggest that conflict is likely to arise in the case of perception gaps and miscommunication between headquarters and subsidiary. According to Schmid and Daniel (2011) perception gaps could be embodied in distribution conflicts, goal conflicts, or process conflicts.

Moreover, conflict and power dynamics might arise as a result of the existence of different identities. Identities are not confined to national ones, as in Kovishnikov's (2011) study on the dynamics between Russian and Finnish cultures, but it can include professional or social identities in general. Ybema and Byun's (2011) study shows the role of cultural identities in the micro-political processes that could take place in MNC. Different identities can result in an "us" and "them" distinction; attributing what is seen as the "right" behaviour usually to "us" while attributing the perceived "wrong" doings to "them" (Kovishnikov, 2011; Ybema and Byun, 2011). Therefore, Ybema and Byun (2011:318) suggest that identity discourses are very subjective; they are "*colored by emotions, moral judgements, and political or economic interests*". Such identity discourses are indicative of power games among the conflicting parties (Koveshnikov, 2011)<sup>24</sup>.

#### **2.3.2.2.3 Conflict and Power**

It is suggested that some headquarters-subsidary conflict is almost inevitable (Roth and Nigh, 1992). However, not all conflict is necessarily dysfunctional (Schotter and Beamish, 2011a); it just creates important organisational dynamics in which the results could be unpredictable.

Conflict is not a new phenomenon. For instance, information distortion, which is one main source of conflict, has long been recognised as an issue in vertical relations (Burns, 1954; Carley and Lin, 1997). What adds a new dimension to the study of vertical relationships is the recognition of subsidiary power where information distortion is seen as a micro-political tool used by the subsidiary to emphasise self-interest, as highlighted by Taplin's (2006) study.

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<sup>24</sup> His argument is based on the social identity theory (Tajfel, 1978, Turner, 1985 and 1999) in which identities are constructed through discourses and narratives.

The relationship between conflict and power is germane. While more research effort should be devoted to studying the relationship between conflict and power, power is usually regarded as an antecedent or a cause or an object of conflict (Blazejewski and Backer–Ritterspach, 2011). Conflict is seen as a necessary condition for power (Baldwin, 1978). Differential power could cause conflict to arise and conflict could result in a redistribution of power which makes the relationship between them bidirectional (Blazejewski and Becker–Ritterspach, 2011). Moreover, competition between powerful parties increases the potentiality of conflict (Ciabuschi, Dellestrand, and Kappen, 2012), and conflict is not easily resolved when the two parties of the relationship are powerful as this complicates negotiations (Piotti, 2012; Dörrenbächer and Gammelgaard, 2006).

### **2.3.2.3 Headquarters–Subsidiary Politics**

Both the evolving roles of headquarters and subsidiaries, and the difficulty in managing the MNC internal environment due to issues of control, potential conflict, and power battles make the MNC seem like a “*contested terrain*” (Dörrenbächer and Geppert, 2006: 256).

Since both headquarters and subsidiaries could have different goals; and both of them could be powerful, yet, interdependent (Schotter and Beamish, 2011a,b); the relationship between them becomes a fertile ground for political behaviour. Such political behaviour is fostered by headquarters structural power and subsidiary resistance based on its different sources of power; since the input and output in any political process is power (Uphoff, 1989).

Many signs of political behaviour can be seen in intra–organizational settings. Burns (1961: 257) views a certain behaviour as being political “*when others are made use of as resources in competitive situations*”. According to Tushman (1977: 207), “*politics refers to the structure and process of the use of authority and power to effect definitions of goals, directions, and*

*other major parameters of the organization*". Dörrenbächer and Geppert (2006: 256) view organizational micro-politics (intra-organizational politics) as attempts to influence social structures and human relations motivated by "*securing options, realizing interests, and achieving success [which] however take place in a contested terrain*"<sup>25</sup>. Dörrenbächer and Geppert (2006) argue that micro-politics can be part of the day-to-day operations in MNCs. Budgeting, career development, reorganizing, and strategic initiatives are examples of routine or innovative political games which can take place in vertical relationships (Dörrenbächer and Geppert, 2006). They suggest that even the change in organizational design or corporate strategy is induced not only by institutional or environmental pressures but it can also reflect organizational micro-political dynamics (Dörrenbächer and Geppert, 2006). As just discussed, political behaviour can be driven by resource conflict, or interest conflict, or identity conflict (Dörrenbächer and Geppert, 2006 based on Rothman and Friedman's (2001) classification of conflict in a political organisation).

This political atmosphere might suggest that decisions are not taken on grounds of rationality or efficiency, but they are instead based on bargaining, negotiation, and compromise (Tushman, 1977). The headquarters-subsidary relation could thus become one of competition rather than cooperation (Roth and Morrison, 1992; Paterson and Brock, 2002). Subsidiary managers act politically to increase their competence, introduce initiatives, attract resources, and develop mandates (Williams, 2011). According to Williams (2011), subsidiary managers attempt to increase their power base via knowledge sharing, proactive behaviour, and normative integration<sup>26</sup>. These are socio-political interactions that are meant to influence the

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<sup>25</sup> According to Dorrenbacker and Gammelgaard (2011: 32), micro political bargaining power refers to "*situations in which subsidiaries exercise their influence on headquarters through a combination of their own initiatives, issue selling, strategic information politics and manipulative behaviour*".

<sup>26</sup> His study conceptualises the use of these elements in a passive or a negative manner (by resisting headquarters rather than using it positively by for example showing compliance) in order for subsidiaries to gain power.

distribution of power (Williams, 2011). Mudambi and Navarra's (2004a) economic model is based on the assumption that some business units could be even more powerful than their headquarters, to the extent that headquarters cannot extract any resources from these units for redistribution. Such subunits may control the transfer of resources—the bargaining power of these units will determine the appropriation of rent. Political dynamics might also emerge if subsidiary resistance to headquarters initiatives harm the headquarters' vital interests (Geppert and Dörrenbächer, 2011).

Indicators of the political dynamics inherent in this vertical relationship could be traced by observing the theories in use. While many scholars have adopted agency theory to study the relationship between headquarters and subsidiaries in the light of information asymmetry between them (for example: Kaufmann and Roessing, 2005; Pederson and Mudambi, 2007), more scholars are now adopting the resource dependency perspective due to the political nature of the relationship (Birkinshaw and Ridderstrale, 1999; Luo, 2003; Pederson and Mudambi, 2007; Ciabuschi, Dellestrand, and Kappen 2012; Najafi-Tavai et al., 2013).

It should be noted, however, that the extent of subsidiaries' power can differ; some subsidiaries have high bargaining power by the virtue of their centrality in the organisation while other subsidiaries have minimal power. A subunit's political strength is dependent on its power (Tushman, 1977) and power relations are context specific, subjective and dynamic (Geppert and Dörrenbächer, 2011). They are context specific as they are "*institutionally and culturally shaped but not determined*" and they are subjective as they are "*interactively and discursively constituted by actors with specific identities and interests*" (Geppert and Dörrenbächer, 2011: 27).

Nonetheless, political behaviour research is still fragmented and sometimes neglected (Mudambi and Navarra, 2004 a,b; Geppert and Dörrenbächer, 2011). This is due to the sensitivity of the issue which makes it a difficult field of investigation (Child, Elbanna and Rodrigues, 2010; Dörrenbächer and Geppert, 2006). Moreover, people tend not to regard themselves acting politically (Burns, 1961).

## **2.4 Summary**

In this chapter, a review of literature related to vertical inter–unit relationships was presented. This has included the general organisation studies’ literature and the headquarters–subsidiary relationship literature. The discussion reveals that vertical inter–unit relations can be contentious and political in nature. The next chapter builds on the discussion presented in this chapter to introduce the concept of vertical inter–unit relationship quality and to outline an apriori framework to guide its study.

## CHAPTER 3: VERTICAL INTER-UNIT RELATIONSHIP QUALITY

### 3.1 Introduction

The previous chapter brought out two key points. First, vertical authority is still a feature of most intra-organizational settings, even though it might differ in scope and appear to be more complex and subtle. Vertical relations do still exist particularly in large and complex organizations where complexity necessitates the presence of some degree of control to integrate the different subunits. This is evident in diversified or divisional organizations where there is a corporate level, divisional level, and a business unit level and in MNCs where there is a headquarters and a subsidiary level. Once power is granted by merit of the organizational structure and once some units have structural authority (whatever the control mechanism is) over the other units, this indicates the presence of vertical relations. Informal control mechanisms can be used contingently, yet, this does not mean the absence of hierarchical power and authority. Vertical control (normative or formal) is what stops the organization from becoming anarchic, something that tends to be ignored when discussing intra-organizational network governance (Child, 2009).

The second point that can be highlighted from reviewing the headquarters-subsidary relationship literature is that it is not only the higher level unit (or headquarters) that has power, but the lower level units (subsidiaries) are increasingly recognised as having power as well. The power of the latter arises from their context-specific knowledge. It can also emanate from their strategic importance, centrality to the rest of the organizational units, experience, or other contingent sources of power. This is what makes vertical relations in contemporary organisations more complex. The top-down perspective alone is no longer valid, nor a purely bottom-up approach; rather there is a continuous process of negotiation

and strategic bargaining where each party (the higher and the lower level units) attempt to maximise its long-term benefit from the relationship.

This chapter, therefore, builds on the previous chapter to introduce the concept of vertical inter-unit relationship quality (VIRQ). The rationale for introducing the concept is presented. This is then followed by suggesting an *apriori* framework that builds upon the premises of social exchange and the power-dependence theories as well as the discussed literature.

## **3.2 VIRQ**

### **3.2.1 VIRQ: the Rationale**

In the light of the previous chapter, vertical relationships are considered as ones in which members are seen at most as semi-autonomous. This is because all members need to maintain legitimacy to be included in a given relationship (or an intra-organizational network). Their actions have to be seen appropriate and acceptable by the other network actors. Put simply, there is a price of inclusion in any collective structure; such inclusion costs some autonomy (Pfeffer and Salancik, 1978). However, the higher level and the lower level units accept this price, because the benefit of maintaining the long-term relationship is assumed to be higher than the cost.

In addition, while political competition can be a feature of vertical relationships, it is a relationship that should be characterised by cooperation for the overall organisational goals to be achieved. Mudambi (2011) noted that a vertical inter-unit relationship is one of both cooperation and competition (he likens it to the bi-form games suggested by Brandenburger and Stuart, 2007)<sup>27</sup>.

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<sup>27</sup> The idea that competition and cooperation are two complementary aspects is well documented in many sociological studies. Mintzberg (1979), for example, depicts organisation as playgrounds for both cooperation

This makes a vertical relationship more like a political game. It is a contested relationship of conflicting interests and both of the conflicting parties can be powerful, yet, they are constrained by maintaining and sustaining the relationship because its long-term benefits is assumed to outweigh its cost.

In this contested climate and political “battlefield”, it seems important as well as interesting to have a closer look at the quality of vertical inter-unit relationships. Focusing on what constitutes favourable vertical inter-unit relationships may provide a chance to listen to voice and preferences of the parties to the relationship; especially those of the lower level which tends to be generally less heard. This in turn might help to shed more light on the traces of conflict and might further our understanding of the reasons that underlie politics in the vertical relationship. Does relationship quality in this context provide one of the possible solutions to reduce the dysfunctionalities that are very likely to arise? Could relationship quality help in creating a win-win rather than a win-lose situation? In the light of changing organisational dynamics, could the higher level motivate the lower level through building favourable relationships?<sup>28</sup> Insofar as organisations are argued to be integrated by psychological forces, perceptions, attitudes, and motivations (Katz and Kahn, 1978); what role can favourable relationships play in the light of the politics and changing roles that have been highlighted? If the powerful party sets the rule of the game and defines perceptions and expectations (Coleman, 2006); what happens when the two parties to the relationship possess rival sources of power and what factors would underlie their perceptions?

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and conflict, therefore any analysis that fails to take into consideration both of these perspectives and the dynamic interplay between them provides only part of the story.

<sup>28</sup> The question of how to motivate subsidiaries is a longstanding question posed by Kim and Mauborgne (1993) but remains as an unanswered one (Foss et al., 2012).

Motivated by a desire to understand further the current complexity of vertical relations, I aim to find out what VIRQ means, what constitutes good relations and what constitutes poor relations, what factors affect the presence or the absence of good relations and what factors are affected by their perception. These all seem important yet unanswered questions. To the best of my knowledge, the study of VIRQ needs to go further than being an incidental suggestion in the headquarters–subsidiary literature which is linked to the improvement of the relationship outcomes (for example: Birkinshaw and Hood, 1998; Johnston and Megnuc, 2007; Ambos et al., 2011).

A key question is “why relationship quality?” I suggest that relationship quality serves at least two purposes. The first is to build a favourable work atmosphere conducive to better performance and enhanced cooperation. The second purpose of relationship quality is as a strategic tool for its possessor to access more resources or obtain power. This is building on the premise that good relations are seen as relational capital to their possessors (Dunning, 2002). Relational capital is part of the broad concept of social capital which could be seen as the social glue that brings an organization’s loosely coupled and sometimes conflicting units to an integrated and collective action through common understanding and favourable relations<sup>29</sup>. Relational capital is a subtle source of power. Much of the relational capital literature implicitly or explicitly suggests that relational capital is used as a platform for extra power to gain stronger positions in political arenas. The relationship marketing literature,

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<sup>29</sup> Despite wide discussion of the social capital concept in the organizational literature, it is usually treated as an external capital that is possessed only through stepping outside the boundaries of the organization. Relatively few studies have focused on intra-organizational social capital. There is a notable gap in research on intra-organizational social capital in vertical relations, as most of the empirical organizational social capital research has focused on relations among horizontally-linked units. The reason why most research tends to ignore internal social capital can be attributed to the assumption that organizational “networks” and their embedded resources that lie within their boundaries are fully controlled organizational properties. Yet, this can be a false assumption as organisational control is neither easy nor perfect. There is always a need to consider how to get the best potential of what the organization already has.

which mainly employs a similar perspective of relational capital, suggests that relationship quality with customers will ensure customer loyalty and retention. The idea is simply based on creating a social alliance with one of the key external stakeholders (in this case customers) to win some competitive market wars. Likewise, the idea of building and maintaining relationship quality in business-to-business relationships aims to create long-term commitment among the business partners. Some joint ventures and strategic alliances are based on the same premises for exchanging and accessing resources (for example Wever, Martens, Vandenbempt, 2005) or turning a competitive threat, or an environmental or institutional pressure into an ally to gain more power; and minimise the opportunistic behaviour of that ally by creating relational capital (for example Kale, Singh, and Perlmutter, 2000). Firms also create relational alliances with the government to have some control over their environment. Oliver's (1997) study suggests that organizations which have high relational qualities with their institutional and task environments are more likely to have higher performance.

Therefore, it is posited not only that relationship quality is needed to create harmony and integration<sup>30</sup>, and enhance performance, but that it can also be a strategic asset to its possessor to expand some boundaries or to secure an opportunity or to win a strategic manoeuvre or to change the rules of the game to its benefit. Relationship quality is thus seen as a means and an end; since organisational integration and harmony as well as gaining more power can be both seen as means and ends<sup>31</sup>.

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<sup>30</sup> Creating harmony could be a feature in non-zero sum political games rather than zero-sum ones.

<sup>31</sup> A further possible question could thus be: do managers purposely build and maintain good vertical relations to exploit this strategic asset whenever the opportunity arises?

As relationship quality is a concept that has not been investigated in the context of vertical inter-unit relations, other relevant literatures will be briefly highlighted in order to show the treatment of relationship quality in other contexts and to enable me to build up on their work, whenever possible. Although its context is different, the marketing literature is a useful source<sup>32</sup>.

### **3.2.2 Relationship Quality in Other Relevant Literatures**

Relationship quality is a concept that is used widely in the marketing literature, particularly in relationship marketing. The core premise in relationship marketing stresses that building favourable and committed relationships with customers will result in their satisfaction and loyalty. Hence, customers themselves would become another marketing tool through their positive word-of-mouth and publicity (Kim and Cha, 2002). Relationship quality in the marketing literature is based on subjective perceptions and evaluations of the service or the product providers. However, the attributes that constitute the marketing relationship quality might be less subjective since there is almost a general understanding of what constitute “good” or “poor” relations.

In business-to-consumer marketing, the seminal study of Crosby, Evans, and Cowles (1990) views relationship quality as being composed of customers’ trust and satisfaction in sales people due to the ability of the latter to reduce customers’ uncertainty. Many studies adopt their conceptualisation, although, they may add to or modify their constructs of trust and satisfaction. Bove and Johnson (2001), for example, regard relationship quality as composed of only trust and commitment.

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<sup>32</sup> An elaborative or a critical review of the relationship marketing literature (or other literatures that deal with relationship quality) is beyond the scope and the purpose of this study. Only a flavour of the marketing approach to relationship quality is presented; this is in order to broadly illuminate how relationship quality is dealt with in that context.

In the business-to-business marketing, Boles, Johnson, and Barksdale (2000) support Crosby et al. (1990) constructs, while Naude and Buttle (2000) argue that relationship quality is composed of four different combinations of trust, need fulfilment, supply chain integration, power, and profit and Mohr and Speckman (1994) view favourable relationships between partners as made up of trust, commitment, coordination, communication, and joint problem solving. Rauyruen and Miller (2007) advocate that relationship quality is a higher construct comprising trust, commitment, satisfaction, and service quality. Wilson and Jantrania (1996) conceptually suggest that trust, satisfaction, compatibility of goals, structural and social bonds, investments and relative level of alternative relationship investment are the elements that make up favourable relationships.

Although relationship quality is regarded as a meta-construct variable, and although it has been conceptualised differently by different studies, there seems to be a general consensus that it is composed mainly of trust, satisfaction, and commitment (Smith, 1998; Baker, Simpson, and Siguaw 1999; Garbarino and Johnson 1999; Ulaga and Eggert, 2006). These are seen as interrelated rather than independent variables (Hennig-Thurau, Gwinner, and Gremler, 2002). Trust in this context usually refers to honesty and benevolence (Crosby et al., 1990), while commitment refers to an on-going need to preserve an important relationship (Garbarino and Johnson, 1999)<sup>33</sup>.

This literature postulates that quality of relations is based on an exchange process and it is the quality of the exchange process that is the key factor in determining the quality of the relations (Morgan and Hunt, 1994). Therefore, the context and the nature (value) of the

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<sup>33</sup> Commitment in this context is argued to be composed of three components: instrumental (investment); attitudinal (psychological or affective side), temporal (that the relationship exists over time) (see Kumar, Scheer, Steenkamp, 1995a; Garbarino and Johnson, 1999).

exchange are integral elements in understanding relationship quality. This is why satisfaction with the elements of the exchange process is a crucial component as shown in the above constructs. In this vein, Ulaga and Eggert (2006) posit that the relationship value is an antecedent to the perception of relationship quality and that the relationship value is a stronger predictor of satisfaction compared to trust and commitment. Following the same line of thoughts, Hutchinson, Wellington, Saad, and Cox (2011) establish that relationship quality is affected directly by relationship value and indirectly by a combination of relationship benefits and relationship sacrifice<sup>34</sup>. This shows that relationship quality is context-specific because each exchange has different value, conditions, and terms.

The consequences of relationship quality are seen to cluster around relationship continuity and positive publicity. Crosby et al. (1990) suggest that relationship quality creates a long-lasting relational bond that anticipates the future of interaction. Kim and Cha (2002) found that the higher the perceived relationship quality, the higher the probability of relationship continuity and the higher level of purchases. Rauyruen and Miller's (2007) findings suggest that relationship quality leads to customer loyalty (buying intention and attitudinal aspects), and that out of the different dimensions of relationship quality (trust, satisfaction, commitment, perceived service quality); satisfaction and service quality positively influence purchase intentions<sup>35</sup>.

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<sup>34</sup> Different studies used different antecedents such as sales person expertise and relational selling (Crosby et al., 1990), ethical orientation and sales' people expertise (Lagace, Dahlstrom, and Gassenheimer, 1991), seller's experience, relationship duration, customer and seller's orientation (Bejou, Wray and Ingram, 1996), equity (Boles et al., 2000), and customer and relational orientation and service attributes (Kim and Cha, 2002).

<sup>35</sup> While these findings are significant, the marketing literature generally tends to favour quantitative over qualitative techniques (see Haytko, 2004 as an example of the few qualitative studies in this field). This opens up a promising research avenue for further qualitative investigations which might be very insightful.

The concept of relationship quality is used in other business literatures such as the leader–member exchange literature (for reviews: Graen and Uhl–Bien, 1995; Liden, Sparrowe, and Wayne, 1997; Henderson, Liden, Glibkowski, and Chaudhry, 2009; Zhou, and Schriesheim, 2009) and recently the employee–firm relationship (from an internal marketing perspective) (Tan, 2009; Herington, Johnson, and Scott, 2009). Although not necessarily explicitly expressed, the core idea of relationship quality remains the same across the different literatures; relationship quality is a social resource that is exchanged between parties to the relationship in a social exchange process (that might be also an economic one). The context of the exchange process affects the perception of the attributes of this social resource. Based on how the parties to the relationship perceive this social resource, another episode of social exchange will occur.

However, the context of vertical relations between the units of an organisation is different from that considered in the above literature.

- First it is not a voluntary or a transactional–based relationship, it is an enduring relationship that is imposed on the lower level (which also receives benefits from that relationship) and involves a highest level of investment from the organisation (internalisation). This makes its termination neither a desirable nor an easy option.
- Second, it is between vertical units, which makes the relationship has two dimensions; an organisational (inter–unit) and an interpersonal (between the actors who are agents to these units) dimension<sup>36</sup>.
- Third, as elaborated, it is a relationship where differential power plays a significant role, although both parties to the relationship could be powerful.

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<sup>36</sup> This makes vertical inter-unit relationships significantly distinct from the study of the leader-member exchange relationships and from the business-to-consumer relationship. However, it can have some common features with the business-to-business relationships, especially where one party is more dependent on the other such as in asymmetric supply chain relations as will be noted in Chapter 9.

- Fourth, it is a relationship that is normatively expected to be harmonious and functional in spite of the seeds of conflict and dysfunctionality that could be present.

Since the context is significantly different from those in which relationship quality has been previously examined, one would expect the attributes of relationship quality in vertical inter-unit relations also to be different. One obvious implication of the absence of the voluntary element in the relationship is that relationship commitment, for example, might play a minimal role unlike the marketing literature. Elements of satisfaction might be also unique. Moreover, the meaning of relationship quality from the perspective of the relationship parties might be highly context-specific.

Based on the uniqueness of the context and the expected different attributes and meaning attached to relationship quality in vertical inter-unit relationships, consequences of “good” or “poor” relations are also expected to be different and multi-levelled (inter-unit, interpersonal, and organisational consequences).

Since relationship quality is treated as a social resource and power is an integral element in this exchange process, the following section discusses social exchange and power-dependence theories to highlight their core assumptions and in order to derive an *apriori* framework for the study of VIRQ.

### **3.3 VIRQ: an Apriori Framework**

#### **3.3.1 Social Exchange and Power-dependence Theories**

The relationship between social exchange and power-dependence relations is germane. Enduring economic relations have an undeniable social dimension which inevitably results in

one form or another of social exchange<sup>37</sup>. Enduring economic and social exchange relationships create interdependence between the involved parties. Such interdependence indicates the presence of power relations. As the value of the exchanged resources between the involved actors might differ, interdependence might take one of two forms; it is either symmetric or asymmetric interdependence (balanced or unbalanced power relations); although in all cases there is mutual dependence.

Since vertical authority grants its holder a differential power position, and since both the parties to the vertical relationship can possess different sources of power; and since both the parties to the relationship are presumably interdependent. I shall focus on relationship quality as a social resource that is exchanged within a framework of power–dependence relations. Therefore, this study builds mainly on the work of Emerson (1962) on power–dependence relations<sup>38</sup>. Emerson’s (1962) work provides the foundation for a general framework to study social exchange relations in the light of balanced and unbalanced dependence. As power–

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<sup>37</sup> There are several distinctions to be made between purely economic and purely social exchange relations. The former usually refers to transaction-based short-term material exchanges; while the latter refers to long-term social based exchanges in which attitudinal factors such as trust and commitment can play a role (Blau, 1964; Song, Tsui, and Law, 2009). Nonetheless, I support the view that social exchange relationships will inevitably emerge in enduring economic exchanges; since both the duration and the repetition of the exchange create social interactions among the social actors involved. It is a common practice among organisational behaviour scholars to view the employment relationship as having a social and an economic side; and sometimes seeing the relationship between these two sides as a continuum of different possibilities (for example, see Settoon, Bennet, and Liden, 1996; Song et al., 2009). Scholars employing different constructs such as perceived organisational support (for example: Eisenberger, Huntington, Hutchison, and Sowa, 1986; Rhoades and Eisenberger, 2002), leader-member exchange, psychological contracts (see for example Rousseau and Parks, 1993; Coyle-Shapiro and Conway, 2005) regard social exchange as the core element in employment relationships (Dabos and Rousseau, 2004).

<sup>38</sup> Emerson made other contributions on power-dependence relations, however, most of his later work tended to focus on these relations in networks rather than dyadic relationships. His work with Cook (1978) suggests that power-dependence relations are best studied in networks rather than isolated dyadic relationships. While this study focuses on the dyadic relationship between the actors representing the vertical relationships; it is suggested that this is not an isolated relationship as both actors are embedded in a wider network. This is supported by the argument highlighted earlier concerning the external embeddedness of subsidiaries (a further elaboration of the actors’ relations and their impact on the exchange processes is provided in Chapter 6). Focusing on the analysis of the dyadic relationship is assumed to be more useful given the study objectives and its exploratory nature; yet it is acknowledged that the relationship parties are not isolated.

dependence theory is based on social exchange theory, the latter will be first presented before discussing Emerson's (1962) postulates.

Social exchange theory is argued to be “*one of the most influential conceptual paradigms in organisation behaviour*” (Cropanzano and Michell, 2005: 874). This theory could be traced back to the work of five key scholars; Thaibut and Kelly (1959), Emerson (1962), Blau (1964), and Homans (1974), although each scholar has a different perspective (for reviews see Emerson, 1976; Cropanzano and Mitchell, 2005). In his review and critique, Emerson (1976) views social exchange theory as a frame of reference (within which several theories can be lodged), rather than a theory. The core idea of social exchange theory is that social behaviour is exchanged; where positive behaviour is rewarded. The flow of resources is contingent upon the flow of value obtained (rewards) which makes social exchange similar to economic exchange but involving social transactions as well (Emerson, 1976).

There are several points that should be emphasised about social exchange relationships.

First, social exchange relationships are distinct from transactional economic relationships (Blau, 1964; Emerson, 1976)<sup>39</sup>.

Second, reciprocity is central to social exchange relations<sup>40</sup>, to the extent that Blau (1964) defines social exchange relations as contingent upon a rewarding reciprocation; or otherwise relationships would not continue. Gouldner (1960) suggests that reciprocity is a universal norm that stabilises social systems and relations and can sometimes initiate them. Cropanzano and Mitchell (2005) regard reciprocity as an individual orientation, a norm, or a folk belief

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<sup>39</sup> Although repetitive economic exchange can involve social exchange relations, as mentioned above.

<sup>40</sup> There are other factors on which social exchange relations could be based including rationality, group gain, competition, status consistency, and altruism (Cropanzano and Mitchell, 2005); however, reciprocity is almost an agreed up on premise in all enduring social exchange relationships.

that establishes fairness in exchange relationships. Reciprocity can be either positive (a good action stimulates indebtedness or an obligation that stimulates its repayment), or negative (an eye for an eye, or an injury for an injury), or generalised reciprocity (a good or bad action is not necessarily paid back directly to the actor who originally initiated it, but it can affect a wider network of actors). The different types of reciprocity are based on the immediacy of the return, their equivalence, and the interest of actors initiating them (see Gouldner, 1960; Uhl-Bien and Maslyn, 2003). For instance, positive reciprocity is motivated by mutual interest, negative reciprocity is motivated by self-interest, and generalised reciprocity is motivated by other interest (for the general good) (Uhl-Bien and Maslyn, 2003). Immediacy and equivalence of the value in reciprocation are more context-specific, yet negative reciprocity is argued sometimes (particularly in equal or lateral relationship) to have high equivalence and immediacy compared to positive reciprocity or generalised reciprocity (Gouldner, 1960; Uhl-Bien and Maslyn, 2003). Several empirical studies support the role of reciprocity in relationship development and maintenance<sup>41</sup> (Uhl-Bien and Maslyn, 2003).

Third, social exchange relations assume actors' interdependence. Such interdependence gives rise to power relations (Emerson, 1962 and 1976). Blau (1964) treats social exchange and power as two distinct phenomena. Social exchange, in his conceptualisation, refers to voluntary actions which are only motivated by expected returns while power relations involve resistance. Homans (1974) puts forward the view that some exchange relationships could be seen as a subset of power relationships. Baldwin (1978) supports Homans's view arguing that

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<sup>41</sup> Most of the work conducted in organisations views the exchange process as a reciprocal exchange rather than a negotiated exchange (the latter tends to refer more to economic exchanges), particularly in the relationship between employees and the organisation. Relationship quality is particularly seen as a reciprocal exchange rather than a negotiated one, because first of all it represents an exchange of a social resource. Second, its terms and conditions and even its meaning are not predetermined and negotiated prior to the vertical inter-unit relationship. It is a by-product of the vertical relationship (for comparison between negotiated and reciprocal exchanges see for example Molm Peterson and Takahasi, 1999 and Molm, 2003).

power without cooperation and exchange without conflict are rare and extreme situations and therefore social exchange can generally involve some power conflicts. However, it is Emerson (1962 and 1972) who explicitly advocates that social exchange relations are based on personal ties in which the relative power of actors plays a key role. To him, social exchange creates dependence and it is the structural dependence between actors that provides the base for power relations. Therefore, the social exchange relationship can be viewed as one of power–dependence. Based on his propositions, the analysis of power and social exchange have latter become a common practice in sociology and organisation studies<sup>42</sup> (see Cook, Cheshire, and Gerbasi, 2006).

Power–dependence theory (Emerson, 1962) postulates that the power of (A) over (B) is determined by the dependence of (B) on (A). Dependence, in turn, is defined by the motivational investment of B in the goals mediated by (A) and the availability of alternatives for (B) outside the (A–B) relationship. Power is conceptualised in terms of resistance of (B) that could be overcome by (A). Power, in this theory, is seen as potential; it refers to a structural capability. This means that the exercise of power is distinct from its ownership (Emerson, 1972; Lawler and Yoon, 1996). However, Emerson (1972) uses behavioural power to refer to the power in use or exercised power (see Cook et al., 2006)<sup>43</sup>.

Emerson (1962) suggests that exchanges in power–dependence relations could result in one of two scenarios between the exchange parties; balanced power (symmetric) or unbalanced (asymmetric power). According to Emerson, balanced power relations do not neutralise

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<sup>42</sup> The power–dependence theory provided the basic foundation of the resource dependence theory advanced by Pfeffer and Salancik (1978). This theory was discussed Chapter 2.

<sup>43</sup> Power in use can be manifested, for example, by the inequality of distribution of returns, or by the presence of exploitation (Molm et al., 1999).

power. Although a pattern of “dominance” might not appear, the two parties to the relationship might still exert considerable control over each other. However, since power relationships could be balanced, they could be also unbalanced. The study of the balance of power brings in three points to attention: power asymmetry which refers to the difference between the dependence of (A) over (B), the cohesion of the relationship between A and B (total power which is the average of their dependence) and finally the structural changes that leads to balancing the power relations (Emerson, 1962). The latter point is the essence of the power–dependence relations, as the stability of the social structure is always the focal outcome.

Emerson suggests that balanced power relations are likely to be more stable. It is the unbalanced power relations that are likely to be unstable as the disadvantaged actor will opt either for cost reduction or for balancing operations (his propositions are based on manipulating the conditions that contribute to the state of actors’ dependence). Cost reduction involves a change in values; social, moral, or economic; in order to reduce the “pain” of being in a disadvantaged power position. It is like a coping mechanism that does not shift unbalanced dependencies but could stabilise valued relationships by changing perceptions. Balancing operations involve shifting the causes of dependence via reducing or increasing the motivational investment or increasing or denying alternative source, based on the power position of the actor. Reduction of the benefits offered by the disadvantaged actor is well documented in the sociology literature; however, there has been less empirical work in this area apart from experimental research (Cook and Emerson, 1978; Molm et al., 1999)

Based on the previous discussion, one can conclude that social exchanges occur in enduring economic transactions within a framework of balanced or asymmetric power between actors. Power relations affect the nature of the social exchange process, which in turn affects the

stability of the structure of the relationship through the (un)stabilising mechanism of reciprocity. Applying this to vertical inter-unit relationships, one could regard relationship quality as a social resource that is exchanged in the vertical inter-unit relationship within a framework of different states of interdependence between the higher level and the lower level units. The (value) of this social resource can vary as it can be perceived as favourable or unfavourable; and therefore the nature of the social exchange process could vary resulting in a positive or a negative reciprocity<sup>44</sup>. However, the nature of this social resource (its meaning and its constituents) is not yet defined. Moreover, along with the state of actors' interdependence (referring to their power structure), there could be many contextual factors that affect the perception of this social resource. As this research is exploratory, initial suppositions (based in part on the literature) about the nature of relationship quality (the social resource) and its relevant antecedents and other concomitants are made. These propositions are meant to be used as a guide during the process of data collection. This study devotes its primary consideration to the lower level unit perspective as it tends to be less heard but also because the evolution of the subsidiary unit is assumed to create strong tides in the vertical relationship. However, the higher level perspective will not be ignored and is seen as an important completion of the vertical relationship picture. Attributes of VIRQ are expected to be similar for actors in both the higher level unit and the lower level unit, but that the antecedents and the consequences of the perception of the relationship quality may quite vary; given the different power positions. The meaning and the attributes of VIRQ will thus be explored from a dyadic perspective. However, the antecedents and consequences of the

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<sup>44</sup> While generalised reciprocity could be very relevant (as will be shown in Chapters 5, 6 and 7), more emphasis is put on positive and negative reciprocity as the main concern in this study as the focus is placed on the vertical relationship dyad rather than the wider network.

perception of VIRQ are only explored from the lower level unit's perspective<sup>45</sup>. The following section presents propositions that are then used to construct a primary framework for the study<sup>46</sup>.

### **3.3.1.1 First: VIRQ as a Social Resource**

In order to identify the primary meaning and the constituting attributes of VIRQ, different relevant literatures were explored including the headquarters–subsidiary relationship literature (as the primary source of relevant information).

Despite the richness of the MNC headquarters–subsidiary relationship literature, and despite the variety of governance modes it suggests, I could not find an empirical account of VIRQ. Previous studies suggest headquarters–subsidiary relationship quality only at the conceptual level. For example, Birkinshaw and Hood (1998) suggest that headquarters–subsidiary relationship quality will affect subsidiary initiative. Johnston and Megnuc (2007) suggest that future research should focus on the relationship between headquarters–subsidiary relationship quality and autonomy (as a central issue in headquarters–subsidiary relations). Yet, what relationship quality means and what it is composed of in this context remain to be unanswered questions.

Two points may be made about the relational aspects of the intra–organisational vertical nexus. First, the socio–psychological atmosphere seems to be important to attain favourable relationships. Second, the headquarters–subsidiary relationship has a significant functional side that needs to be satisfied before the relationship can be judged as “good” or “poor”.

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<sup>45</sup> Exploring the potential antecedents and consequences of the perception of VIRQ from the higher level's perspective is seen as a promising direction for future research.

<sup>46</sup> Propositions and the apriori framework are based on the lower level perspective as the key study focus.

Reflecting on the first point, Kostova and Roth's (2003) conceptual work on social capital in the headquarters–subsidiary relationship context pinpoints that the relational dimension reflects the nature of the relationship between a focal actor and other actors; as indicated by the focal actor's beliefs and attitudes toward others. Such beliefs and attitudes are not only confined to trust and trustworthiness but also extend to norms and sanctions, obligations and expectations, identity and identification. These behaviours and attitudes are argued to create a psychological atmosphere conducive to positive collaborative behaviour and mutual support (Kostova and Roth, 2003).

Reflecting on the second point, Dunning (2002: 478), viewing favourable relations as an asset or a capital; considers relational capital as "*the stock of a firm's willingness and capability to access, shape, and engage in economically beneficial relationships, and to sustain and upgrade these relationships*". Dunning (2002) confirms that relational capital is more empathetic and emotionally based. However, he argues that relational capital is highly context–specific and depends on the structure of the relations among different involved actors. Such structure depends on the *raison d'être* of the relationship (Dunning, 2002). Therefore, the attributes of a given relational asset are unique to the purpose of this relationship.

Based on these two points, it can be deduced that relationship quality is primarily about the creation of socio–psychological states conducive to the attainment of a relationship objective. Relationship quality could be seen *primarily* as the assessment of the extent to which the relationship meets the expectations and needs of the focal unit as well as the assessment of the perceived relationship atmosphere.

In a search for attributes, some of the previous empirical research that measured relationship quality in other contexts is suggestive. Relationship quality is most commonly represented in

terms of satisfaction and trust (for example, business-to-business, business-to-consumer relationship marketing, firm-employee relationship strength); although trust is sometimes used as a one-dimensional concept.

Conceptually, commitment, state of conflict resolution, communication quality, identification (Kostova and Roth, 2002), feeling of closeness (Andersson, Forsgren, and Holm, 2002), and trust-based relational ties (Tsai, 2000) are seen as additional possible attributes that could shape relationships and affect the value of relationship quality (whether positive or negative). In a few instances in the headquarters-subsidary relationship literature, it has been suggested that relationship quality is composed of mutual trust, effective communication, satisfaction and commitment (for example, Birkinshaw and Hood, 1998; Johnston and Menguc, 2007).

In addition to the above mentioned attributes, perceived justice could be added as a dimension because the exercise of vertical power could create a climate of unfairness. Kim and Mauborgne (1993: 503) introduced the term procedural justice to the headquarters-subsidary relationship which is regarded as *“the extent to which the dynamics of a multinational corporation's strategy-making process are judged to be fair by the top managers of its subsidiaries”*. They suggest that a perception of injustice could not only have a negative impact on the attitudes of the managers of subsidiaries (such as commitment, satisfaction, and trust), but it might also negatively affect the subsidiary compliance with the headquarters' decisions.

Based on this apriori definition and apriori dimensions, the following proposition is formulated. This proposition is used as guidance for the study of VIRQ from both higher level unit and the lower level unit perspectives.

**PI:** The attributes of VIRQ are likely to be composed of the following: strength of personal ties, strength of inter–unit ties, trust, the lower level’s identification<sup>47</sup>, state of conflict/disagreement resolution, fairness, satisfaction, communication quality, and relationship importance<sup>48</sup>. Strength of personal ties, strength of inter–unit ties, trust, the lower level’s identification, state of conflict/disagreement resolution, and fairness are likely to reflect the socio–psychological atmosphere of the relationship. Satisfaction, communication quality, and relationship value are likely to reflect the functional side of the relationship and the relationship expectations<sup>49</sup>.

### **3.3.1.2 Second: VIRQ Concomitants (Adopting the Lower Level Unit’s Perspective)**

#### **3.3.1.2.1 Predictors of VIRQ**

Based on the previous discussion of social exchange and power–dependence theories, it is claimed that the context of the vertical relationship affects the way relationships are perceived. Building on the headquarters–subsidiary relationship literature presented in Chapter 2 and social exchange relations discussed in this chapter, it is suggested that power represented in actors’ interdependence can be an important contextual factor. It has been also demonstrated that the lower level’s autonomy/control is an important factor in determining the intensity of political games in vertical relationships. As shown in Chapter 2, conflict arises sometimes due to underlying power relations. Conflict is more likely to emerge due to different goals or perception gaps between the different parties to the vertical relationship.

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<sup>47</sup> Identification is only relevant to VIRQ from the lower level unit’s perspective.

<sup>48</sup> The suggested dimensions are likely to form a reflective scale rather than a formative index due to the interrelations between the individual items (for example, trust, satisfaction, and perceived justice) and because variations in operational relationship quality is likely to be reflected in perceptions of satisfaction, trust and perceived justice (for a review of formative and reflective indicators see Diamantopoulos and Winklhofer, 2001; Jarvis, Mackenzie, and Podsakoff, 2003; Diamantopoulos and Siguaw, 2006).

<sup>49</sup> The definition, the operationalization, and the specific items used to measure these postulated attributes of relationship quality are provided in detail in Appendix II.

Therefore, the congruence of goals and perceptions can play a significant role in shaping perceptions about the quality of relations (this will be called cognitive congruence).

#### **A. Interdependence between the Actors of the Vertical Relationship**

Interdependence is one of the premises upon which organizations are built (Subramaniam and Watson, 2006). Organisations are dependent on their sub–units (which they have internalised) to deliver some agreed upon outcomes that are then translated into value chain activities. Sub–units, in delivering their outcomes, depend on tangible and intangible organizational resources. The degree of interdependence will vary depending on the degree of integration and coordination required in the organization (Subramaniam and Watson, 2006). Interdependence is mutual for organisational relationships to continue, but the state of interdependence will be either balanced or unbalanced.

More important is how to understand the interdependence between the actors involved in a vertical relationship. In the MNC context, Forsgren et al. (2005) view subsidiary dependence on headquarters as embodied in the headquarters' importance for the subsidiary operations and business context. However, headquarters as well are dependent on their subsidiaries (this dependence can increase such as in the case of passive stars or constellation stars according to Subramaniam and Watson's (2006) typology).

From the subsidiary perspective, Kostova and Roth (2002: 218) define subsidiary dependence as "*the belief held by subsidiary managers that the subsidiary relies on, and is contingent on, the support of the parent organization for providing major resources, including technology, capital, and expertise*". Kostova and Roth (2002) highlight that subsidiary dependence reflects the asymmetry of the hierarchical power in the headquarters–subsidiary relationship as dependence implies subordination and control. They suggest, based on institutional theory, subsidiaries which depend highly on their headquarters are more likely to comply with the

headquarters' mandates, although their empirical results did not support this proposition. They argue that such compliance is regarded as a coercive rather than a mimetic adaptation; this is regardless of the potential benefit of that mandate (Kostova and Roth, 2002). Forsgren et al. (2005: 136, 158) found empirically that the greater the subsidiary dependence on headquarters, the greater the headquarters control and actual influence on the subsidiary. In their analysis, they stress that subsidiary dependence on headquarters affects subsidiary knowledge sharing as headquarters could "force" subsidiaries to comply with their mandates. Therefore, subsidiary dependence on headquarters could be associated with passive feeling on the side of the subsidiary and a lack of control over the subsidiary's direction. Subsidiaries with highly dependent headquarters, on the other hand, might perceive the relationship as exploitative; in turn subsidiaries might question the legitimacy of the vertical relationship as well as its fairness. For a relationship to be favourably perceived by its involved actors, its benefit should outweigh or at least balance its cost. Therefore, it is expected that:

*P2:* In general, the state of the balance of interdependence will affect the perception of VIRQ. Asymmetric interdependence will affect the perception of the relationship negatively, while balanced interdependence will affect it positively<sup>50</sup>.

### **B. Autonomy versus Control**

Control is highly related to the idea of power. Child (2005) argues that control in organizations could be achieved through power; whether this power emanates from resources, expertise, authority or the ability to reward desirable performance through the control of

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<sup>50</sup> One key point in this study is whether the state of the balance of interdependence affects the perception of VIRQ, and if so, how it might affect this perception. In addition to its novelty in the study of VIRQ, the different states of interdependence have rarely been considered in previous empirical research. Indeed, the resource dependence theory is mainly criticised because it does not give sufficient attention to the implications of asymmetric interdependence (see Casciaro and Piskorski, 2005).

material resources. Autonomy, as the obverse of control, is usually seen as represented by the authority to take decisions; whether this authority arises from a delegated or an acquired power (O'Donnell, 2000; Young and Tavares, 2004)<sup>51</sup>.

Understanding the factors that affect and are affected by autonomy is a classic research area (Dill, 1958). In the headquarters–subsidiary literature, issues of control versus autonomy have been receiving increasing research attention in the last two decades (Johnston and Megnuc, 2007). Young and Tavares (2004) argue that autonomy is linked to almost all aspects of the headquarters–subsidiary relationship such as power and trust. Young and Tavares (2004) also point out that the subsidiary's performance is a cause and effect of subsidiary's autonomy, although this area requires further research. Johnston and Megnuc (2007) suggest a quadratic inverted U–shape relationship between subsidiary size and its autonomy. They argue that size is negatively correlated to autonomy at the beginning. As the subsidiary matures and develops specialised resources, it will gain more power and thus its autonomy will increase. This continues only till the subsidiary reaches an inflection point, where the subsidiary resources increase as well as the complexity of its management. In such case, there will be a greater need for coordination with headquarters, and hence more interdependence and decreased levels of autonomy. They highlight that their results represent a reflection of the resource dependence theory in the intra–organizational “network”.

Different authors have suggested different mechanisms of control and used different terminologies to refer to similar, if not the same, mechanism (see Hazring, 1999:18-19). However, Hazring's classification (1999) seems to be comprehensive. Hazring (1999:21)

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<sup>51</sup> According to Young and Tavares (2004); the distinction between decentralization and autonomy is that the former refers to is a delegated power from the higher authority while the latter can result from either decentralisation as a delegated power or acquired power.

classified control mechanisms based on two criteria. The first is direct/explicit versus indirect/implicit and the second is personal/cultural (socially oriented) versus impersonal/bureaucratic/technocratic (based on “*instrumental artefacts*”). Based on these categories, Hazring (1999) pointed out four mechanisms of control: personal centralised control, control by socialisation and networks, bureaucratic formalised control, and output control. These different control mechanisms were suggested to be linked to two organisational characteristics and two environmental characteristics (Hazring, 1999). The organisational characteristics are related to the size of the subsidiary unit and the extent of interdependence between/among the organisational units. As for the environmental characteristics, control mechanisms are suggested to be affected by the extent of environmental uncertainty and complexity. This study focuses on the perception of control (or autonomy as an obverse to control) rather than the nature of the control mechanism used. The reason is that different organisational and environmental conditions will make some mechanisms more suitable than others. Therefore, the nature of the mechanism as such might or might not affect the perception of the quality of vertical relations. What seems to be important is whether this mechanism is suitable to the governed unit and its context or not, which tends to be subjectively judged<sup>52</sup>.

As a central issue in vertical relationships, and as a compelling desire for most mature lower level units, autonomy is expected to be positively related to the lower level unit’s perceived VIRQ. Birkinshaw, Holm, Thilenius, and Arvidsson, (2000) argue that the good side of control is that it coordinates the different interdependent activities in the organization; however, it can be perceived by subsidiaries as manifestation of lack of trust. Control is

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<sup>52</sup> A detailed account of the reason why the perception of control rather than the control mechanism as such is used as a focal variable in this study is presented in Chapter 6 which discusses some of the empirical findings (pages: 213-221).

perceived negatively by the lower level units' managers as they view it as unnecessary interference (Birkinshaw et al., 2000). Chini et al. (2005) highlight that autonomy–control issues are the most obvious triggers for organizational tension as they reflect the power–dependence structure within organizations. Hence:

*P3*: the higher the degree of autonomy the lower level unit perceives it has, the higher its perceived quality of relationship with the higher level unit.

### **C. Cognitive Congruence**

Cognitive congruence refers to the extent to which the actors understand each other and share the same vision. Differences in understanding, incompatibility of goals, and lack of shared visions are likely to underlie conflict between the vertical relationship actors. Hence, cognitive congruence is expected to affect the perception of VIRQ. In this research, the focus is placed on two main sub–categories of cognitive congruence. The first is the shared understandings and views which refer to the extent and the scope of perception gaps between parties to the vertical relationship. Shared understandings and views is further divided into perception gaps regarding the lower level unit's role and regarding the understanding of its environment. The second is the extent to which the vertical relationship actors share the same vision.

#### **1. Shared Understandings and Views**

Research conducted in the MNC Headquarters–subsidiary context highlights the presence of perception gaps between headquarters and their subsidiaries (Birkinshaw et al., 2000; Asakawa, 2001; Chini, Ambos, and Wehle, 2005). Perception gaps can range from simple differences in interpretations to differences in understanding the subsidiary role (Birkinshaw et al., 2000); and hence disputes in deciding on the suitable action or strategy can be a likely

possibility. Such perception gaps exist because of the different contexts that vertical relationship parties are embedded in; this is not necessarily confined to cultural or country differences.

The headquarters–subsidiary relationship is “*a mixed motive dyad*” with conflicting interests and goals; therefore, convergence in perceptions is not the most likely scenario (Ghoshal and Nohria, 1989; Birkinshaw et al., 2000: 322). This is because the vertical relationship parties have different references, experiences, and world views (Birkinshaw et al., 2000). Perception gaps also arise because of the imperfect flow of information as knowledge is sticky and managers have bounded rationality (Birkinshaw et al., 2000; Chini et al., 2005). The two dyads do not only have access to different information but they interpret this information very differently (Birkinshaw et al., 2000; Chini et al., 2005). Birkinshaw et al. (2000) also highlight that because of the decreased dependence on headquarters as subsidiaries develop, headquarters can find itself in a situation where it no longer knows what subsidiaries are doing.

Perception gaps have been operationalised differently in different studies (for example Birkinshaw et al., 2000; Asakawa, 2001; Chini et al., 2005). Yet, generally, perception gap is a broad term that can be used to denote differences in perceptions between the higher level and the lower level units. Perception gaps are operationalised in this study as the extent to which vertical relationship units fail to have a shared understanding of the lower level unit’s role in the organization as well as its business environment.

### **1.1 The Lower Level Unit Role**

Birkinshaw and Hood (1998) emphasise that in MNCs, the roles of subsidiaries can result from headquarters’ assignment, or subsidiary strategic choice, or reflect environmental determinism. Birkinshaw et al. (2000) suggest that the subsidiary role is a negotiated one

based on the subsidiary's power. They operationalize perception gaps as "*the extent to which subsidiary managers overestimate the strategic role of their subsidiary vis-à-vis headquarters' managers (subsidiary role overestimation for short)*" (Birkinshaw et al., 2000: 322). They argue that three scenarios could emerge based on this operationalization: (1) either subsidiary management perceive their role as more strategic than headquarters management perceive it and in this case it is called subsidiary overestimation; (2) or subsidiary managers see their roles less strategic than headquarters perceive it (subsidiary underestimation); or (3) there is a little gap between headquarters and subsidiary perceptions. Birkinshaw et al. (2000) found a significant relationship between headquarters' control and the presence of perception gaps but they also found that perception gaps are not related to headquarters–subsidiary coordination.

## **1.2 The Lower Level Unit Environment**

Research concerning the environment has received wide attention by strategic management and organization theory scholars. Although the term "environment" could simply refer to the climate in which the organization operates, additional analyses of environmental properties and characteristics become challenging (Dill, 1958; Bourgeois, 1980; Lenz and Engledow, 1986). Lenz and Engledow (1986), therefore, look to the environment from different lenses and each lens has its implication on the concept's meaning and influence of the environment. However, what could be stressed that environments have an undeniable impact on the strategy of the organization and its subunits. Dill (1958) argues that the perception of the environment affects a business unit's actions. In a diversified organization, one would expect the presence of different environmental pressures on different units, and also different interpretations by managers. This point has been stressed in the MNC literature: that headquarters will not be aware of many of the context–specific conditions of the subsidiary and that is what makes the

relationship problematic in the first place. However, this is not confined to vertical relations across national boundaries. While in many cases the higher level and the lower level units could be located in the same country, because of diversification, the perceived (and sometimes the objective) environment and some of the institutional pressures bearing on each party could vary. Many lower level units have to deal with different suppliers, customers, competitors, regulatory agencies than those their higher level units deal with<sup>53</sup>. Given the structural link between the vertical dyads, this could create some tension if there are perception gaps affect the way the two parties understand each other's business context and requirements.

Birkinshaw et al. (2000) argue that perception gaps in general have important implications for the MNC management, as the drive for autonomy will be a natural consequence for having different world views. Yet, because research about perception gaps is still sparse (Birkinshaw et al., 2000), the consequences of the presence of perception gaps are still unclear (Chini et al., 2005). However, existing evidence suggests that the presence of high perception gaps is related inversely to the quality of relationship. Chini et al., (2005) point out that such gaps cause dysfunctional conflict, unnecessary friction, sub-optimization of decisions. However they also maintain that it is unwarranted to conclude that a lack of perception gaps will give rise to satisfaction (Chini et al., 2005). Birkinshaw et al. (2000: 325) suggest that in the case of subsidiary role overestimation, headquarters will reject its initiatives and proposals as they will be deemed time wasting or seen as attempts at “*opportunistic empire building*”. This could seriously affect the relationship between the two sides, and it might lead some key

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<sup>53</sup> The context understudy (UK University-based Business Schools) was influenced by two main institutional frames; the host university and the Business School wider environment. The two institutional frames sometimes placed conflicting institutional pressures on the business schools studied. A detailed account of the institutional duality faced by University-based Business Schools and its implications is provided in Chapter 6 (pages: 190-221).

managers to leave (Birkinshaw, et al., 2000). Based on this, the following proposition is advanced:

## **2. Shared Vision**

Shared vision “*embodies the collective goals and aspirations of the members of an organization*” (Tsai and Ghoshal, 1998: 467). In a headquarters–subsidiary relationship, a shared vision could create a healthy atmosphere based on mutual understanding, so that the headquarters and the subsidiary each appreciate and understand the other’s needs. This in turn can foster their strategic and operational cooperation and integration. Li (2005) argues that compatibility between the parties to the vertical relationship is a necessary exchange condition; as such compatibility makes communication effective. Therefore, lack of shared vision can be a main obstacle in the way of cooperation and integration (Li, 2005).

These considerations regarding cognitive congruence give rise to the following proposition:

**P4:** the higher the cognitive congruence represented by low perception gaps between those at different organisational levels regarding the lower level unit’s role and environment (lack of shared understandings and views) and high shared vision, the higher the level of relationship quality perceived by the lower level unit<sup>54</sup>.

### **D. Autonomy and Cognitive Congruency**

Mudambi and Navarra (2004b) assert that although autonomy is a central issue in many studies, most of the literature tends to ignore why subsidiaries value autonomy. As highlighted by Birkinshaw et al. (2000), the drive for autonomy is a natural consequence of having different world views.

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<sup>54</sup> As will be discussed in Chapter 6 (pages: 201-212) and Chapter 8 (Table 8.16 which shows the statistical significance of the predicting variables), shared vision as such is not a strong predictor of VIRQ as visions can be very broad and differently interpreted by the different relationship actors. Shared understandings and views seemed to be more significant in predicting VIRQ.

Birkinshaw et al. (2000) affirm that subsidiaries are by definition controlled if their actions are consistent with the priorities and expectations of their headquarters. Therefore, there is a negative association between the presence of perception gaps and autonomy, since headquarters will be expected to decrease subsidiary autonomy in the case of high perception gaps or lack of shared visions. They suggest that the relationship between control, perception gaps, and subsidiary cooperation with headquarters can be seen as a vicious circle. It is therefore posited that:

*P5*: the higher the cognitive congruency, the higher the degree of perceived autonomy by the lower level unit.

*P6*: low autonomy of the lower level unit will strengthen the negative impact of lack of cognitive congruency on the lower level unit's perception of relationship quality (i.e. moderating effect) and vice versa.

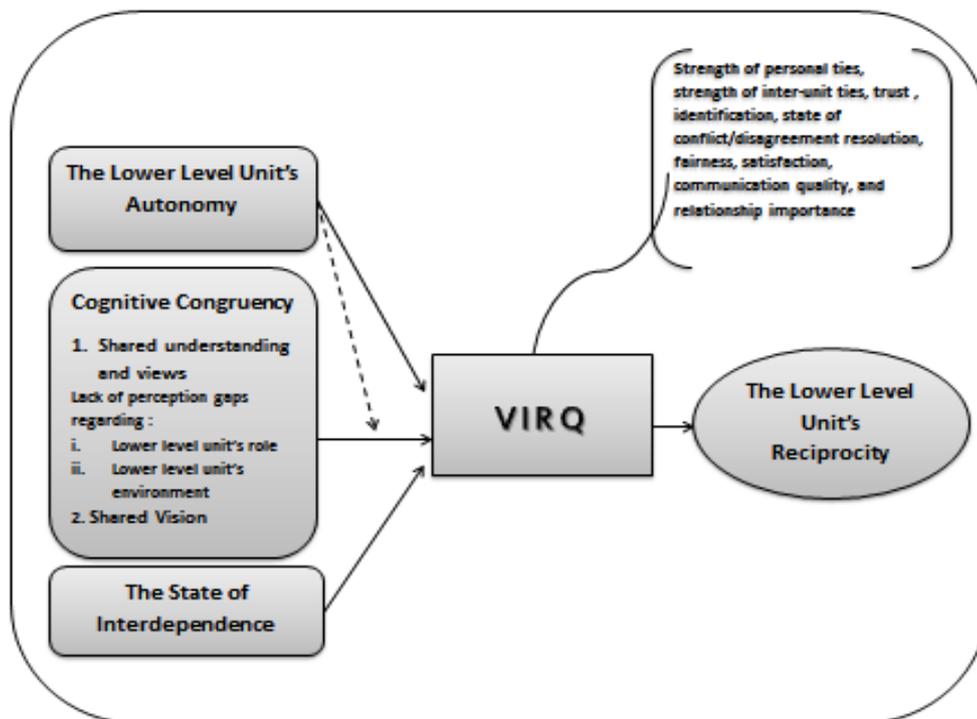
### **3.3.1.2.2 The Consequences of the Perception of VIRQ**

The perception of VIRQ is likely to result in reciprocity by the lower level unit. Positive reciprocity will involve activities that are beneficial to the both parties in the vertical relationship (i.e. the higher level unit and to the lower level units) as they are motivated by mutual interest (such as cooperation). The opposite can happen in case of negative reciprocity. In negative reciprocity, the lower level unit might engage in activities that could be detrimental to the other party to the vertical relationship. In lateral relationships, negative reciprocity could affect the structure and the stability of the relationship. However, the latter might remain doubtful in vertical relationships as these relationships are ones where one of the relationship parties is initially more powerful than the other. Therefore, this remains to be seen. It is posited that:

*P7*: the positive perception of relationship quality by the lower level is likely to result in positive reciprocity by the lower level unit and vice versa.

Based on the previous apriori positions, the following research model can be framed. As mentioned, this model is used as a research guide for the exploratory qualitative data collection stage rather than a model that seeks validation.

**Figure 3.1: An *Apriori* Framework to Guide the Study of VIRQ**



### 3.4 Literature Review Summary

Chapter 2 and this chapter present an attempt to further understand vertical inter-unit relationships and the factors that affect and are affected by it as discussed in the relevant literatures. This has involved a review of some of the general organisation theories and literature, the headquarters-subsidary relationship literature, relationship quality in the marketing literature, and finally the social exchange and the power-dependence theories.

Based on this review, some understanding of vertical inter-unit relationships and their dilemmas was developed. VIRQ is suggested as a promising research area that has hardly been explored, although its study could bear potential significant contributions. The literature review chapters are concluded by a general apriori framework that would be used to guide the exploratory qualitative investigation as will be highlighted in Chapter 4

## CHAPTER 4: METHODOLOGY

### 4.1 Introduction

This chapter discusses the philosophical orientation and the key methodological considerations that have been taken into account while designing this study. It starts by discussing the philosophical ideas that guide this research inquiry into VIRQ and its various concomitants. It then continues with a note about the research context – UK University–based Business Schools (UBBS). This is followed by a description of the research strategy which applies a mixed methods approach. The qualitative investigation is described first, along with the process of data collection and data analysis, and then the quantitative investigation stage.

### 4.2 A Reflection on Philosophical Orientations

Without a robust philosophical training, selecting a specific philosophical stance while rejecting others has been not a straight–forward decision. For some time, I thought of myself as a pragmatist, where my search for a solution justifies the means for reaching it. This belief did not persist for long, not least because of the many discussions about what I believe in and what pragmatists are perceived to think<sup>55</sup>. Realising that I am not a “pure” pragmatist, I started to question myself more deeply: what is it that I believe in, what is knowledge and what is reality? Posing these questions and trying to explore answers helped me to at least to know what I am not. Clearly the answers entail that I do not stand for any of the “pure” social science philosophical classifications, I am neither a pure positivist nor a pure postmodernist (although my understanding is and will continue to be subject to improvement and

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<sup>55</sup> In general, pragmatism is a pluralistic and practical-oriented view that is mainly guided by the research questions and what tends to work (Creswell and Plano Clark, 2007). Pragmatism refers to the philosophical orientation that decisions about knowledge, explanations, methods, and procedures are made based on their applicability and practical success (Potter, 2000). Pragmatism is criticized by its failure to distinguish between knowledge and truth (Potter, 2000). However, to pragmatists, truth is argued to represent what works at the time (Creswell, 2007).

adjustments). In this section, I will present my thoughts<sup>56</sup> and show how these drove me to a philosophical zone of comfort.

In answering these philosophical questions, I started with the ontological perspective<sup>57</sup> (what is the nature of reality?). I tend to think that reality exists independent from our knowledge of it, but at the same time there is not a single hegemonic reality, particularly with respect to the social world as the social subjects can construct their own realities. Reality can be socially constructed perhaps into many complementary or even contradictory versions. Yet, it is external and objective but can be reproduced into our social actions in different ways, at least partially. For instance, I might ask respondents at a higher level and a lower level of an organisation the same question about the same event, but I can get two different, yet honest, answers. Their perceptions are thus socially, culturally, and historically constructed but the event itself is independent and there are *real* mechanisms governing its existence as well as its perception; regardless of what is my understanding, or the understanding of the lower level or the higher level respondents.

Moving to epistemological considerations, I tend to think there is an ultimate truth (although it can be multi-layered, multifaceted, and multi-dimensional) that we, as humans, strive to know. Whether we can know it or not; is a different question. Truth seems to be something that satisfies our needs as humans, completes our deficiencies and rectifies our limitations; it is always something that complements our weakness, in order to be better human beings and to live a less “deprived” life. For instance, if we feel that we are unwell, we will find truth in

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<sup>56</sup> The ideas and the terminologies used have been influenced by various readings.

<sup>57</sup> According to Potter (2000), epistemology is concerned with theories of what knowledge is, what sources of knowledge are, what the criteria for judging “real” knowledge are. Ontology, on the other hand, refers to the inquiry into the nature of existence or reality, or the philosophical description of what is believed to exist (Potter, 2000 and Creswell and Plano Clark, 2007).

seeking a cure, but whether the medicine that we take is the “true” cure or not; that is another question. Likewise, if vertical relationships are contentious, true knowledge will be represented in finding better ways to manage them, but whether we find these ways or not and whether the new ways are actually “better” or not; these remain as separate questions. True knowledge is thus judged by its problem solving capacity. Meanwhile, our understanding of knowledge and truth is not only relative and subjective but also limited. It is limited by the limitations of our knowledge.

These philosophical tendencies, while still developing, are found to be nearer to the realm of pragmatic–critical realism (Johnson and Duberley, 2000). A realm that emphasizes the presence of objective deep reality, ontologically; relativity and subjectivity of observations about the social world while acknowledging human’s cognitive limitations, epistemologically; and a realm that judges the veracity of knowledge in terms of what tends to work although what tends to work is subject to an on–going enhancement process.

Critical realism is a distinctive school of philosophical thoughts identified first by Roy Bhaskar in his book about the philosophy of science, *A realist Theory of Science* (1975) (Frauley and Pearce, 2007). It was further developed through the work of Bhaskar (1978, 1986, 1989), Archer (1995), and Sayer (1992) (Collier, 1994; Frauley and Pearce, 2007). Bhaskar’s philosophy is based on combining ontological thoughts from transcendental realism and critical naturalism (Collier, 1994). In a nutshell, critical realism rejects confusing epistemology with ontology; establishing a distinction between what is real and what we know (Fairclough, 2005). Hence, critical realism rejects empirical realism which “*identifies real with empirical*” (Sayer, 1992: 70), calling this mistake an “*epistemic fallacy*” (Bhaskar, 1978: 36). This is unlike the epistemological stance of positivists who advocate the objectivity

of the representation of reality<sup>58</sup> (see Johnson and Duberley, 2000). Critical realism, on the other hand, accepts epistemic relativism (the social construction of knowledge) which is partially similar to the postmodern views but unlike postmodernists, it sees reality to be deeper than being the result of social construction. Critical realists, therefore, reject both the positivistic and post-modernistic epistemological stances. While language and discourse are significant to critical realist, “*truth must be more than the output of a language game yet it cannot be absolute*” (Johnson and Duberley, 2000: 151). This is because human agents have cognitive and linguistic limitations that limit their access to *deeper* forms of reality (Johnson and Duberley, 2000). Critical realism also rejects judgemental relativism, suggesting that all representations of the social world can be equally credible (Johnson and Duberley, 2000; Fairclough, 2005). Put simply, critical realism suggests that no knowledge is more superior to the other and it is only with referring to the *deeper* independent form of reality as a common referent that competing theories can be judged (Fairclough, 2005).

Nonetheless, it is the ontological orientation of critical realism that makes it distinct from other philosophical orientations and from other forms of realism. The difference seems to lie in the phrase “deeper reality” used above or “depth realism” as referred to by Collier (1994: 31). Critical realists advocate that reality is objective and independent of our knowledge of it. More importantly, reality is deep and it is usually the deeper layers of reality that tend to be independent of our knowledge and less accessible to empirical investigation. In his earlier work, Bhaskar (1978) differentiated between transitive and intransitive dimensions of inquiry. The transitive dimension refers to socially constructed knowledge that is empirically accessible to investigators while the intransitive dimension refers to a deeper underlying

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<sup>58</sup> Positivism advocates objective epistemology which entails that reality is objectively and accurately accessible to investigators through empirical research queries equally in the natural and the social worlds (see Johnson and Duberley, 2000).

structure that tends to exist independently of our knowledge of its existence. Later, he accepted that reality is stratified into three domains: an *empirical domain* that is accessible to the social agent, an *actual domain* where events occur, and a *real domain* where *structures and mechanisms* causing the emergence of the other two domains exist (Bhaskar, 1989). Collier (1994) explains the three domains suggesting that for every event, there is a generative mechanism. Generating mechanisms refer to the *real* and the series of events refer to the *actual*; and the *empirical* refers to experiences represented by the social agents. Collier (1994) notes that neither the actual is fully capturing the real (as events can be partial representations of the mechanisms) nor all events can be experienced. In addition, Collier (1994: 43) clarifies that the generative mechanism does not have to be a mechanical one; it can be “*an animal instinct, an economic tendency, a syntactic structure, [or] a Freudian ‘defensive mechanism’*”.

Reality, therefore, pre-exists the social construction of human agents, but human agents can also manipulate social reality (Johnson and Duberley, 2000; Fairclough, 2005; Frauley and Pearce, 2007). According to critical realist perspective, the role of the human agent cannot be ignored as it is through human representations and discourse that independent reality can be reproduced and constructed (Johnson and Duberley, 2000; Fairclough, 2005). In addition, the external reality can either enable or constrain human action (Johnson and Duberley, 2000; Fairclough, 2005). However, since there is a role for human agency, having a complete and an objective access to knowledge is unlikely (Johnson and Duberley, 2000).

Critical realists give prime attention to the underlying structures that generate events and hence generate social actions (human agency) (Collier, 1994; Fairclough, 2005; Frauley and Pearce, 2007). For them, it is the structure that gives things the power they possess (Collier, 1994). Collier (1994: 6) asserts that “*we may have knowledge, not just of actions but*

*characters; not just of historical events but of social systems; not just of family likenesses but of the molecular structure of DNA*". Critical realism views the social structure as a condition and an antecedent to the social action which tends to be "*reproductive and transformative*" (Frauley and Pearce, 2007: 18). The guiding mode of reasoning (methodology)<sup>59</sup> in critical realism is retrodution (Johnson and Duberley, 2000; Frauley and Pearce, 2007). Retrodution is primarily concerned with exploring and providing an explanation of the social structure and the emergent social actions and the effects of the human agency; it is an orientation that promotes discovery (Fairclough, 2005; Frauley and Pearce, 2007)

In this philosophical stance, establishing causation is based on an understanding of the causal generative mechanisms which are rooted in the deeper level of reality. Interpretation, as well as abstraction, to understand the phenomena and its underlying mechanisms are key tasks for researchers adopting this philosophical lens (Sayer, 2000). Johnson and Duberley (2000: 155) assert that "*central to critical realism's project is the abstract identification of the structures and mechanisms which, although not directly observable, underlie and govern the events of experience and hence explain why regularities occur*". Unobservable structures can be inferred from what can be observed or seen or measured at the empirical level (Frauley and Pearce, 2007) and therefore investigators can attempt to study these structures and predict their powers (Collier, 1994). By way of illustration, Frauley and Pearce (2007) cite the example of power relations which are not seen but can be inferred from their effects. As Fairclough (2005: 923) points out, for critical realists "*social research proceeds through abstraction from the concrete events of social life aimed at understanding the pre-structured*

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<sup>59</sup> Frauley and Pearce (2007:15) distinguish between methodology and methods in that the former refers to "*modes of reasoning and explanations*" while the latter refers to the different data collection techniques. Research methodologies or strategies stem from the philosophical orientation on what is knowledge and what is the nature of reality; they allow us to "*conceptualise the production of knowledge and our objects of investigation ...*" (Frauley and Pearce, 2007:15).

*nature of social life, and returns to analysis of concrete events, actions and processes in the light of this knowledge”.*

These premises are in line with the main purposes of this study as the study seeks to explore the meaning, the attributes, the antecedents and the concomitants of VIRQ and to provide an explanation for the causal mechanisms underlying the perception of relationship quality. Data collection and analyses are generally guided by these premises. Attributes of relationship quality are perceived to be accessible at the empirical domain through the representations of respondents. Deriving the meaning, however, requires more abstraction. It is mainly guided by the context of the case study events (see Sayer, 2000), but it can be also assessable at the empirical level and can be inferred from the different experiences and events (see Chapter 5). What causes the perception of VIRQ to be favourable or unfavourable; or in other words what are the conditions necessary for VIRQ to be perceived favourably represent the question that is concerned with the antecedents. This question deals with the underlying structures and mechanisms that cause variations in the perception of relationship quality. These structures are inferred through the experiences and the discourse of the interviewees, which also supported the apriori presumptions derived based on the literature review (Chapter 3). As will be seen in Chapter 6, the key causal factor “power” is seen to be related to variations in the balance of interdependence between the vertical levels. Establishing causality is based on interpretation, abstraction, and reasoning and not only the observation of repeated regularities (Sayer, 2000). The social action emerging from the structures affecting the perception of relationship quality is also explored via shedding light on the concomitants and the consequences of the perception of relationship quality. This is crystallised in the critical role of reciprocation (and the choice of its modes) as will be discussed in Chapter 7. Chapter 7

also shows how the choice of the reciprocation mode (the social action) can affect the presumed structures (the state of the balance of interdependence).

However, Johnson and Duberley (2000) question how can critical realist be sure about their knowledge claims (or any knowledge claims) if they doubt empirical realism and ask for digging deeply into the underlying causal powers of the social reality (in transitive reality) while admitting that deeper levels of reality might not be directly accessible through the social construction of human agents? To avoid the pitfalls of empiricism, rationalism, and superidealism, they suggest that Sayer's (1992) view on the veracity of knowledge can be an informative addition; they called it "pragmatism" (Johnson and Duberley, 2000: 157). Pragmatic critical realism does claim an epistemic advantage but it judges knowledge by its practical adequacy. This means that if the generated knowledge approaches or matches the external independent reality under investigation, then this reality will reinforce the produced knowledge claims and confirm them. If the produced knowledge is imprecise in accessing the external reality, such knowledge would not be practical or useful (Johnson and Duberley, 2000). This entails that pragmatic critical realists are goal orientated. Judging the veracity of knowledge in this view is neither self-referential (as in the postmodernist view) nor objective (as in the positivism view). From the pragmatic critical realism perspective, knowledge represents tendencies and it might not match the objective reality and therefore it is always subject to critical questioning and improvements<sup>60</sup>.

Pragmatic critical realists can use multi-methods in seeking knowledge as they believe in epistemic subjectivity where no method is superior to the others, yet all have their advantages and disadvantages (Johnson and Duberley, 2000). Sayer (2000:19) argues that a wide range of

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<sup>60</sup> Critical realists advocate that claims about reality can be always improved or refuted (fallibility) (Collier, 1994).

methods can be used depending on the “*nature of the object of study and what one wants to learn about it*”. Different methods can be thus used in complementarity.

This study relies mainly on qualitative methods applied to comparative case studies. However, it uses quantitative methods in the form of a survey as a complement the qualitative method, not seeking an understanding of VIRQ and its concomitants, but to see whether the patterns and propositions suggested by the case studies prevail in the wider population of UK UBBS. Understanding causation and seeking deep understanding of the phenomenon under investigation is approached through analyses of the qualitative evidence from comparative case studies. This is because statistical techniques on their own do not “expose” the generative causal mechanism (Johnson and Duberley, 2000: 169), but only indicate measurable change (Sayer, 2000), which is important for giving findings more credibility. Moreover, as some aspects of the social life are irreducibly qualitative<sup>61</sup> (Sayer, 1992), not all propositions are transformed into testable hypotheses as they refer to processes that cannot be quantified (see Chapter 8).

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<sup>61</sup> Sayer (1992) suggests that these must not be quantified because the results will be less meaningful.

### 4.3 Research Context: UK University-based Business Schools

*“... forty years ago running a Business School was something that a senior professor might well take as a matter of duty shortly before retirement. Nowadays deans almost constitute a profession in their own right, a cohort with unique and specialist skills ...”*

(Starkey and Tiratsoo, 2007: 55).

There is not one reason behind the change in the role of deans of Business Schools. Everything is changing, including the changing role of Business Schools themselves and the increased pressures placed upon them not only from different but sometimes competing stakeholders.

The history of UK Business Schools (BSs) is not a long one; UK BSs started to grow only recently. According to Ivory, Miskell, Shipton, White, Moeslein, and Neely (2006)<sup>62</sup>, there were no UK UBBSs until 1965. Formal management education in the UK was first motivated by the desire of the post war Labour Government to enhance professionalism and efficiency of British managers (Ivory et al., 2006). With the foundation of the privately funded Administrative Staff College at Henley in 1946, management education was first formally offered. The British Institute of Management (BIM) was then founded in 1948 where Lyndall Urwick, its chairman, recommended a creation of a new diploma for practicing managers. However, both firms and universities continued to view the value of management education sceptically throughout the 1950s.

In the 1960s and due to the British public concern about the future of British productivity compared to that of other industrialised nations, the debate of formal management education came to the fore again. The National Economic Development Council (NEDC) recommended

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<sup>62</sup> AIM report on the historical context and future scenarios of UK Business Schools.

the establishment of a British equivalent of the Harvard Business School. In the mid-1960s, the Robbins and Franks reports paved the way to offering business education in higher education institutions (Williams, 2010). Based on Lord Franks report, two Business Schools were to be established one in Manchester (Manchester Business School – MBS) and the other in London (London Business School – LBS). *“These would be housed within universities, but would also retain a degree of autonomy from them, and would be funded jointly by the public and private sectors”* (Ivory et al., 2006: 8). The vision was similar to a partnership between industry and universities; a partnership that was challenged by inherent suspicion between two worlds that are generally separated by a gulf of scepticism. Nonetheless, by early 1970s, business education was being offered in *“37 British universities, 45 polytechnics, five independent colleges, and approximately 150 colleges”* (Ivory et al., 2006: 8). By the start of this millennium, there were about 120 UK BSs (Ivory et al., 2006). Most of them are University based.

This brief note about the development of UK UBBS has important implications. The history of Business Schools shows that they were originally established for businesses but located within universities as a place of knowledge production. Business Schools had thus two targets: to serve the needs of business and to be academic schools; bridging a gap between arguably two incommensurable worlds. Being in the middle, Business Schools became subject to criticism from universities, from businesses, and even from its own people (e.g., Pfeffer and Fong, 2002; Mintzberg, 2004). Starkey and Tempest (2005) summarise these criticisms in 6 points as shown in the following box.

**Box 4.1: Criticisms Directed to Business Schools as Summarised by Starkey and Tempest (2005:70).**

1. *“that the Business School was little more than a trade school;*
2. *that in transforming itself into not being a trade school, Business School research has become divorced from the real concerns of business;*
3. *that Business School education and training does not have positive effects on the careers of its graduate;*
4. *that the knowledge produced by Business Schools is self-referential and irrelevant;*
5. *that in responding to customer needs the Business School has become too market-driven and, in the process, knowledge has been dumbed down; and*
6. *that the Business School has not only failed to deliver knowledge that enhances firm and national competitiveness, but has also been a major source of the wrong sorts of knowledge for management, fostering a short-term, risk-averse orientation (Cheit, 1985) and even new management thinking and practices that have led to contemporary business and social crises.”* (Starkey and Tempest, 2005:70)

In their host universities, throughout their short history, Business Schools were trying to be something more than trade schools in order to legitimise their position. Business Schools, for example, received funding from the Ford Foundation and the Carnegie Council to provide more academically oriented research so as to move beyond the trade school accusation (Starkey and Tempest, 2008). This opened doors to the behavioural and economic research undertaken by BSs (Starkey and Tempest, 2008), but resulted in an interesting irony (Starkey and Tempest, 2005). Such rigorous inclination has made Business School’s research more divorced from practice as Business Schools started to produce knowledge that was not of

immediate relevance to managers. Business Schools became overly concerned with research rigorous considerations at the expense of practicality.

Yet, even when shedding some of their practical orientation, Business Schools did not win in trying to legitimise themselves into their host universities. Their research practices are indeed sometimes regarded sceptically by their host universities for the lack of relevance and impact of its research on practice (Starkey and Tempest, 2005), and sometimes due to the inter-disciplinary nature of the research (Pettigrew, 2001). Apart from finance and economics, Starkey and Tempest (2008) argue that Business School research does not have a predictive impact; something which other disciplines gain their credibility from. According to Pettigrew (2001), with the exception of finance, management research has drawn on other social sciences disciplines but it has not given much back.

Business Schools are recognised for their economic power rather than their academic power in universities (Starkey and Tempest, 2008). They are seen as the cash cows which are more inclined to business than to being a school (Starkey and Tempest, 2008). Business Schools are also criticised for the curriculum design of Masters in Business Administration (MBA) education; a degree that is argued to be a unique educational innovation of Business Schools and “*perhaps the most successful degree in history*” (Starkey and Tempest, 2008: 380), but also one that tends to be “*insufficiently integrative, failing to develop wisdom, leadership, and interpersonal skills..*” (Starkey and Tempest, 2008: 381). Moreover, rankings (mainly Business Week and Financial Times rankings) are argued to have made their undergraduate and postgraduate teaching as well as their philosophy too customer (business) focused (Starkey and Tempest, 2005). All these factors have led them to become more divorced from their University environment, in spite of their research effort.

Business Schools are thus “stuck in the middle”. They are in an uncomfortable, yet potentially desirable and a beneficial, position between the strong traditions of universities as knowledge production sites and between their inescapable roots in the world of business that tend to favour pragmatic capitalism. Business Schools are hence subject to criticism from two different camps, proponents of rigorous knowledge and proponents of pragmatic values. They do not perfectly fit into any of these camps. They position themselves in the middle in the hope of getting the best of both worlds, but this has led to questions as well as pressures from both sides. There are also a number of pressures from professional institutions (e.g., Association of Chartered Certified Accountants, Chartered Institute of Marketing) and accrediting bodies (AACSB, AMBA, EQUIS) to which Business Schools have to relate (Davies and Thomas, 2009). This is in addition to the general pressures that Business Schools have to share as being part of the University (for example: the impact agenda raised by the HEFCE (see Pettigrew, 2011)). This could be one of the reasons why the role of Business School senior management team, particularly deans, is not an easy one. Particularly in the case of University-based Business Schools, deans have to deal with a number of competing demands and sometimes irreconcilable pressures (Davies and Thomas, 2009).

However, critics of Business Schools have suggested ways forward. Most recent publications on the future of Business Schools emphasise that building upon their relationship with their host universities can be their way forward, not merely to secure legitimacy but also to sustain and improve their position internally within their universities, nationally by focusing on the public agenda and research with impact, and globally in relationship to their international competitors. There have been many recent calls urging Business Schools to engage in interdisciplinary research (see for example Ferlie, Currie, Davies, and Ramadan, forthcoming) and in new modes of knowledge production that build on internal and external networks, with

the relationship with host universities and their various disciplines being central (see for example Tranfield and Starkey, 1998; Starkey and Madan, 2001; Huff and Huff, 2001; Harvey, Pettigrew, and Ferlie, 2002; Starkey and Tempest, 2008; Starkey, Hatchuel and Tempest, 2009). In a recent Financial Times report, Professor Christoph Loch, the newly appointed Dean of the Judge Business School (University of Cambridge) and the former Dean of INSEAD<sup>63</sup> stresses that there are things that University-based schools can do that their standalone peers cannot do; stressing his strategy to build a research oriented school that rests upon the “*Cambridge Phenomenon*” (Bradshaw, 2012). He asserts that “*the Business School needs to have its own identity to compete in the Business Schools market, which is quite cut-throat. At the same time it [the University] has research excellence that we don’t want to be detached from*” (Bradshaw, 2012). Another Financial Times report suggests that UBBSs are in a better competitive position compared to standalone ones because the former can build upon the strength of being part of a wider University network, with the increased demand on management courses from other disciplines and with the increased necessity for management students to learn about other disciplines. According to that report, this has made favouring independence old fashioned (Bradshaw, 2011).

The vertical relationship of a Business School with its Higher University Authorities is thus crucial for both parties because of the high interdependence between them. Nonetheless, this relationship is not an easy one. Business Schools are subject to various competing pressures; their host universities look on them sometimes suspiciously but they need their financial contribution; Business Schools need to have a strong distinct identity in order to compete with their peers but at the same time need to be integrated and to draw upon strengths from their host universities; Business Schools need to contribute to their host universities but at the same

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<sup>63</sup> A major independent Business School.

time ensure that they have enough surplus for reinvestment, if they want to remain competitive.

The reasons for focusing on UK UBBS as the context for a study of vertical organisational relationship quality include the following:

- It is a well-defined institutional field. This is expected to provide more credible findings as such findings can be better compared and analysed (see Hinings and Greenwood, 2002).
- The relationship between Business Schools and their host universities represents a vertical relationship occurring within the context of related diversification. This is another key reason for choosing this context as diversification allows the lower level unit to have specialised knowledge that its higher level does not possess, making the former potentially powerful.
- Business Schools tend to be important due to their economic power and therefore they expect to be heard in their host universities. This is expected to shed light on the state of vertical relationships when the lower level unit is not a mere implementator of the higher level's agenda, but has some source of power (mainly economic centrality).
- Finally, choosing a relationship that might not be an easy one is expected to provide deeper and more valuable insights on both arenas; the theoretical and the practical.

#### **4.4 Research Strategy**

Research strategy is concerned with the way the research aims and objectives are met. As introduced, the key questions in this study are concerned with identifying:

- The meaning of VIRQ
- The attributes associated with the meaning and the concept of VIRQ.
- The likely antecedents that affect the perception of VIRQ.
- The likely concomitants and consequences associated with the perception of VIRQ.

There are two general research strategies (methods): a qualitative strategy and a quantitative strategy. Each of which has different assumptions and uses. Qualitative strategies emphasise the context specificity and seek to find meanings underlying social objects or phenomena. Quantitative strategies, on the other hand, emphasise the quantification of observations, mostly to enable the generalisation of the findings (Bryman and Bell, 2003).

Many authors view these two strategies as incommensurable as they are rooted in to a broader and a deeper paradigm division. Qualitative research is broadly argued to follow an interpretivist epistemological orientation which views the social world from the view point of its participants. Interpretivists regard social entities as an outcome of the different interactions of the concerned participants (constructionist ontological orientation) (Bryman and Bell, 2003). In this view, people can attribute meaning to their environment by their involvement in such environment. Thus, the qualitative research strategy is suggested as a research method that sees the social world from the eye of people participating in it, hence stressing the importance of linking data with social reality (Bryman and Bell, 2003). Quantitative research, on the other hand, is broadly associated with positivism (Gill and Johnson, 2010), which tends

to view the social world in the same way it views the natural world; where everything is objective and accessible to the investigator.

However, these two strategies are seen in this research as complementing and supplementing one another; rather than competing. Since each strategy can serve a different purpose as demonstrated above, both of them can be used in a complementary manner. This is in line with Max Boisot's analysis of knowledge generation<sup>64</sup>. The core idea in Boisot's Culture-Space (C-Space) Framework is that the structuring of knowledge enables its diffusion. In the Information-Space (I-Space) Framework, he asserts that structuring (codification and abstraction) of knowledge will affect the extent and the pace of its diffusion and that knowledge cannot be diffused, absorbed, and hence applied unless it is structured. However, the application of codified and abstracted knowledge would potentially mean that it is subject to modification. Such modification opens doors to relying on raw data and information to generate new codifications and abstractions for the new knowledge to be diffused. Therefore, there is an interplay between knowledge structuring and knowledge diffusion. Boisot's conceptualisation of knowledge generation indicates that theory-building inductively and theory-testing via deductive approach are both necessary requirements of the same knowledge-creating process. Knowledge generation thus demands both the building of knowledge constructs (through codification and abstraction) from qualitative information and testing of such constructs through quantified measures applied to larger samples in order to ascertain codes to their generalizability or predictive power<sup>65</sup>. Based on Boisot's C-Space,

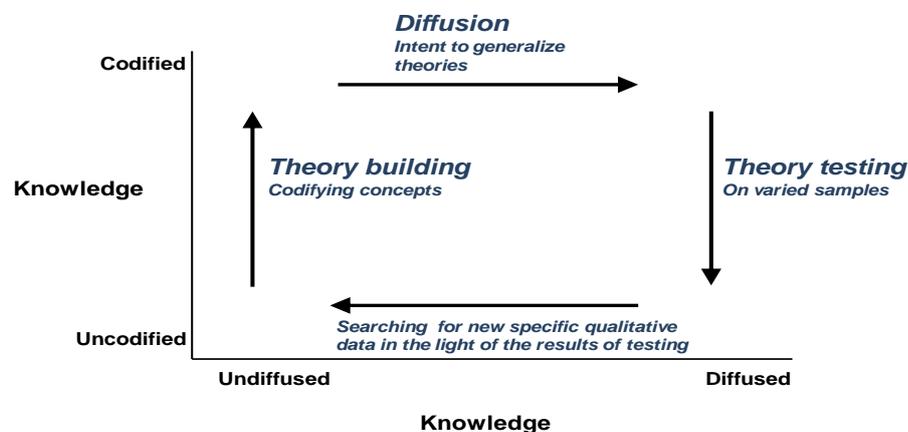
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<sup>64</sup> Based on the Epistemological Space (E-Space), Culture Space (C-Space), and Information Space (I-Space) frameworks (see Boisot, 1987, 1995, 1998 and Child, Ihrig and Merali, forthcoming).

<sup>65</sup> Complementarity between different research methods is also stressed by Currall, Hammer, Baggett and Doniger (1999) where the qualitative studies are used for theory building and the quantitative studies are used for theory testing and evaluation.

John Child depicted the relationship between theory building (from qualitative data) and theory testing (based on quantitative codes) in terms of a knowledge cycle as shown in Figure 4.1 below.

**Figure 4.1: The Relationship between Theory Building and Theory Testing as Adapted from Max Boisot’s C–Space.**



**Source: John Child based on a framework by Max Boisot.**

The idea of using the two research strategies in combination is not new. Bryman and Bell (2003: 265–66) argue that in real life, the lines between qualitative and quantitative strategies tend to be more blurred and rather more complex than many have recognized as qualitative research sometimes adopts some features from quantitative research and vice versa. They argue that practically many researchers tend to use the two strategies in the same project. Qualitative and quantitative research are both means for investigation, both can be used to investigate a behavior or a meaning, test a hypothesis or generate a theory; using numbers or words (Bryman and Bell, 2003). Combining both methods is argued to be associated with

some benefits, as it gives both static and dynamic pictures of the social phenomena under consideration and deals with the issue of generalization; where mixing the two methods rectifies the weaknesses inherent in each of them when used separately (Bryman and Bell, 2003; Gill and Johnson, 2010). This is the main idea behind the development of mixed research methods by Creswell and Plano Clark (2007) who position mixed methods as a distinct strategy (typically combining both qualitative and quantitative approaches).

In this study, both qualitative and quantitative strategies are used as they serve different purposes. The qualitative stage is to find out the meaning, the attributes, the underlying causal mechanisms behind the variations in the perception of VIRQ, and the emergent implications of this perception through an exploratory but deep investigation. Once a satisfactory understanding of the concept, its concomitants, and the underlying powers that affect its perception is obtained, findings can be tested quantitatively for further validation on the wider population. Nonetheless, many of the qualitative aspects are not examined quantitatively due to the inappropriateness of doing this. Qualitative investigations provide rich and deep data which sometimes cannot be examined quantitatively (for example: processes). This does also not violate the premises of critical realism which acknowledge that different research methods can be used if they sufficiently address the question at hand (i.e., that the methods used do not claim they can do something they are not designed to do). The decision to use mixed methods is thus guided by practical and pragmatic reasons but it does not violate the general philosophical orientation of critical realism.

Research designs according to Creswell and Plano Clark (2007: 58) "*are procedures for collecting, analyzing, interpreting and reporting data in research studies*". Creswell and

Plano Clark (2007) suggest four different classifications of designs for mixed methods research; namely, triangulation, embedded, explanatory, and exploratory designs. Triangulation design aims to complement both qualitative and quantitative evidence for one particular topic. The rationale is that each set of qualitative and quantitative evidence has its own weakness, and using both of them to examine a certain topic will complement and hence help validate each other (Creswell and Plano Clark, 2007). Embedded designs, on the other hand, are used when one data source has a supportive secondary role relative to the other. The need for this design arises when different research questions are answered by different approaches (Creswell and Plano Clark, 2007). The explanatory design is a two-phase design that starts with quantitative data collection and analysis, and then qualitative data is used to explain or build upon the quantitative evidence (Creswell and Plano Clark, 2007). Finally, the exploratory design is also a two-stage design. It starts with qualitative investigation and its results are used to develop the quantitative method. This design can be used to develop a measure, instrument, guiding theory, or framework, or it can be used when variables are unknown. It is also important to explore a phenomenon in-depth and then measure its prevalence. Variants of this design are the instrument development model and the taxonomy development model. In the former, the researcher qualitatively examines a certain phenomenon with few participants where their views are taken to develop a scale for the quantitative survey instrument. The latter is more concerned with identifying important variables, emergent theories, or developing a taxonomy, which will be tested in the second quantitative stage (Creswell and Plano Clark, 2007).

This study has some features of both the embedded correlation model design and the exploratory design in its both variants; however it tends generally to follow the exploratory

design. This is because in any mixed method design, the embedded model can be of relevance. It has an embedded feature because it is a two-stage study, where the qualitative analysis is used first to give some understanding of the concept and its concomitants and then the quantitative investigation is used to build on the results of the qualitative findings; where the quantitative investigation plays a relatively less dominant role relative to the qualitative approach. An embedded correlation model design is also used to unravel how causal mechanisms work (Creswell and Plano Clark, 2007). However, this study tends to be more exploratory in nature as many of the variables and their operationalizations, as well as the relationships between these variables are unknown. This makes the qualitative stage essential in unraveling these important aspects and gives a secondary but a complementary role to the quantitative stage, which only seeks to support the credibility of the qualitative findings.

The objective of using mixed methods is to first understand the social world as seen by people involved into it, then summarize the main aspects of this social object into constructs, establish evidence that measures each construct, and use the developed constructs in the quantitative stage. A *"mid-point on the axis of realism"* is thus adopted as suggested by Bryman and Bell (2003:293). It is believed that the first qualitative stage of the research would result in one possible representation of the social reality, and the second quantitative stage would test to what extent it applies and prevails. As emphasized, the main reason behind using a multi strategy research (or mixed research methods) is not triangulation (although it is used occasionally in Chapter 6), but complementarity and facilitation (Bryman and Bell, 2003).

#### **4.5 The Qualitative Investigation**

Due to the nature of the research questions, this study builds extensively on qualitative methods. In general, research can be categorized into exploratory, descriptive, or an explanatory research, based on the main purpose it serves (Riley, Clark, Wilkie, and Szivas, 2000). While these categories can be overlapping, this research is mainly of an exploratory nature as to the best of my knowledge no previous research has investigated the concept of VIRQ and its concomitants in general, and in UK UBBS in particular. This study thus aims to provide some fresh insights into vertical inter–unit relationships, while also having descriptive and substantial explanatory sides (as it attempts to unravel relevant causal relationships).

The qualitative stage builds upon the apriori framework derived from the literature review (Chapter 3) where it uses it to guide the data collection process. Specifically, there are two main objectives for this stage. The first is to identify and verify the attributes that make up for the concept of VIRQ from the perspective of both of the higher level and the lower level units and to develop an instrument to measure this concept. The second is to understand the meaning (based on the attributes and the context), the likely antecedents, and concomitants associated to the perception of the quality of vertical inter–unit relationships. The qualitative stage thus relies on case study investigation, where 15 case studies, representing 15 different vertical inter–unit relationships between BSs and their Higher University Authorities (HUA), were conducted. In order to meet the first objective (i.e., attributes of relationship quality), the focus was on qualitative interviews where case studies were used to set the boundaries for data collection. This is because identifying the attributes associated with relationship quality tends to be more abstract in nature. However, questions which focused more on the context specificity of each case were used to find an answer for the rest of the research questions

(meeting the second objective about the meaning and the likely antecedents and concomitants of relationship quality)<sup>66</sup>. To achieve both objectives, the study design relied on comparative case study evidence.

#### 4.5.1 Comparative (Multiple) Case Study Design

Case study research entails an intensive, deep, and contextually sensitive contextual investigation of a certain phenomenon (Gill and Johnson, 2010). Yin (2003:13) defined a case study as the examination of a phenomenon in its real life context when there are no clear boundaries between the phenomenon and its context (i.e., the phenomenon affects its context and the context affects the phenomenon). A case study is "*concerned with the complexity [of a social phenomenon] and the particular nature of the case in question*" (Yin, 2003:13). The in-depth and extensive investigation of the unique feature of a particular setting is the main distinctive characteristic of this research design<sup>67</sup>. The object of study can be an organization, a location, a person, or an event. The case is thus "*an object of interest on its own... [and a case study] is an in-depth elucidation of it*" (Bryman and Bell: 2003:54).

The cases chosen for study can be critical, revelatory, extreme, or unique cases. A critical case is chosen to confirm or refute a certain hypothesis or for theory testing purpose. A revelatory

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<sup>66</sup> Usually qualitative research as a research method is confounded with case studies and qualitative studies as research designs. In clarifying this confusion, Hakim (1987: 8) highlights that qualitative research can be referred to as a research method when referring loosely to any research that produces quantitative evidence. However, qualitative studies, case studies, or ethnography are different forms of research designs that are part of the qualitative method as an overall research method/strategy. From this perspective, a qualitative study as a design is "*concerned with obtaining people's own account of situations and events with reporting their perspectives and feelings*" (Hakim, 1987: 8). Qualitative studies are concerned with the attitudes, motivation, and behaviour of people as well as their interpretations and perspectives about events and objects. However, they are not concerned with individuals; they are rather concerned with patterns of attitudes and behaviour (Hakim, 1987). This is a central focus of the first research question regarding the attributes of VIRQ as the aim is to understand the attributes in a general and a rather abstract form (as will be shown in Chapter 5). Yet, for the other research questions, the context specificity of the case study and evidence from different responses, when possible, are used in order to "*[obtain] a rounded image of a situation or event from the perspectives of all [informed] persons involved...*" (Hakim, 1987:8-9).

<sup>67</sup> This is called an idiographic approach which is concerned with context specifics unlike the nomothetic approach which is concerned with the generalizability of findings beyond the boundaries of the study's settings (as in quantitative cross-sectional designs, for example).

case is deployed to investigate a new social phenomena or to induce some novel theoretical propositions. An extreme or a unique case is chosen when the research questions are concerning why and how it is unique (such as cases of extreme success and failure) (see Yin, 2003). For the purpose of this study, and since the study is mainly exploratory, revelatory case studies were chosen. Chosen cases are meant to represent the different variations that exist in the vertical relations of UK UBBS to enable the derivation of propositions. Hence, comparative or multiple case study design is employed.

Comparative designs generally entail using "*more or less identical methods for two or more contrasting cases*" aiming at enhancing the understanding of the same social phenomena in different settings through identifying patterns and seeking explanations of similarities and differences (Bryman and Bell, 2003:58–59). Comparative research can be of a quantitative (e.g., cross sectional designs) or qualitative nature (e.g., multiple case study designs) (Bryman and Bell, 2003). Multiple case studies are likely to result in more valid frame breaking theoretical propositions and improve theory building (Bryman and Bell, 2003; Eisenhardt, 1989b). However, multiple case study research is not without its critics. They argue that the use of multiple case studies will distract the researcher's attention from contextually specific factors, and that the focus will be placed on the emergent patterns of similarities or differences. This entails depriving case study from its distinctive characteristics of studying phenomena in a real life context and having an open-ended approach, as the researcher will rather focus on contrasting the cases under study (Bryman and Bell, 2003). To avoid falling into this criticism, each case was considered individually first, along with its emerging patterns and its context; this was the primary step in the data analysis. The second step involved comparing the different cases and the different emerging patterns. Yet, it should be emphasized that the context per se was not the key concern of the study. This study asks

questions regarding the general attributes and meaning of VIRQ and looks for the mechanisms that affect its perception and the impact of its perception, where the context is an auxiliary (yet a significant) element in deriving the interpretations and propositions. Therefore comparative case study designs were seen as the most appropriate research design for the qualitative stage.

#### **4.5.2 Data Collection**

Prior to conducting case studies in December 2010, a small pilot study was conducted in January 2010. The purpose of this pilot study was to understand the context and to pilot the measure suggested to reflect the attributes of VIRQ. This pilot study involved 6 in-depth semi-structured interviews with both the higher level and the lower level boundary spanners at one Business School. These pilot interviews helped greatly in redefining the attributes and reducing the number of items in the suggested measure as will be shown in Chapter 8. The results of the pilot interviews were later confirmed through the case study evidence and further piloting. Each pilot interview lasted for at least an hour.

For conducting case studies, this study employed semi-structured interviews as they can give the required flexibility while keeping the interview focused on the issue of interest<sup>68</sup>. Also, the use of semi-structured interviews enhances comparison between the different cases which is necessary to enable answering the research questions (Bryman and Bell, 2003). As noted by Bryman and Bell (2003:362), qualitative interviewing seeks to unravel events "*by asking interviewees to think back over how certain series of events unfolded*". This is very relevant to the purpose of this study as the comprehension of VIRQ and questions of how this relationship improves or deteriorates and the consequences of that are believed to be best

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<sup>68</sup> Interview guides used are presented in Appendix IV and V.

manifested through a retrospective approach explaining what happened, at least in the recent history, based on the scope of knowledge of each respondent.

To answer the research questions, a context in which organizations are diversified yet there is a vertical inter-unit relationship was sought. This sector was the UK UBBS for the previously mentioned reasons. Most of the BSs in the UK regard themselves as operating in a common sector as they deliver very similar educational services ranging from undergraduate to executive and professional education. However, they are also embedded in a wider University context which poses challenges as well as opportunities as highlighted above. Most UBBSs find themselves with a need to satisfy and cope with pressures from two different institutional environments; the University environment and the BSs' wider environment. Being embedded in a wider University context, the senior management team of the BS has a vertical relationship with the University senior officers. This vertical relationship is the unit of analysis in this study and the different boundary spanners representing this vertical inter-unit relationship are the study's key informants.

In the qualitative stage, 15 cases of different UK UBBS were studied. This represents around 13% of the total population of UK UBBS. To ensure the representation of different UBBSs in the exploratory qualitative study, a tier system based on quasi-objective as well as subjective criteria was used. BSs were classified according to their research and executive education performance<sup>69</sup>. These two criteria were chosen based on advice from some experts and professional bodies associated with the UK BSs (the Association of Business Schools– ABS

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<sup>69</sup> The AIM report classified UK BSs into three categories based on six criteria: their reputation, research, type of teaching, teaching volumes, financial margin from teaching, and the broader social function (Ivory et al., 2006). Because collecting objective data about all of these criteria was not practical and because more objective criteria were more desirable in covering the different range of UK BSs, only the research profile and the European MBA ranking (as a prime example of post graduate education) were used as two criteria in dividing UK BSs into 3 main categories.

and the Association of MBAs – AMBA). In order to apply these criteria, the Financial Times MBA global ranking (in years 2009, 2010, and 2011) as well as the 2008 Research Assessment Exercise (RAE) ranking were used (as shown in Table 4.1). After the classification was complete based on these two broad quasi-objective criteria, the results of the classification were independently verified by two experts who have been working in the BS sector for more than 30 years. In recruiting the case studies, consideration was taken that all the tiers are represented so as to gain an understanding of the vertical relationship; considering the different characteristics of BSs.

A letter was sent to senior officers of the selected BSs, typically the Dean and, when present, the associate deans. With their approval, another letter was sent to the HUA of the respective BS. Interviewees were encouraged to suggest other potential interviewees that have information about this vertical relationship, particularly if they are in a boundary spanning role.

Focusing on the vertical inter-unit relationship, interviewing senior staff at both the University level as well as the BS level in each tier was attempted. For the lower level, this has typically included the Dean or the Head of each BS, and in most cases (in 11 out of 15 cases) members of his/her team if the Dean is not the only key person in the relationship. For the higher level, this varied from one case to the other.

For three out of the four top tier case studies, the Dean (Head) of the BS related directly to the Vice Chancellor (VC), therefore the response rate was low with respect to the higher level in the first tier (see Table 4.2). Interviewing corporate elites becomes particularly difficult as they reach the top of the organisational hierarchy.

For the second tier, I interviewed the senior management team in the business who closely related with a higher intermediate level as well as senior University officers who represent the higher level. This has typically involved deans, associate deans from the lower level and pro-vice chancellors or heads of faculties/ colleges from the higher level. The vertical relationship in this tier seems to be diversified rather than concentrated in few boundary spanners and this is reflected in the number of interviews conducted at both levels (see Table 4.2).

For the third tier, the relationship tended to be centralised through the Dean /Head of the BS which was also reflected in the number of interviews. The higher level for such tier tended to be the VC in most cases, some of whom proved inaccessible to interview and this has been reflected on the number of the interviews conducted at that level.

In total, 54 interviews were conducted representing 15 case studies with 43 interviews at the BS level (the lower level in the vertical relationship under study) and 11 interviews at the University higher level (the higher level in the vertical relationship). With the perspective and the dynamics of the lower level being at the heart of this study and with due effort exerted towards maximising the representation of different BS and increasing the number of respondents without jeopardising confidentiality, the number of interviews and cases were perceived to be satisfactory to the purpose for the study given its exploratory nature.

Interviews mainly relied on open ended questions, but a survey which included the attributes of VIRQ was also used to pilot and pre-test the suggested measure (as will be discussed in the next section). This has allowed the triangulation of evidence which was later used in data analysis. In addition to the interviews, data collection also relied, although to a much lesser extent, on documentation and on websites. Documentations and websites were used to understand the governance structure of the respective cases and to obtain the necessary

background information. In addition, some interviewees provided certain documents, as supplementary sources, to clarify or stress their point of view.

Qualitative data collection started in December 2010 and lasted till January 2012. However, for a given case study, the temporal space between the different responses was kept as short as possible in an attempt to control for the time factor. Typically, each interview lasted for approximately an hour; however, some lasted for two hours as interviewees were encouraged to reflect on experiences and views on the vertical relationship. There were two objectives for conducting the interview. The first was to investigate the interviewees' experiences and views about VIRQ and its concomitants. The second was to pilot the suggested measure of the concept of VIRQ and to get feedback on how to improve it. Piloting the measure was done after the discussion with the respondents about their experiences and views, so that the attributes mentioned in the measure does not affect their answers on the other questions including identifying what they think are the right attributes, and the antecedents, and the concomitants. This meant that the measure for VIRQ from the lower level's perspective was piloted 43 times with each case study's interview; this is in addition to other 6 pilot interviews that just focused on the measure prior to conducting any case studies and on understanding the research context (vertical relations in BSs).

**Table: 4.1: Data Collection Profile**

<b>Tiers</b> (As defined by 2008 RAE performance and its FT MBA ranking for either in 2009, 2010, or 2011).	<b>Total Population</b>	<b>Cases Studied</b>	<b>Percentage of case studied of its total population</b>	<b>Survey Responses</b>
<b>First Tier</b>  RAE >= 60 points for 4* and 3* research and ranked by the FT in the top global MBA ranking	11	4	36%	4
<b>Second Tier</b>  RAE >= 35 points for 4* and 3* research but less than 60 points.	37	5	13.5%	10
<b>Third Tier</b>  RAE < 35 points for 4* and 3* research	38	5	13%	10
<b>Unclassified</b> (as it is not ranked by the RAE or not offering executive education)	28	1	3%	26 (anonymous respondents)
<b>Total</b>	114	15	13%	50 (43.8%)

**Table 4.2: Interviews Conducted**

<b>Tier</b>	<b>Number of cases studied</b>	<b>Number of Interviews Conducted</b>		<b>Total</b>
		<b>The Lower level in the Inter-unit Vertical Relationship (The Business School Level)</b>	<b>The Higher Level in the Inter-unit Vertical Relationship (The University or the Intermediate University Level)</b>	
<b>First Tier</b>	4	9	1	10
<b>Second Tier</b>	5	23	8	31
<b>Third Tier</b>	5	9	2	11
<b>Unclassified Tier</b>	1	2	–	2
<b>Total</b>	15	43	11	54

### **4.5.3 Data Analysis**

Based on the pilot studies conducted prior to conducting case studies, the attributes associated with the measure of VIRQ were refined and a better picture about the research context was formed. After collecting case study data, interviews were fully transcribed (except for few parts which were thought to be totally irrelevant), then coded. The coding scheme that emerged was partially based on the literature review and the apriori framework but was mainly derived from the collected data. Data analysis was conducted manually where excel sheets were used and each excel sheet was concerned with answering one of the research questions. An inter-rater reliability of the coding scheme was confirmed independently by ascertaining the views of an experienced academic. In addition, around one third of the codes and a sample of their relevant quotations were presented to another researcher after explaining the purpose of the study to her. The coding scheme was seen reliable as there was a significant overlap between our interpretation of codes and their relevant quotations (we disagreed on only one quote out of 75 quotes). Each chapter of the findings is concerned with answering one of the research questions and it describes in more detail the followed process of data analysis.

It is argued that the value of the case study is based on how well the study is focused (Hakim, 1987). However, a general concern in case study design is its external validity (Hakim, 1987). Because of the very nature of this design, the generalizability of the resultant findings cannot be claimed. Statistical generalization should not be and is not the objective of this research design. However, a degree of theoretical, rather than statistical, generalization can be made (for example: generalization of abstract theories, frameworks, propositions, or concepts); what is important is the quality of these theoretical propositions and arguments (Bryman and Bell,

2003). Whether these propositions are valid or not depends on the how well the findings closely fit the data collected (Eisenhardt, 1989b), and therefore the process of data analysis is a key factor in determining the quality of the derived propositions or frameworks.

The process of data analysis followed was very detailed and exhaustive as will be discussed in Chapters 5, 6, and 7. It follows different guidelines (e.g., Eisenhardt, 1989b) but those advanced by Morse (1994) seem to generally cover its flow.

In accordance with Morse (1994) suggested guidelines for qualitative research are comprehending, synthesising, theorising, recontextualising. Pilot studies were used to understand the context before any case studies were commenced. The literature review and the apriori framework were then used to provide guidance to the process of data collection rather than providing a specific theoretical lens on the data, and it was through pilot studies and the different case studies that some understanding into the research setting could be better gained (comprehending). Collected data were then examined and emergent themes and categories were identified (synthesising). This was followed by the process of *theorising*, where possible explanations of the data were established. As the process of data collection proceeded, certain explanations were further supported giving more confidence in the established theorisation. The established explanations were then abstracted in the form of more general propositions (recontextualisation)<sup>70</sup>.

#### **4.5.4 Evaluation Criteria**

While there are some authors that use validity and reliability to assess qualitative research similar to the quantitative research assessment criteria (for example, Silverman, 1997), some advocate different evaluation criteria for qualitative research (Lincoln and Guba, 1985; Gill

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<sup>70</sup> Chapters 5, 6, and 7 provide a very detailed account of the last two steps in data analysis; theorising and recontextualising.

and Johnson, 2010). Lincoln and Guba (1985) replaced internal validity with credibility, external validity with transferability, reliability with dependability, and objectivity with confirmability. Credibility is based on providing feedback to respondents and making sure that the researcher understanding matches that of the respondents. Although a comprehensive formal feedback to the respondents has not provided yet, establishing credibility for the findings was attempted during the process of data collection then partially after the findings were reported. While conducting interviews, the answers of the interviews were reiterated to check whether my understanding matched what they meant. Also depending on more than one informant and attempting to take into account more than perspective from the same case and to triangulate evidence were helpful in providing some confidence on the credibility of the data collected. In addition, with new case studies, after conducting the formal interview, the key findings from the previous cases were told to the new interviewee to comment to on them with respect to his/her experience where the feedback given informed further theorising and propositions' building<sup>71</sup>.

Transferability is concerned with whether the findings are transferable to the social setting under study and to other social contexts. One way to do that is to provide sufficient "thick description" so that both the research subjects and other researchers can judge the transferability of the findings (Lincoln and Guba, 1985:247). Applying this criterion, derived propositions were all supported by illustrative quotes and their underlying explanations.

Dependability of qualitative research can be established by providing a detailed account of the research procedures (an audit trail) so that other researchers can judge the conceptual

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<sup>71</sup> The findings were also presented to a cohort of BS deans/ associate deans and heads of departments in conjunction with the ABS. Most of them (around 12 each representing a different school) confirmed and agreed with the observations and conclusions drawn. Moreover, some of the findings were presented to 3 Business Schools academics, although informally, and the feedback was supportive of conceptualisations and reported conclusions.

development of the research, the research process, and its findings. Confirmability can be met if the researcher provides a detailed account of the methodological procedures and a self-critique of these procedures (Lincoln and Guba, 1985; Gill and Johnson, 2010). As this study reports the details of data collection procedures and data analysis, both criteria of dependability and confirmability can be met.

#### **4.6 The Quantitative Investigation**

After qualitative data collection, and based on the propositions derived from qualitative data analysis, a survey was designed in order to test the validity of the propositions for the wider population of UK UBBS. A survey is a data collection technique, which usually relies on quantitative data, and in most cases seeks to evaluate or generalise theoretical hypotheses (such as those based on qualitative evidence) on a wider population (see Groves, Fowler, Couper, Lepkowski, Singer, and Tourangeau, 2009).

Qualitative propositions, based on the case study evidence, were transformed into testable hypotheses, when possible (see Chapter 8). In order to enable hypothesis testing, a number of research variables were utilised. Most variables relied on multi-item measures with 7-point Likert scale questions, except categorical or open ended questions. The literature has been used whenever possible to obtain suitable measures. In depending on previous literature to derive the selected measures, similarity to the study context was given primary consideration (the research depended mostly on studies dealing with headquarters–subsidiary relationship).

Only in cases where the use of previous literature was not possible due to perceived unavailability or unsuitability to the research context, new measures have been developed as informed by the case study evidence. Perceived Business School net dependence, orientation towards the Business School sector, shared understandings and views, inter-personal

relationship quality, intention to leave, expected performance, and VIRQ were newly-developed measures. Particularly the latter measure (VIRQ) was of high significance to this study as it is seen as the central construct with all the other variables being either its antecedents or consequences, and one of the key study objective was to attempt to develop a scale for measuring it<sup>72</sup>. Measures of perceived autonomy, shared vision, subjective performance and affective commitment were adapted from previous studies.

Both the developed and the adapted constructs were extensively tested for their suitability and their comprehensibility at two phases prior to the quantitative data collection. First, while conducting the case study interviews, respondents were asked to reflect on a primary designed questionnaire including the relevant items and to comment on:

- The suitability of the measures to the context.
- The comprehensibility of the items included in the questionnaire.
- The face and construct validity of the measures and their sufficiency to the study purposes.

Commenting on the face validity of the developed items was considered suitable given the nature of the respondents who have a rich academic background in relevant fields, and also have the practical experience and knowledge to comment on the questionnaire items. Based on thorough reflections from 43 respondents, the questionnaire items and variables were revised before the final questionnaire was designed.

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<sup>72</sup> Inter-unit vertical relationship quality is dealt with in further detail in Chapter 8 to show attempts of the scale development.

Second, prior to the quantitative data collection and the distribution of the survey and after the first pilot study<sup>73</sup>, the revised questionnaire (in its final on–line form) was piloted for the second time where 6 respondents were asked to answer the questionnaire and comment on its suitability, items, questions’ sensitivity, and the time it takes to be filled in. The 6 respondents were all part of a vertical inter–unit relationship in BSs but they were not included in the final survey. The two phases of piloting included the different study variables, however, for the VIRQ construct, the process towards its development will be discussed in further detail later in Chapter 8.

The constructs and their corresponding items that were used in designing the final questionnaire along with their operationalizations and sources are presented in Appendix I.

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<sup>73</sup> These typically included former Deans of Business Schools and other heads of departments or program directors who are/were part of a vertical relationship with the University higher authorities.

#### **4.6.1 Procedures of Data Collection and Analysis**

Based on the previously highlighted variables and measures, an online survey<sup>74</sup> was undertaken targeting the whole population of UK UBBSs. The distribution of the survey was administrated with the help of the Association of Business Schools (ABS) and the survey was directed to the Deans/Heads of BSs. Respondents were assured of confidentiality given the relative sensitivity of the research topic. In order to encourage responses, the option of sending a summarising report of the study results to the participant schools was offered.

The use of an online survey was seen appropriate due to its efficiency and the flexibility it offers to the respondent and the researcher compared to a postal questionnaire (Ray and Tabor, 2003; Dillman, 2007), and due to the nature of the respondents who are highly educated and therefore can handle online self-completion questionnaires.

Quantitative data collection first started at the beginning of July, 2011 when I had some assurance about the patterns of data that were emerging from the qualitative study and the suitability of the variables and their measures to the research context. While due effort was made to increase the response rate, the latter was relatively low despite the use of following up and reminder emails. This was attributed to the time in which the survey was sent. Data collection was initiated again in January 2012 at the start of academic term; but this time using personalised emails, addressed by name to the Head/Dean of BSs. The technique proved to be successful with responses jumping from 15 to 50.

#### **4.6.2 Quantitative Data Analysis**

Quantitative data were analysed using SPSS version 19, where missing data were statistically treated prior to any data analysis (using the Expectation Maximisation Method). After

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<sup>74</sup> Survey Monkey Website was used to design and distribute the questionnaire ([www.surveymonkey.com](http://www.surveymonkey.com)).

checking the descriptive statistics of the different variables, statistical techniques used varied typically with the different objectives. For attempts of the scale development, exploratory factor analysis was used as well as other validity and reliability tests. For testing the hypothesised relationships, correlation models as well as hierarchical regression models were used. The details of the quantitative data analysis and statistical testing procedures are provided in Chapter 8, which also shows the different validity and reliability tests used to support the credibility of the findings. Due to sample size limitations, however, some tests could not be performed such as confirmatory factor analysis and hence the external validity of the VIRQ measure cannot be assessed. As discussed, the quantitative analysis is complementary to the qualitative one. The sample size limitation suggests that more quantitative testing should be performed in different contexts before the generalizability of the results can be claimed, as will be discussed in Chapter 10.

## **CHAPTER 5: QUALITATIVE FINDINGS (1)**

### **What is the Meaning and the Attributes Associated with the Concept of VIRQ?**

#### **5.1 Introduction**

The main focus of this chapter is to address the first research question concerned with the attributes that comprise and the meaning associated with VIRQ from the perspectives of the higher level (HL) unit and the lower level (LL) units. This question is addressed by conducting 54 in-depth semi-structured interviews representing 15 different case studies of vertical inter-unit relationships; 43 interviews with the LL units' respondents and 11 interviews with the HL units' respondents.

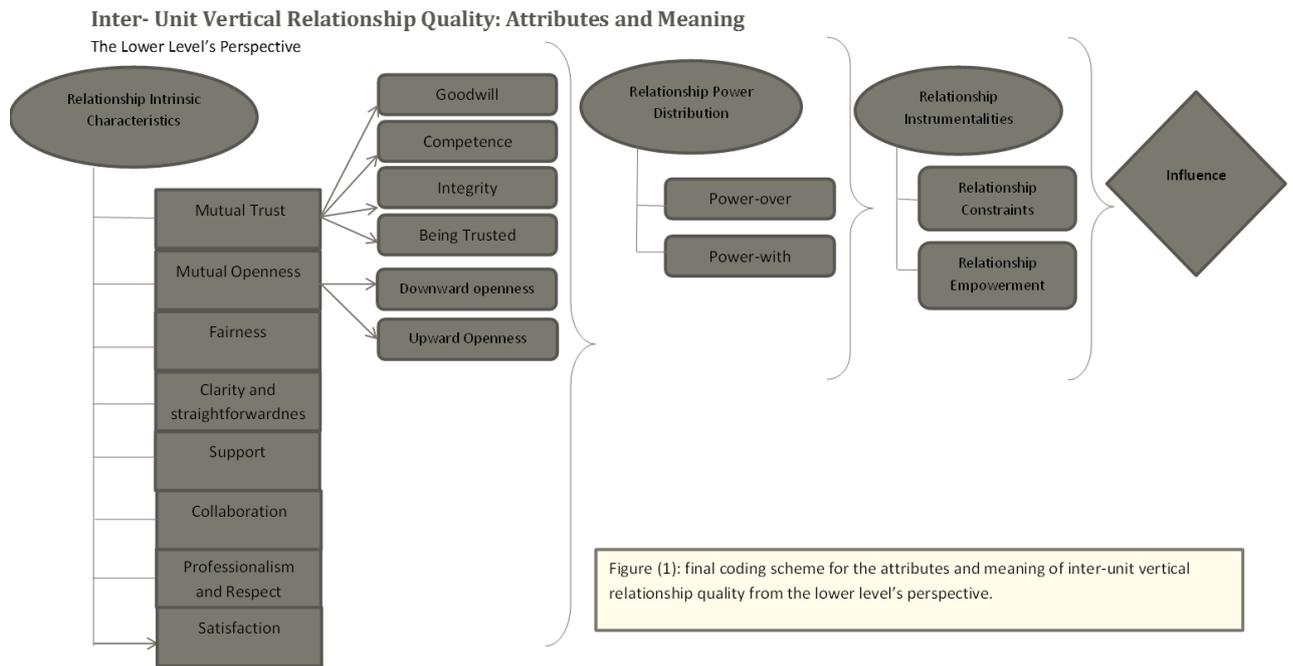
A semi-open coding process<sup>75</sup> of the transcribed interviews was perused. Some of attributes attached to relationship quality in the business-to-business relationship marketing literature were identified. Before conducting the case studies, the relevant attributes were collected, analysed, and tested for face validity in a primary pilot study in January 2010. The pilot study involved six in-depth semi structured interviews with key boundary spanners representing the vertical inter-unit relationship in one of the case studies. Based on the pilot study, some attributes were discounted or added, while others were confirmed. Insights from the pilot study were partially considered in the coding process. However, the coding process has tended to be primarily open as I have been more concerned with the themes emerging from the data due to the partial relevancy of the reviewed literatures. Based on this semi-open coding process, a primary coding scheme has been developed. This was then followed by collapsing some of the similar codes to avoid unnecessary repetition.

The final coding schemes for the LL and HL units are shown in Figure 5.1 and Figure (5.2) respectively.

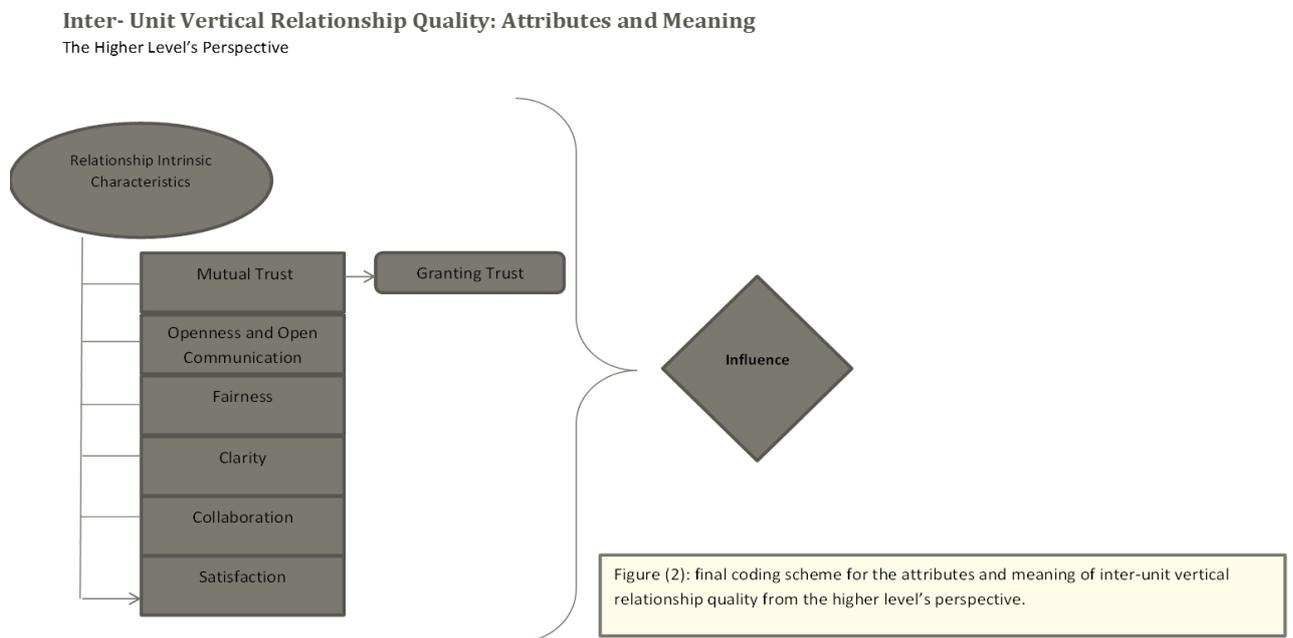
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<sup>75</sup> Coding here refers to the process of classifying and categorising the qualitative data.

**Figure 5.1: Coding Scheme Used for Data provided by the Lower Level Respondents**



**Figure 5.2: Coding Scheme Used for Data provided by the Higher Level Respondents**



This chapter draws a distinction between three interrelated concepts; the attributes, the meaning, and the perception of the VIRQ. The following table (Table 5.1) shows the difference between these three concepts.

**Table 5.1: Difference between an *Attribute*, a *Meaning*, and a *Perception***

Attribute	Meaning	Perception
<p>According to the Oxford Dictionary, an “attribute” refers to <i>“quality or feature regarded as a characteristic or inherent part of someone or something”</i>. It can refer to <i>“an object associated with and serving to identify a character, personage, or office”</i> (The Free Dictionary). Attributes are the identifiable or the “felt” properties of the ideal relationship that can be measurable. However, it does not refer to the overall meaning; it just refers to an associated character or a property of the meaning. Hence, it can give an incomplete or probably a deformed picture about the essence of the object understudy, if taken individually.</p>	<p>A “<i>meaning</i>” in the Free Dictionary refers to <i>“the sense or significance of a word, sentence, symbol..”</i> or <i>“the purpose underlying or intended by speech, action... etc.”</i> It can denote <i>“the inner, symbolic, or “true” interpretation, value, or message”</i> (The Free Dictionary). A meaning thus refers to the essence or the significance of an object or an expression.</p> <p>The meaning can be more implicit and therefore it requires a degree of sense making and inference.</p>	<p>A perception of VIRQ refers here to the perceived assessment of its associated attributes and the extent to which its underlying meaning is realised.</p>

This chapter covers the analyses of both the attributes and the meaning of VIRQ, while the perception of VIRQ is covered in Chapter 6. This is one of the contributions of this study as most of the reviewed studies of relationship quality in the marketing literature tend to focus on the attributes without inferring the meaning of relationship quality in a given context.

This chapter builds on cross–case study analysis rather than within–case study analysis in order to derive the common attributes and the underlying meanings as shared across the different cases. It aims to provide abstracted attributes and general meaning. This chapter is therefore divided into two main sections. The first section reports the attributes and the meaning from the perspective of the LL unit respondents while the second section reports on the attributes and the meaning as seen by the HL unit’s respondents.

## **Section I**

### **5.2: Attributes and Meaning of VIRQ from the Lower Level Unit's Perspective**

#### **5.2.1 VIRQ Attributes**

In this section, the meaning and the attributes attached with a perceived “favourable” or “unfavourable” relationship are discussed in the light of the data collected. To understand the attributes and the overall meaning, interviewees from the LL unit were asked the following questions:

- What would the idea of relationship quality or a favourable relationship mean to you?
- What attributes you think would make up for a good vertical relationship?
- Could you describe an incident which you consider a representative of a good relationship?
- Could you describe an incident which you would consider a representative of a poor relationship?
- How would you describe the relationship between your BS and the HL within the last one or two years (depending on the knowledge of the respondent of the relationship history)?
- What aspects do you find most satisfactory and what aspects do you find least satisfactory in the relationship?

##### **5.2.1.1 Personification of the Relationship**

While the purpose of the interview and the focus of the questions were on the inter-unit relationship between the Business School (BS) and its Higher University Authority (HUA) (hereafter called the Lower Level (LL) and the Higher Level (HL) units of the vertical relationship) respondents tended to personify this “institutional” relationship. Responses show a tendency towards reference to a certain person or a group of people who mentally

represent this inter–unit relationship to them. Such personification is evident in almost all responses obtained when asking about the relationship with the HLU. Individuals representing the vertical relationship to the BS are therefore an inseparable part of the institutional relationship; to the extent that a change in those individuals meant a change in the perception of the vertical inter–unit relationship itself. However, such personification tends to be represented in the key powerful people, or sometimes the individuals who are believed to possess the highest ability to initiate or withhold change in a given status quo. Therefore, the personality of that person/group of people in power tended to have a profound impact on the way the institutional relationship was perceived and expressed.

*“...a lot of it [the inter–unit relationship] is personal as opposed to constitutional. I was hired by a different VC ... and there was a certain set of understandings at that point ..[..]. We now have a new VC and those understandings have changed.”*

The vertical inter–unit relationship, thus, becomes the relationship between the key people from both sides who are likely to possess the highest structural power (normally the Dean of the BS and the VC or the PVC representing the HUA). The vertical inter–unit relationship is a relationship between individuals who are agents for the units they represent. Such relationship inevitably involves an element of power that could be manifested in the ability to restrict or enable an action through the different mechanisms of control or through the power of decision making.

### **5.2.1.2 Relationship Intrinsic Characteristics**

Since the relationship tends to be personified either in a group of people or in key individual(s) who have the most power on the terms of the relationship, the relationship tends to have some intrinsic “social” characteristics. All the respondents have placed an emphasis

on the relationship intrinsic characteristics when they were asked about the attributes of an ideal vertical inter-unit relationship. Such intrinsic characteristics tend to reflect the “soft” perceptual aspects of the relationship.

#### ***5.2.1.2.1 Mutual Trust***

Trust was the most common and most highly appreciated attribute of a favourable relationship. Many respondents have expressed trust as the key element in an ideal relationship, while some respondents identified trust as synonymous to an ideal relationship. However, the way respondents expressed and conceptualised trust was sometimes different. Trust was manifested in four different facets; goodwill trust, competence trust, integrity trust, and finally the quality of being trusted. The LL unit respondents have indicated that there was a need to be granted the trust of the HL unit as this meant that they would have more discretion or autonomy. Similar to having trust, being trusted could be further divided into trusting the goodwill and the competence of the LL.

##### ***5.2.1.2.1.1 Goodwill Trust***

Goodwill trust is related to the reputational characteristic of an entity. It is based on a track record of previous encounters where one party of the relationship has been dependent on or vulnerable to the other. Goodwill trust can therefore be based on a history of keeping promises, saying the “truth”, being open and transparent, avoiding manipulation... etc. It is closely related to the concept of integrity. To have a goodwill trust, integrity must exist<sup>76</sup>.

*“We do not entirely trust them as opposed to continue to keep to promises that have been made. I think there is some history of things has been agreed [on] and then*

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<sup>76</sup> The difference seems to be in the ability to build a track record or credible profile based on previous encounters or experiences which is based, at least partially, on integrity.

*overturned ... [...]... I think that one hasn't got a hundred per cent confidence that things will not be taken forward the way you would want ....”*

*“I did trust the VC that he was going to deliver the things he said that he was going to give me and he did. So he has been true to her word, it is as simple as that really. So yeah, trust is the single biggest [attribute].”*

A relationship that is characterised by trust has, therefore, relatively less suspicion [concerning] the intentions of the other party to the relationship as the history of previous encounters or the track record enhances the predictability of having a “positive” or a desirable futuristic outcome. Suspicion is thus a feature of unfavourable relationship.

Trust was generally accompanied by openness. In order for the LL people to have trust in the HL, the latter should be open about the reasons and the motives underlying decisions or non-decisions. The LL people look for genuine reasons and motives via transparent communications. Such open and transparent communications that underlie trust provide the basis for building common purposes and common understandings where LL unit moves from ambiguity and passive obedience to active participation.

*“Then you have to trust as well that the reasons that you have been given are genuine reasons. We need to do this because we have to meet X targets, we need to do this because this school is doing badly and you are in a position to do better. But the trust is irrelevant if you have not got the openness. If it is a closed system where the VC comes and says we want you to do this, do it, then in that sense trust does not matter.”*

#### **5.2.1.2.1.2 Integrity Trust**

Integrity, honesty, frankness were also stressed as key elements in an ideal relationship.

*“Relationship quality would mean to me a reasonably open and honest exchange of high integrity information that both parties can believe to be true with a degree of confidence.”*

According to the Oxford Dictionary, integrity could refer to honesty or completeness. It is, therefore, based on uprightness, morality, and ethical soundness. An interaction that involves a perceived element of selfishness or perceived to be driven by self-interest at the expense of the other party to the relationship is deemed to negatively affect integrity trust. Self-interest behaviour can increase the chance of manipulation and decrease openness and transparency between the relationship actors. Interactions motivated by the self-interest of one party can result in unfair transactions or unjustified decisions being imposed on the less powerful party to the relationship.

*“... but also trust in the sense that if we agree something to deliver, we have to deliver it. Equally, if we deliver it and that offers resources, these are not taken away. That happened quite a few times, i.e. you do this, and then we will give you the resources later. Well, we did it, and then the resources never appeared.”*

#### **5.2.1.2.1.3 Competence Trust**

The third identified facet of trust was related to trusting the ability of the HL people to act in the best interest of the LL unit. While both goodwill and integrity trust seem to share common grounds, competence trust is somehow distinctive in that it does not question the *intensions*, rather it focuses on the *ability* of the HL people.

Questioning the competence of the HL people was manifested in different ways starting from questioning their general management philosophy to questioning their ability to take the right decisions at the right time. Lack of competence trust is partially caused by lack of common

understanding or non-unified interests that make the LL people doubtful about the ability of the HL people to take the appropriate decision.

*“For example, we have a certain problem and to tackle it you need to do this and that, so that is pretty straightforward. So the reasoning is absolutely crystal clear...[.].. Everybody knows it, and what has happened. Nothing... Nothing. Why? This is terribly complex but probably the reason is there is no [senior] who is prepared to put on reason on the table and demand that it is met, rather it is in the [senior] interest to say: ‘So what do you guys want to do about it!’. Because it then becomes somebody else's problem. That is a result of inability, lack of strength associated with that inability..[.]..for that you need somebody to stand up and be decisive.”*

*“I guess one of the problems is that it sometimes takes a long time to make the decisions and they do not understand that we need decisions made so move on things. I want them to challenge us, so if we are going with a business case I expected to be challenged ... [.].... But once you've done that then I expect them to come to a decision fairly quickly and not get involved in all sorts of reasons and delays, which does sometimes happen and that is problematic.”*

#### **5.2.1.2.1.4 Being Trusted**

All respondents emphasised the quality of being trusted, sometimes even more than having trust in the HL people, as a key attribute in an ideal relationship. While the mutuality of trust is often desirable, being trusted was closely tied to the concept of autonomy and discretion to take control. The trust of the HL people is therefore a key aspiration for all the LL units represented in the study; whether such trust is exemplified in certain key individuals in their capacity as representative for the respective LL unit (for example, the head of the BS) or at the institutional level (for example, trusting the school as a whole to meet or exceed

performance targets). Similar to trust, the concept of being trusted was subdivided into competence and goodwill, although it was hard to draw a definite line between them at many instances. Given that goodwill is based on a certain profile or a track record, lack of confidence in the competence can affect the goodwill of a certain entity/individual and vice versa. However, having trust in the competence of the LL unit seemed to be more central to the LL unit as its track record should be built on deliverables and achievements.

*“..[..]... I don't think they are trusting us. We feel a lack of trust and respect at the minute.”*

*“....[..].. but if I were the PVC, I would have left the individuals schools to decide about it. ..[..].. but it indicates that they don't have full confidence in the way schools are operating and so on.”*

Interestingly, being trusted is an attribute that is earned before it is granted. It is a sought after attribute that is within the hands of the LL unlike the other attributes. Representatives of the LL unit consciously recognise the importance of being trusted and that it is reciprocated by having autonomy and support from the HL unit. Therefore, representatives of the LL unit consciously build and develop that kind of trust (see Chapter 7). Sometimes, the representatives do not only rely on the deliverables of their unit to build a credible profile but they also resort to emphasising their personal abilities and experiences in their attempt to gain the trust of the HL people.

*“... also a quality in terms of having confidence in me as the head of the [school], or the head of the [school] to be able to deliver on that. So if I sense that either the PVC or the VC did not have confidence in me that would be very difficult. I got to deliver and I go to convey the way which I am delivering and they have got to appreciate that..[..].. So if I didn't think I had that confidence it would be very very difficult.”*

However, this also implies that if the highly priced credibility is not met by reciprocal trust and hence autonomy and support from the HL, this could result in poor relationship as expectations are not met. Not being trusted is usually seen negatively as it can lead to unnecessary interference, micromanaging, or in extreme cases spying.

*“... so that is perhaps the strategy that is being pursued; to keep an eye and not to give us too much autonomy, just in case we make mistakes, there is a lack of trust in terms of what we might do.”*

#### **5.2.1.2.2 Mutual Openness**

The previous discussion suggests mutual openness as a key attribute in a sought after relationship. The link between openness and trust is strong as the relationship between them can be bidirectional. Trust can be an antecedent to openness and vice versa. Usually, the mention of openness is mixed with the flavour of trust and the mention of trust has the flavour of openness; particularly if such openness could potentially be misused. In case of potential negative consequences, being open involves potential vulnerability to the other party. Therefore, similar to trust, openness is subdivided into being treated with openly as a LL unit (will be referred to as downward openness) and the ability of being open with the HL (upward openness). It is mutual openness that contributes to favourable vertical relationships.

##### ***5.2.1.2.2.1 Downward Openness***

Almost all the interviewees focused on openness as a key element in a sought-after relationship. Openness is stressed as it does not only underlie trust, but it implies a level of shared understanding necessary in any collaborative relationship. Openness is seen as a key element in a productive working relationship as the ability of realising synergies and support is sometimes contingent on this quality.

*“... So if the PVC was not open, this [working on a collaborative project] wouldn't have happened.”*

Along with communication openness in general, most respondents highlighted the importance of being given the reason why certain decisions are taken or not taken. Such explanation changes the status of decisions from being imposed to being justifiable and “understood”. It is such explanations that turn the quality of openness to transparency.

*“I think the most important aspect of it is openness, we recognise that is that the specific interest of the school and the interest of the University can coincide. So for example, there will be occasions when it will be in the interest of the University for the BS to take more students, say for example, when we might as a school feel we don't want to take any more students than we planned. So I think the crucial thing here is openness, so we know as early as possible that is going to happen and that the representatives of other parts of the University explain to us **why that is necessary...**”*

A political or an unhealthy relationship is thus characterised by lack of transparency and elevated suspicion between the two parties of the relationship. Such suspicion increases opaqueness and reduces transparency as the involved parties have different and sometimes hidden agendas, where transactions are motivated by conflicting interests. Transparency is a key element in a productive vertical relationship. Transparency is a step beyond openness as openness refers to a free exchange of information, but transparency refers to sharing the underlying reasons and causes in a way that the two parties to the relationship have similar access to the same information. This can then enable building a common perception provided interactions are seen to be mutually fair.

*“I think we would like to have a less suspicious relationship than what we have. It is quite a political environment that you are not sure of the subtext...[..]... In terms of*

*cross subsidising, you would like to have the conversations openly rather than just cover the resource flows in confusion so you can't quite trace it. You know, it is about transparency.”*

#### **5.2.1.2.2 Upward Openness: Being Open with no Fear of Repercussions**

While being treated with openness implies having common understanding and a common frame of reference and while it eases up some of the hierarchy inherent to vertical relationships by providing justified rather than imposed decisions (or non-decisions), being open is usually accompanied by the lack of fear from the other party to the relationship. Respondents highlighted their need to be open with their “seniors” or the HL people while not fearing the consequences. In a way, this refers to a supportive relationship as opposed to a suspicious relationship. The link with trust could be easily induced as such openness could be built on the goodwill of the two involved parties and perhaps an element of competence trust. Goodwill in terms of un-opportunistic and unselfish intentions from both parties and an element of competence trust in terms of trusting the ability of the refuge to protect the refugee.

*“Well, it [relationship quality] would mean to me [that] I would be able to say to the VC well I got caught up, or I have got a problem here. Basically, to me it's about being open and he [the VC] knows what happens and I can chat with him about what's going on in a constructive sense. Not like a naughty school boy going to the headmaster for a good thrashing... [..]. So it is not a kind of going for kind of Spanish Inquisition, you have not done this and that... [..]... I think it is been able to actually sensibly to talk about bad news, or things that have not gone so well. It is not a case where you start to hide and say oh God..[.].So I think it is being able to put your cards on the table and see, look, this is what's going on. And by doing so, you*

*are not undermining your own position with the VC because he is well aware of various things that go on.”*

Fear could characterise coercive relationships where the follower fears the consequences of non-obedience. Nonetheless, there is also the fear of general risk that can equally affect both parties to the vertical relationship; yet it tends to be more sensed by the LL unit. Fear can inhibit the ability of the LL unit from being open whether such fear is being manifested in silence, twisting facts, or passive obedience. Regardless of the way of its manifestation, fear is not a characteristic of a healthy relationship nor good management as it makes what is essentially a two-way relationship a unidirectional one.

*“... and the other problem, I think is that [the person representing the HL unit] very frequently gets very angry in meetings at individuals and so one of the consequences is that colleagues at the top team are unwilling to voice their opinions or [get] anxious about voicing their opinions, so they tend to look to see what [his] position is first before voicing opinions, and what that does is of course creates very ineffective vertical relationship, because the quality of communication and discussion and debate is dramatically reduced. ..[..].. the quality of vertical relationship is really affected by that because it means that there is not an openness of discussion and debate and sharing of information and it leads to defensive behaviours around the University where people are faking good rather than having honest open discussion about the functioning of the organization.”*

Openness is nurtured by shared aspirations and understanding. Therefore, what could also underlie the lack of openness is the existence of different agendas or different priorities. Differences in aspirations make openness more of an unproductive effort that unnecessarily increases the vulnerability of the party being open.

*“There is this residual suspicion, because, if you like, the way things operated previously as to one can and cannot say...”*

### **5.2.1.2.3 Fairness**

Mutual trust and openness with the sub-quality of transparency could be some of the concomitants of fairness. Fairness is more likely to be perceived if one party to the relationship trusts the other and thinks that the other party has been open and transparent in sharing information and causes. According to all of the respondents, fairness has been identified as another key attribute of an ideal relationship.

*“The attribute of a good relationship quality must be fairness in that we are seen to be treated fairly...”*

Perhaps the stigma of BSs as main income generators in their universities has made this attribute more prominent. The stereotype of a “cash cow” or a “cross-subsidiser” has been a key and a common issue across the different cases as the very concept of a cash cow implies exploitation; hence it contradicts with the quality of being fair.

*“We are a cash cow. We never get any of it back and in a sense, that has been true for some years.”*

In vertical relationships, fairness is based, at least partially, on sharing similar views. A given decision or transaction can be fair from the perspective of one party to the relationship but not necessarily from the other’s perspective. Fairness, therefore, requires openness and transparency to provide convincing arguments as to why certain decisions have been made and how such decisions are being “justified” (made to appear just). Yet, understanding the different perspectives is not a guarantor to the perception of fairness. Perceived fairness also requires the *appreciation* of the different reasons and positions.

*“That is why the [change in the] financial regime was so important, because the fact that we're paying a percentage of gross [income] meant that we are cross subsidising other parts of the University, so somehow we have to stop doing that....[.]. I mean we have not asked for anything, we just want them to stop robbing us. As they saw it, we are making these outrageous demands for more money.”*

Nonetheless, the concept of fairness remains ambiguous. Does fairness refer to equitable non-discriminatory decisions and transactions or it involves attributes beyond equality? Is blind equality fair? Is it about transparency? Most of the respondents emphasised the BS difference from other schools in the University both in terms of its financial contribution and in terms of its different needs. In their view, the BS can generate more income than other schools because it offers “premium” services to its students. This makes the synonymisation of fairness with equality or transparency in itself unfair. Fairness in the view of the LL unit’s respondents’ extends beyond blind equality to include an appreciation of the difference in positions and needs.

*“Now that was for all the schools in the faculty. We have been treated just like any other school in the faculty. I mean the difference between the BS and the other schools that we have a lot of management and professional people of our own, so we did not rely on the University. For example, we are the only school in the University to have its own marketing department ...[.]. But then, we were hampered by being kind of micromanaged, by people who do not know anything about the subject...[.]. Yes I think they wanted to treat all the schools the same and be seen to be treating all the schools in the same way, but I'd think that kind of relationship did not work for the BS... [.]. We were contributing very high amount of the University to pay for the services that we hardly ever used because we run our own. So we were paying twice in effect.”*

#### 5.2.1.2.4 Clarity and Straightforwardness

Relevant to the concept of openness is the concept of straight forwardness and clarity. Openness is a characteristic of information exchange, however, straightforwardness or clarity is related to personalities, processes, or procedures. The exchange of information can be open but the overall process might be unclear or ambiguous. However, straightforwardness and clarity as well as openness are interrelated as straightforwardness/clarity could enhance openness and vice versa.

*“So I think they've got the responsibility of giving is very clear strategic direction.”*

*“I suppose it was frustrating getting used to the new system, you don't know what was needed. Submitting paperwork was rejected because it wasn't what was needed, but there was no clarity what was wanted ...[.]... So that created delays and as I said frustrations. The time to process say staff appointment seem to be elongated because of the back and forward asking of questions, because those cases go to meetings that would happen once every two weeks. And at times once a month, then you can imagine how long it will take to get a vacancy agreed and the difficulties that then creates in being able to run your operations.”*

Lack of straightforwardness can be also a personal attribute (of the boundary spanner who is taking part in the vertical relationship) that moves into the institutional arena if such person is in a position of power.

*“I had bosses whom you never knew what they were thinking. Much easier to have people who just open and straight forward and if they are angry unhappy, you know that they are angry unhappy, you don't have to guess.”*

#### **5.2.1.2.5 Support**

A relationship that is characterised by support has been also identified as an ideal relationship, as suggested by all respondents.

*“It is a very good relationship we have an immense amount of support from the University, they have been extremely supportive for everything that we have been doing in terms of providing the financial resources that allowed to BS to keep going and flourish ...[.]. Ideally a good relationship is very working relationship, in which one feels one is supported by the University.”*

#### **5.2.1.2.6 Collaboration**

Another relatively important aspect in an ideal relationship is to have a collaborative relationship that is based on partnership and teamwork rather than hierarchy. Ten out of 43 respondents explicitly stressed the need for a collaborative vertical relationship. A collaborative relationship is based on consultation and joint decision making rather than orders or imposed decisions. Collaboration towards a common goal could be the cement that holds a relationship as it is based on the notion of sharing which does not only relieve the sharpness of the hierarchy but also helps building shared views and understanding.

*“I think that the big issue for the University downwards is [that] the University top team presents issues, discusses issues in a mode that is collaborative, so you don't feel that there is a kind of bullying going on, that they are using their power to push things through at the [BS] level.”*

#### **5.2.1.2.7. Professionalism and Respect**

Other attributes that have been highlighted by the respondents of the LL unit included professionalism (mentioned by only three respondents) and mutual respect (mentioned by

four respondents). Professionalism is expressed in terms of avoiding the involvement of negative personal emotions in the relationship.

*“[Example of a poor relationship] the PVC was responsible for deans there, and it was just an [all-out] warfare... It was personal; it had gone beyond reason. So it was an opportunity to point score, put down, compete, and it was destructive. You know the BS did not get heard when it should have done just as a consequence of the personal relationship. That was not based on professional conflict, and it has broken down.”*

#### **5.2.1.2.8 Satisfaction**

All responses reflected a form of satisfaction or dissatisfaction with the relationship; both in the course of the conversation as well as in answering the question about the description of the state of the relationship. Phrases such as “it is good” or “it is fine” imply a reflection of satisfaction. There was a more explicit expression of satisfaction when respondents expressed it in terms of “yes, I am satisfied or I am not”. The facets of satisfaction tended to reflect the previously mentioned attributes, particularly openness and support. Respondents tended to be dissatisfied with excessive control or lack of fairness. However, (dis)satisfaction was generally associated with the (dis)ability of realising a desired impact or outcome. In addition to reflecting the previously mentioned intrinsic characteristics, satisfaction also reflects a conscious calculative process comparing the relationship benefits with the relationship cost; and the relationship constraints with the relationship empowerment. This last point will be highlighted in further detail in Chapters 6 and 7.

*“Yes [I am] very much satisfied, I think it is a very good relationship, a very good balance and very supportive relationship.”*

*“I was a bit disappointed. It is quite frustrating..”*

### **5.2.1.2 Relationship Power Distribution**

The previously mentioned intrinsic characteristics are reflected in another dimension, namely whether the relationship is a power-over or a power-with one (cf: Follet, 1924; Gohler, 2009). This level still describes the perceived intrinsic characteristics of the relationship; but in terms of the relative power distribution between or among the actors of the relationship. The previously mentioned set of social attributes can be seen as associated with power distribution. This section is concerned primarily with the perception of power distribution as a key attribute in determining the quality of vertical inter-unit relationships.

#### **5.2.1.2.1 Power-Over**

A relationship which is characterised by power-over is a relationship where one party holds or controls the other's aspirations or ability to do something that would have been otherwise attempted. A power-over relationship is thus referring to a relatively more powerful relationship actor that exerts undesirable control over the other. Constraining in its very essence, a power-over relationship is where the party exercising power over the other is *more* concerned with its own needs in a way that could affect the other party unfavourably. In power-over relationships, power-over dominates over empowering, imposition and control dominate over *effective* consultation, monopolising dominates over sharing, and unilateral ideas dominate over synergetic thinking. These are relationships in which power is relatively concentrated at one side.

All respondents (except one) identified constraints imposed by the HL unit; however the presence of mere constraints does not indicate that relationships as ones of power-over. Power-over is a property of power distribution. Moreover, every relationship has its own constraints and therefore power-over is a relative not an either-or dimension. It is rather a general characteristic of the relationship in which the hands of one party are *relatively*

paralysed due to the power exercised by the other party in the relationship, whatever the way and form of such power exercise.

All respondents referred to a perceived sense of power–over/ power–with in their vertical relationship, although power–over was more commonly perceived (this is not surprising given that the very essence of vertical relationships imply inequality in power distribution. However, a hierarchical quality tends to be felt in some relations more than others). In many instances, power– over was explicitly articulated as imposition, lack of sufficient autonomy, latitude, cooperation, or integration. Power–over relationships are typically described as unilateral one–way “relationships”.

*“My perception is that we increasingly had to compromise rather than [integrate decisions]....[..]. The way we are making decisions in this University now is we are not seeking integrated decisions, but actually, there is a much higher degree of top down command and control which is inhibiting integration of decision making so there is not an openness of discussion, and exploration of positions, and exploration of context in order that we can then come to a collective decisions about the most effective and innovative way forward. ..[..]. It is very much more command and control and what that is leading to is a great deal of compromise and I think low quality decision making as well.”*

While the previous quotes refer to the tendency of some relationships to be unfavourable to the LL unit in terms of their power distribution, they also infer that the very process of power distribution lies within the hands of the *HL* unit not vice versa. The *HL* makes decisions either in an integrated or an excluding manner when it decides to; it consults and listens to the *LL* when it decides to; it gives some autonomy and takes the context into consideration when it decides to.

### **5.2.1.2.1.1 Power Concentration**

However, other respondents referred to a more explicit form of power concentration at the HL unit. Power concentration in vertical relationships can be represented in certain individuals by the merit of their structural positions (for example the VC or PVC) or it can be represented in certain powerful groups. Speaking about power concentration in the hands of the person(s) holding the most senior position(s) in the relationship was common as suggested by different respondents. This can be related to the point highlighted earlier about the personification of the relationship. However, at its worst form, this could create a form of organisational “*pharaonism*”<sup>77</sup> where the arrogance of seeing the wider picture blinds the eyes from seeing the contextual specificities and deafens the ears to listening to others’ voices.

*“I think within the University setting, clearly the VC is god ...[..]. I use example of where some VCs would see themselves as little emperors or gods. You are not here to question, you are here to do X and Y.”*

*“It is perhaps going back to an arrogance that the management of the University believes they know better in many instances about the BS and the management of the business and of course this is unlikely to be the case. Let me [give] an example. The [HL person] took a very important decision about the BS without consulting the management of the BS and we then had to fight the decision for some months to overturn it and what that was a very difficult process. But the idea that the management of the University will make decisions about the BS without consulting the BS. So in my mind that is extraordinary”*

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<sup>77</sup> Apart from being an Egyptian cultural ideolog, *pharaonism* is sometimes used to refer to the concentration of power in the hands of a single group or person and to refer to the adverse implications of such power concentration.

Moreover, the perception of power distribution tended to differ with the change in individuals holding the key senior positions. This could imply that power-over could reflect some personal characteristic tendencies of people holding key positions.

*“It is an interesting cultural difference because our previous VC, she was a very strong woman, and I think she created an impression of being a bit of a bully and I think there was a bit of resistance to her because she was felt to be too forceful whereas the present VC tends to be rather more relaxed, there is a feeling of greater collaboration with him...”*

Even when the relationship is not explicitly described as hierarchical, power distribution inequalities can be hidden behind the silky curtains of the so called un-hierarchical flat organisation.

*“Well it is hierarchical, it is not a strong hierarchy in orders, but there are these distinct groups for sure ...[..]. The ultimate power of course is with the University as against to the school. This is a very flat in institution but it's not just a question of a flat or not. It is a question of what goes on within this flat form. Yes, power lies with the centre.”*

#### **5.2.1.2.1.2 Consequences of Power Concentration**

Respondents have also highlighted a number of consequences when they perceive the relationship as power-over. Having less power or authority than the position requires leaves the holder of such position in a state of frustration due to the perceived inability. This is normally more common in the LL unit. In such situations, these power limited people search for the unconventional ways to gain some of the required authority; including different influencing techniques (see also Chapter 7).

*“When I was dean, I characterise my position of that time as primarily having no power whatsoever within that system. I had no authority and really the only way I could get things done was either by blocking things which you could do by influencing people. So it was very much an influencing job and the danger with that system is that you end up being a post box..[..]... They [deans] did not really have autonomy, they had no real authority. They had very limited power and the real power in the University, so the dean was in the middle of nowhere.”*

In one case, the ability of the LL people to set strategic directions for themselves was partially degraded because the LL unit was deprived such authority for a long time.

*“He [the head of the strategy group] commented in response to a question that as we are making a bit of surplus now, how would you want to spend it and he said we are kind of got out the way of making decisions about that kind of things and it was so interesting comment that they got so used to sort of follow policies and not having any kind of slack, that they sort of forgotten how to make strategic decisions and I think this is a real problem.”*

#### **5.2.1.2.1.3 Power–With**

A power–with relationship is where power is perceived to be relatively more favourably distributed but not necessarily equally distributed. Unlike power–over relationships, power–with relationships are based on partnership, cooperation, collaboration, and synergetic sharing. These are essentially empowering relationships where the perception of dominance is relatively lower and where the mutual benefit of the relationship parties motivates joint actions and decisions.

Having the voices of the LL people heard, having their input into consideration, and having them represented in key decision making boards create a perception of mutual empowerment

and a lesser sense of hierarchy. The very process of collaboration towards mutual interests (that are not necessarily similar but mutually beneficial) can unlock some of the concentrated power at the end of the HL unit.

With relatively much fewer quotes than power-over, most respondents tended to associate power-with relationship with a high quality relationship or with relative satisfaction. Power-with has been expressed in terms of different manifestations of the concept of sharing such as devolved power, joint decisions, and working together (as opposed to working for them). In addition to building shared views between the parties to the vertical relationship, power-with also breaks the arrogance of “seeing the wider picture” inherent in power-over relationships.

*“I would say I have a quality relationship if: a. I can influence the decisions of the University, b. If the University made decisions that we are informed by them ...[..]. So it is a symbiotic relationship really.”*

### **5.2.1.3 Relationship Instrumentalities**

The previously mentioned intrinsic characteristics (both the relationship “social” attributes and the relationship power distribution) are manifested in a third level of the relationship characteristics; the relationship instrumentalities. The intrinsic characteristics are translated into a constraining and/or empowering relationship to the LL unit; and the presence of constraints or enablers implies certain relationship intrinsic characteristics. Therefore, both the relationship intrinsic characteristics and the relationship instrumentalities are presumed to be highly associated. For example, a relationship with low levels of mutual trust, openness and fairness, and a perceived high level of power-over is expected to be a constraining one to the LL unit and vice versa. This section is devoted to discussing some of such manifestations as reported by the respondents.

#### **5.2.1.3.1 Relationship Constraints**

Respondents have pointed out the presence of relationship constraints alongside certain relationship “enablers” or support that the LL unit receives by the merit of the relationship. However, all respondents (with only one exception) have stressed certain relationship constraints both when they were asked about the aspects that they found least satisfactory in the relationship and also through the course of the conversation in general. Quotes about relationship constraints have the highest number and the longest word count compared to all other quotes.

A key question is “constraints on what?” Any relationship has its constraints by the merit of the inclusion in the relationship itself; this can be referred to as the relationship cost. However, the relationship should be also sufficiently beneficial to the relationship parties otherwise they are incurring unjustifiable costs. Being beneficial implies that the relationship synergies are enabling or empowering the relationship parties to deduce certain direct or indirect benefits that they would not have realised otherwise, given a certain cost. Such

benefits could come from their internal (benefits from within the relationship) and/or external environment(s) (benefits realised outside the relationship– similar to the concept of power–to).

A within–relationship constraint is a manifestation resulting from the distribution of power within the relationship (for example, it can be manifested in unfair distribution of the certain benefits after such benefits have been already internalised and became a property of the relationship itself). An external–relationship constraint is related to constraints beyond the boundaries of the relationship. It can be explained in the loss of certain *external* benefits that would have been otherwise achieved if a given relationship actor is free from the relationship (for example, constraining the ability of one party to the relationship to do something related to its external environment). However, both within–relationship and external–relationship constraints can be highly interrelated as a given distribution of power within the relationship can result in certain ability to act in the external environment. Likewise, the ability to derive benefits from the external environment can affect the distribution of power within the relationship. Both types of constraints have been highlighted by the respondents.

As mentioned before, relationship constraints are closely related to the idea of distribution of power (power–over or power–with relationships). The very word constraint has been used in many instances as synonymous to exercised power. However, constraints in this subsection are outcomes of the perceived intrinsic characteristics discussed above. This subsection thus focuses on the results or the outcomes certain perceptions rather than the perceptions themselves.

Within–relationship constraints could reflect the degree of latitude of the LL within the relationship. Examples of the lack of the required latitude can range from imposition of minor bureaucratic procedures or some structural constraints to lack of financial autonomy. A

perceived lack of sufficient financial autonomy was reported in almost all the cases studies (except one). The shades of the lack of financial autonomy were also seen on other different aspects of the relationship and were accompanied by much dysfunctionalities.

*“But for me, at this point of time, the biggest constraint is that the University actually doesn't let us get on and manage within our envelope of resources. That is a huge problem.”*

*“We are constantly constrained by HR provisions clearly in recruitment. We are recruiting about [X number] more faculty each year. Every single one of those has to go through some committee. But we recently for example we wanted to recruit the building manager is this year, it was just rejected, even though we had some money to support the post and the need for post, somebody somewhere is saying you know you don't need that somebody is second guessing.”*

External–relationship constraints are typically reflections of the within–relationship constraints as the internal constraints become manifested in the LL’s ability within the wider environment (and outside the vertical relationship). Perhaps, internal constraints which tend to be related on the LL unit’s ability to function as desired within its own external environment are perceived more adversely than other internal constraints that have less extended impact, or perhaps the LL unit tended to focus on the external–relationship constraints more in their discourse to justify their frustration. Due to the perceived lack of autonomy, the LL stressed that they were not able to adequately satisfy their different the needs of their stakeholders or realise their full potential.

*“We want greater autonomy in decision making. To give you an example, if you want to employ a cleaner to do extra three hours’ work, for example we want to extend the contract to do extra three hours’ work, we can't, you have to go to the faculty to ask*

*permission to do that, which is just crazy. If you look at all the accreditation bodies like EFMD, the EQUIS accreditation, one of the first things they investigate is the autonomy of decision-making and at present we have got far less autonomy than we would desire, it hinders us in our day-to-day operations.”*

#### **5.2.1.3.2 Relationship Empowerment (Benefits)**

Rather than being constraining, ideally any given relationship should be helpful to both parties to the relationship. Togetherness inherent in the very concept of a relationship creates additional ability to the relationship parties; they are able to do something together that they won't have been able to do individually. A good relationship is thus ideally empowering. Similar to relationship constraint, relationship benefits are instrumental manifestations of the previously discussed intrinsic characteristics. All respondents have identified that their vertical relationship has its beneficial side (even though the extent of the relationship benefits is relative and should be taken into context. This will be elaborated in further details Chapter 6). Relationship empowerments can also impact the perception of the different relationship intrinsic characteristics. Both strategic potential benefits and short-term or already realised benefits were stressed by the different respondents.

*“It is a very good relationship we have an immense amount of support from the University...[.]..., right from the beginning, the University has been extremely enthusiastic about establishing [the] BS, and clearly keen to see this as a world-class institution, and via the [intermediate level], they have been extremely supportive for everything that we have been doing...[.].. it has been very supportive in terms of the financing of the BS, the BS has started some X years ago and the University were critical in providing the financial resources that allowed to BS to keep going and flourish, it takes advisory support ..[.]... In a numerous way we benefit from the relationship”*

*“... it is a very kind of supportive relationship and we do have one-to-ones and I do ask him [the VC] for things, sometimes he says no, but equally you see things in terms of what is being delivered and he has put quite a lot of investment in to the BS in a number of important ways. So that is good...[.]. Basically you can get on and do whatever you want to do.”*

#### **5.2.1.4 Summarising Propositions**

- VIRQ is a higher order construct that is composed of multiple, yet interrelated five dimensions; trust, openness, fairness, support, and satisfaction. Trust, openness, fairness, support, and satisfaction are likely to be the key intrinsic social attributes that make up for VIRQ.
- From the LL perspective, the perception of the relationship instrumentalities (being empowered or constrained) is dependent on the perception of the power distribution in the vertical relationship. The perception of the power distribution in the vertical relationship is likely to reflect the perception of vertical inter-unit relationship social intrinsic attributes.

### **5.2.2 VIRQ Meaning: The Lower Level Unit's Perspective**

The different attributes attached to the VIRQ can be used to infer the underlying meaning of the quality of vertical inter-unit relationship. Taken together, the previously mentioned attributes of a high quality relationship crystallise into one important underlying meaning; the desire for strategic influence. The LL respondents have stressed mutual trust while placing particular emphasis on the quality of being trusted. Being trusted carries in its folds reciprocal autonomy from the HL unit as trust becomes a subtle and disguised control mechanism. The LL respondents also expressed the need for mutual openness. Openness and transparency imply that there are no hidden pretexts. Therefore, such qualities enable the LL people to better assess and comprehend situations and be in a better position to influence decisions based on the developed and enhanced understanding. Being open with no fear of repercussions also enhances the scope of influence of the LL people as fear does not hold them from voicing up their views.

The LL also laid emphasis on fairness implying that the meaning of fairness denotes special appreciation to the context specificities within a general framework of equality. Focusing on the appreciation of difference is a way of expressing the need for some latitude; different units do need different treatments and therefore equality itself becomes unfair. Likewise, clarity and straightforwardness provide better basis for influence as they enable a form of mental control over the dynamics of a given situation. An informed opinion is likely to be more listened to than an opinion that is based on speculations or assumptions. Moreover, the messiness of non-clarity can distract the LL people by creating an intentional or unintentional state of ignorance leaving the latter wondering what exactly is needed to be done.

The LL respondents pointed out to the need for support from the HL unit. This is deemed to be one of the key, if not the key, reasons behind accepting the structural power of the HL

unit. Support in this sense becomes an empowering mechanism for the LL unit within its wider environment (in this case relative to other Business Schools) as well as within its narrower environment (the University). This attribute can reflect the desire for influence by improving the ability within and outside the relationship (power–to and power–with). While collaboration also reflects the desire for empowerment, it indicates that a valued vertical relationship is when hierarchy is not felt. Collaboration implies working together towards mutual benefits rather than one party working for the benefit of the other. It implies a sense of togetherness and therefore mutual influence not dominance.

However, the idea of the desire for latitude and influence is more obvious looking at the power distribution in the vertical relationship. The LL respondents verbalised the need for a *perceived* egalitarian power relationship and expressed dissatisfaction with power–over relationships where the HL unit tends to retain supremacy. The relationship instrumentalities plainly conveyed the frustration with the HL unit’s dominance and showed the desire of the LL unit for autonomy and empowerment (see examples of relationship constraints and relationship benefits).

Alongside with the previous inferences, the LL respondents expressed the need for additional influence on the terms of the relationship more explicitly in all the cases studied. The need for additional influence is seen in quotes demanding further autonomy or latitude; or quotes expressing frustration with the relationship constraints and the excessive control of the HL unit.

*“Sometimes we just want to tell them to leave us to do what we want to do.”*

Realising that vertical relationships essentially embody power differential relationships, respondents from the LL unit expressed their need for having some influence on the

relationship as well as their own destiny by calling for a “heterarchy” in a gesture of renouncing the advantageous power position of the HL unit.

*“First it [an ideal relationship] is least as vertical as possible in the sense that we are seen as a strategically important node in the University and of equal value to other parts. I think the University could probably learn a lot from modern heterarcial companies which are not hierarchical in terms of how can these parts feel strategically important, able to learn each other, can operate, without being dictated to by a centre or several centres. So....The ability to have a control over your own destiny is equally important, and to come on with plans for them to be supported rather than being dictated to in a top down way.”*

*“I would like a sense more that we have a bit of freedom that we do what we would like to do ...[..]... I would like our BS to have a sense of its own destiny if you like rather than having parts of the University somehow second rated and I think we are moving towards that.”*

The desire of the LL unit to have a degree of influence in the vertical relationship was accordingly seen in quotes refuting the hierarchical power of the HL unit or stating that a good relationship is when they are left to do what they want freely. Moreover, respondents articulated the need for having influence by expressing the need for their voice to be heard and considered. Whether formally or informally, all the cases studied showed that the voice of the lower level unit is needed to be considered in the decision making process as a way of exercising some influence on the terms of the relationship and consequently on their destiny.

*“[Relationship quality] is the opportunity to be heard and listened to seriously when there are serious problems they are not been ignored...”*

Formal mechanisms are usually based on representation in key decision making boards. Informal mechanisms are usually based on favourable person-to-person relationships but not necessarily purely friendly inter-personal relationships (see Chapter 6).

*“There is directorate as they call it here and it is what it says on the tin. So I think the voice of the deans is not quite as prominent as it should be because we are not part of that inner core of four or five people, which again in a lot of institutions the Deans are part of the main the core decision-making, strategic decision-making team. I mean we do feel a bit of sort of left out and we feel we are underrepresented and we should be a part of the main ...[...]. strategic decision-making... in terms of strategy formulation.”*

*“I am not on [the key decision making board]. And that for me is the single most important sticking point. I have to know what decisions have been made, what the big picture is, and what changes are being proposed to the structure of the University. Those decisions are made by the VC and senior leadership team that I'm not part of. That is problematic because I represent a very big piece of the University revenue.”*

In many instances the voice of the LL people was not heard because it is part of a faculty (an intermediate HL) and only that faculty is represented in the key decision making process. This can reflect that, in a way, in order to be influential; the LL unit has to have a direct contact with the key power holders.

*“[Relationship quality] is one in which we have got instant access to the executive board of the University, to the VC and the PVC, so as to educate them and help them to understand.”*

Being represented in key decision making boards is not enough to having the voice of the BS heard. In many instances, respondents were not satisfied because the board dynamics and internal politics do not allow their opinions to be taken into consideration. In other words, the representation becomes fake and ineffective.

*“It is very large [the top executive team], it is 16 people, ridiculous size. There is a small group of 6 that make day to day decisions, so the other 10 somehow [come] after that decision making loop, so they don’t feel they are part of the core decision making and yet they are designated as the top team.”*

*“I am on the executive committee of the University as all the other deans, but this does not mean they are really part of the senior management, the senior management is really made up of a little tiny group....[.]. they basically take all the decisions which then are put in front of the executive committee of the University as if we are going to make a decision about them. If it comes there, the decisions are actually made.”*

## Section II

### 5.3 Attributes and Meaning of VIRQ from the Higher Level Unit's Perspective

#### 5.3.1 VIRQ Attributes

The HL in this study is represented in the University whether directly or through an intermediate level mostly a faculty or a college level. This level is advantaged over the LL by structural power; it has authority over the other party in the vertical relationship. To understand the HL unit's perspective on the vertical relationship, key boundary spanners representing the HL unit were interviewed. In total, 11 in-depth interviews were conducted with key boundary spanners responsible for the vertical relationship (Vice Chancellors (VC) or in most cases Pro/deputy Vice Chancellors (PVC)). Interviewees were asked to reflect on the attributes that make up for a good relationship or a poor relationship and to articulate the meaning of an ideal relationship (or relationship quality) from their own perspective.

Most of the HL people who agreed to participate in the study perceived a certain degree of importance associated with the BS in their University. In other words, responses tended to reflect opinions on relatively important (powerful) BS as perceived in their University environment.

##### 5.3.1.1 Personification of the Relationship

Similar to the LL analyses, senior people in the HL tended to personify the relationship with the LL unit in terms of their relationship with their contact people. The BS was mostly seen as its dean or head or whoever they deal with given their role.

HLR<sup>78</sup>: *“By and large, my ability to work with the BS is dependent on the good relations I have with the people I contact with and I have to do things on trust...”*

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<sup>78</sup> Higher Level's respondent.

### 5.3.1.2 Relationship Intrinsic Characteristics

In response to questions about the factors that contribute to making up the attributes of an ideal relationship or through the course of the conversation, respondents identified a number of factors they would aspire for in their relationships with the LL unit.

#### 5.3.1.2.1 Mutual Trust

Interestingly, most respondents stressed similar attributes to those which were highlighted by respondents from the LL. Mutual trust was one of the key highlighted attributes. All respondents stressed the notion of trust in good or productive relationships.

*HLR: "I think a good relationship is about being in a situation where both sides trust each other so I want to be in a situation where I can trust the head of the school to get on and take detailed decisions that they need to take and I can know that that person is really doing a good job... [..]..But equally I want them to think that they can trust me to represent their interests to the higher University, trust me to argue on the behalf of [our faculty] against other faculties because there are all sorts of suspicion."*

Trust can reduce perceptions of impositions and suspicion which can potentially harm cooperation and information flow. However, in some instances the HL respondents suggested that trust can be based upon personal and informal relationships that develop within the vertical inter-unit relationship. These personal or informal relations are usually basis for mutual understanding.

*HLR "I have a very good relationship with both the heads of schools [..].. , and I think they recognise that I understand what they're trying to deliver and I need them to deliver, and they understand what I need to deliver and they are confident that I will deliver it. And I think there is robustness of those conversations and actually quite a good personal relationship between myself and the heads of Department and*

*the School which make those conversations much easier. I find it very straightforward and very supportive and that is why it is at a personal level working well, and organisational relationships are about personal relationships at heart, aren't they!"*

#### **5.3.1.2.1.1 Granting Trust**

The previous quotes refer to mutual trust. However, while a shared understanding as shown in the previous quote is potentially beneficial, a shared understanding is not sufficient for trust to be granted. The perceived competence and ability of the LL still play a crucial role.

*HLR: "I think they are getting a lot of students, they do have an outward face. I think that the head of the BS still does not understand how to manage that outward facing element and I don't think that the management team is necessarily functioning, not that they don't get on well together, but that they don't necessarily work effectively together."*

Respondents highlighted that they are keen to build and maintain productive and constructive working relationship with the LL unit. They stressed that it is in their best interest to have a successful LL unit (BS) and therefore they are willing to support it. However, such support is contingent on the BS's ability to be worth the support. In other words, the ability of the BS to meet or exceed the targets set by the HL unit is a basis for trust. The trust that the LL unit develops is then reciprocated back by the HL unit in terms of support (usually manifested in terms further financial investments or in terms of further autonomy).

It seems interesting to shed the light again on the blurry lines between the LL unit and its leadership. The case studies suggest the following process: the BS develops trust by meeting or exceeding certain targets through its different staff members, then the BS leadership gains trust for their ability to direct the school towards the University goals, and then the BS as a whole benefits from the perceived credibility of its leaders. Such rewards are not necessarily

directly beneficial to any of the staff members or the leadership, rather, they are “generalised” benefits to the whole institution. The BS gets rewards for being trust-worthy, yet it is important to stress that such trust depends on their *compliance* (see also Chapter 7).

HLR: *“We have just recruited some of the highest paid professors in the campus [for the BS], if we do not have the confidence in the BS, the University would not have invested in those posts. But because we want to support the BS and I have that confidence in the BS that I can persuade to the VC do it. And that is a very clear example of relationships that are really working. And the more you get win-wins, the stronger as the relationship you gets ...[..]... I said to the [BS before] if you want to achieve what we all need to achieve, you've got to start delivering the kind of things that you say that you're going to do and stop doing stupid things....[..].. It is important to have the right leaders and I said you have a reputation of being unreliable and **not doing what the University needs you to do**, you got to carry on doing that and then you will get the consequences or we work together to make sure that you do deliver the things that we have agreed that you will deliver and there are going to be gains for you as academics individually and collectively if you do that.”*

#### **5.3.1.2.2 Openness and Open Communication**

In general, the HL unit has stressed the idea of mutual openness in their relationship with the LL unit as a key indicator of a good relationship. Openness, from the HL perspective, was expressed in their ability to justify the reasons why they have taken certain decisions, so such decisions become justifiable rather than “purely” imposed. This is one of the key requirements of the LL as highlighted in Section I. The HL people provide such explanations to gain the respect of the LL people in order to “win people over”. It is thus a way to enhance subtle control over others. This respect can be also a basis for trust development.

HLR: *“So I think you can win people over by again treating them with respect. If you always try to shut them down, you would not have the [right] argument. That is when you lose respect from people, if you don’t know what they say. So it is about you explain why you're taking certain decisions...”*

Interestingly, quotes from the HL unit generally placed more emphasis on the openness of the LL unit, which has been often referred to as “honesty”. The narrative of the HL unit was more focusing on the quality of having an “honest communication” from the LL unit rather than vice versa. Unlike the LL unit that clearly articulated the need for them being able to be open with their HL unit with no fear of repercussions; the HL people, possessing the structural power in the vertical relationship, seemed to have less concerns about repercussions.

Open communication can create an atmosphere of clarity and collaboration. Continuous and effective communication is a key enabling mechanism for openness. However, sometimes isolation and avoiding communication of one party to the relationship with the other can create a situation of lack of openness, and hence, misinterpreted or imprecise perceptions.

HLR: *“I went to meeting [...]... in the BS, in which all the professors [were there]. I have walked into the meeting and then very soon after the beginning of the meeting, some members there in the BS saying: oh the University is holding us back, the University is stopping us doing this, the University this, the University that, we should join with another University. And I am thinking and actually saying but we are the University<sup>79</sup>. So if it is really happening, we should do something about it and that seemed to me poor quality. If I were made a VC, one of the things that I would do is that I would make the BSs to have spent more time in the other schools. When I go*

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<sup>79</sup> Underlined quotations indicate emphasis by the interviewee. Quotations in bold indicate emphasis on an important statement expressed by the interviewee.

*back to the BS, I find mis-information about the University and feeling, particularly amongst the senior colleagues, that the University is holding the school back which is totally incorrect, but that is the perception. It is quite an isolationist prospective.”*

While the previous quote reflects a situation of misinterpreted information resulting from perceived isolation (miscommunication), perhaps the HL unit perceives this situation negatively not only because of miscommunication but also because this has created a situation where it became harder for the HL unit to integrate the BS due to inherent suspicion. This can indicate a partial loss of control over the LL unit. Interestingly, it also shows that the HL unit does not like to be perceived as being dominating.

#### **5.3.1.2.2.1 The Un-Informed Boss**

Related to the concept of openness is the transparent flow of information. Intentional or unintentional information blockage is a situation that could create potential tension in the vertical relationship. The HL people can find themselves in a situation of the “uninformed boss” due to miscommunication, which implies a partial loss of control on the dynamics of the situation. In addition to potential dysfunctionalities, being an informed authority can indicate crossing the hierarchy inherent in the vertical relationship; usually perceived as lack of respect from the HL people.

*HLR: “To my mind examples of low quality are usually when communication channels are not fully utilised, so you find out about things through the back door. ..[..].. So I would find out that someone [I am responsible for] in the BS has gone about something without telling me and that can lead to difficult or awkward situations where things you should know about and other people think you should know about, you don’t know about. Again tolerance! From some perspective OK fine, happy you did it; let them get on with it. But from other perspective, there is might be*

*a bit of sensitivity of the positions of others whom you think they might need to know out of courtesy or respect. You ought really to let them know...*”

Lack of information about the LL unit is thus dysfunctional, frustrating, and sometimes embarrassing to the HL people. However, adding some informality and personal closeness in the vertical relationship can enhance openness and the free flow of information and views.

HLR: *“I would just meet heads of schools over a lunch once a month, that would be a chance for us to share thinking, think about any question they have... [...]...Most heads of schools that come to these lunches because they felt it was useful for sharing ideas and sharing information about the faculty.”*

As highlighted in the previous quote, the frequency of communication (whether formal or informal) can help creating an atmosphere of openness paving the way for shared views.

HLR: *“... and I think now there is a much clearer understanding..[.]. And we are only able to do that because we meeting so regularly and developing those personal relationships and building of a sense of collectivity in what we're trying to do as a [faculty] board.”*

### **5.3.1.2.3 Fairness**

The HL people also stressed the idea of fairness in vertical relationship; however their interpretation of fairness tended to vary amongst themselves and also in relation to the interpretation made by the LL unit. Some have viewed fairness in terms of setting common standards to the units they govern, but meanwhile allowing for a degree of flexibility.

HLR: *“Well, I try to have common standards and then I adjust that a little bit, but not too much I suppose. But my public line is we're all in the same University, we are all*

*in the same faculty. In practice, I deviate from that a bit but I probably don't deviate from that as much as the [BS] would like me to."*

For others, fairness meant the idea of involvement and giving the LL unit the chance of listening to their voices, but not fairness in terms of the balance of power. Vertical relationships indicate an artificial structural intervention into distribution of power that can stop such relations from being fair power-wise.

HLR: *"It [the relationship] has to be fair in the sense that people have to have discretion to put forward their point of view. We have to have a kind of transparent process for making a decision. Whether it is fair in terms of the balance of power, I suppose we have the ultimate decision and I think in our situation the major issue that the [faculty] or the University is going to have the final say, but that is what you would expect in any large organisation. And I think in an academic environment, you are relying on individual academics to be creative in their research and teaching and then we have to give them a fair amount of discretion **but we make decisions...**"*

#### **5.3.1.2.4 Clarity**

Clarity is also an important attribute of a good vertical relationship. Providing clarity in the relationship is usually perceived to be the responsibility of the HL unit. Such clarity can be provided by the help of some formalisation. In other instances, clarity can reflect a feature of the communication process itself.

HLR: *"High quality [relationship] has happened through the research development group where you are getting a group of people working together to get to a consensus about strategy or about financial support for research for the University. Sometimes, because you made the structures clear about what people should be doing, what*

*people should be aiming for, and how they should work together, so in some ways the more the formalised the process the more the quality of the relationship.”*

#### **5.3.1.2.5 Collaboration**

In spite of the concentration of power at the end of HL unit, the HL people expected the relationship to be collaborative with the LL unit and to be mutually empowering.

*HLR: “I think at the moment, we are at the University, we need them but they also need us to enable them to develop. So I think it comes out from collaborative relationship at the moment I think.”*

#### **5.3.1.2.6 Satisfaction**

Most responses reflected a sense of satisfaction or dissatisfaction with the performance and the transactions with the LL unit. The HL tends to be most satisfied when it seemed to direct the LL unit towards its goals as shown in the previous quotes. It also seemed to be satisfied if the relationship is bringing some direct or indirect benefits to the HL unit or when the LL unit shows good citizenship behaviour.

*HLR: “Good relationship mean that I might ask them to be a part of a visit or to host a visit and I get a sense of ‘yes we will do it, it is not going to be necessarily of a benefit for us but we understand why we are doing that for the University’.”*

#### **5.3.1.2 Relationship Power Distribution**

The power-over / power-with distinction is less apparent when looking into responses of the HL people. Most of the previous quotes show that the HL unit has some power advantage in vertical relationships, although the HL people prefer relationships to “look like” being collaborative as this is a better mechanism of achieving control and commitment.

With the power distribution in the favour of the HL unit, positive exchange relationships were synonymous to good relationships when the LL unit tends to have some sources of potential power. Negotiated exchange relationships are used by the HL unit in order to direct the LL unit towards a mutually beneficial outcome when it seems that other modes of control are less efficient. It can be inferred that if the LL unit is less powerful, negotiated exchange is less likely to be explicit.

HLR: *“I think you have to have an exchange relationship. I think we have to be able to support them in what they want to do because they are successful and equally **they are willing to accept what we want** on the basis it is just for a limited time period. I think there might be situations where you don’t have an exchange relationship where the [faculty] would say you must do this or you must do that but also we are academic institutions, and academics don’t like to be managed. I think you have to approach changes where you can on the basis of some kind of exchange of resources. It is quite difficult to instruct academics to do things...”*

Typically, the HL people have not focused on constraints; yet, resources have remained to be the most contentious issue even when the HL people have the final say.

### 5.3.2 VIRQ Meaning: the Higher Level's Perspective

Similar to the LL unit, the meaning of VIRQ revolves around the concept of exercising influence on the LL unit. This is implicitly derived from the identified attributes or explicitly articulated in the discourse and narratives of the HL people. The previously mentioned attributes indicate that the HL people need to trust that the LL unit is working according to their agenda, delivering what they want, and meeting their expectations and targets. The HL people need to be trusted and respected by the LL unit so that decisions of the HL people are less resisted. The HL people are looking for relationships based on open communication and honesty, particularly from the LL unit. This puts the HL people in a better position to take decisions as the lack of sufficient information can be threatening to both the quality and the process of decision making (i.e, if the HL people are not well-informed, their decisions can be easily challenged by the LL unit). Even the concept of fairness is confined to the narrow interpretation of having their voices heard but not to reflect fairness on the balance of power. The HL people want the LL unit to cooperate and collaborate with them, and when traditional mechanisms of control towards such collaboration do not fit the context (academia), the HL people resort to softer control mechanisms of building shared views and understanding via formal and informal communications or by resorting to explicit negotiated exchange which can be mutually beneficial.

Different responses show indicators of advantageous structural power position in the discourse of the HL people.

HLR: *“I will make a judgement on how far the BS has got the message at the end when I see what they produce for me.”*

HLR: *“I think in general schools go along with what they are asked to do even if they disagree with it. So there is a level of compliance. There is a hierarchy. And even as*

*a University and managerial issues, hierarchy does matter, but probably if you ask people then they say it doesn't but it does. I think here it does have an impact and that means that there is a level of compliance.”*

HLR: *“The BS is **dependent** on the University ...[.]. My belief is the BS will not be able to be a top BS unless it does work with the University both in terms of branding and resources.”*

The HL's respondents explicitly stressed their need to control and to have some kind of influence over the LL unit. However, this is not motivated by the mere desire for control but it is seen as part of their remit to make sure that the LL unit is functioning well; this is because they are accountable for its performance. Two key factors were associated with the desire for control. The first was the fear of risk and that is why trust is a key factor in determining the quality of relationships. The second is the “knowledge” notion of “*we know more*” or “*we see the wider picture*”.

The preferred state of the LL unit becomes thus to comply with the vertical power and not to cross the hierarchy. Listening to the voice of the LL unit can be an addition to the knowledge of the HL people, but it is also a way to legitimise the HL's structural power by inferring that decisions are not *entirely* imposed; they are supported by their knowledge power<sup>80</sup>.

Nonetheless, control based on claiming knowledge can itself be a basis for ignorance. At its extreme, claiming knowledge can potentially lead to arrogance and arrogance can prevent accepting any different or additional knowledge.

HLR: *“You know it is not a mentoring relationship, it is more supervisory, it tends to be more directed. Simply because the PVC sees **the bigger picture**, he attends the*

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<sup>80</sup> Here, a distinction could be made between “real” knowledge and perceived knowledge.

*University board meetings, he sees the strategic direction and in a sense he is trying to bring everyone to that direction.”*

*HLR: “... but if I do disagree, I have the power to say no, you [head of the BS] won't do that. So I think if you interview head of the BS, he would say he would like to have complete control of his budget, he doesn't have complete control on his budget. He has the effect of pretty close to complete control of it, but they really don't have complete control of it. I do. For me that works very well, for him I don't actually think it works badly. I suspect if he was doing my job I'm sure he will do it my way, because he deals with other heads. But in his job he would prefer he is just giving a budget by the beginning of the financial year and I would ignore him until the end of the financial year and he tell me what it does. **But I cannot risk that** because if I have (X) departments and (X) heads overspend then I have overspent, and I have to answer to the VC. So I have to know how it is going.”*

The HL unit thus strives to maintain control over the LL unit via various mechanisms; some of them are direct and some of them are less direct or subtle based on the different situation contingencies. Ranging from discussions, formal or informal meetings, negotiation, or even imposition and directing to human resources control or control via building shared views; the HL unit does its utmost effort to ensure that it can influence and control the LL unit. Human resources control is particularly important for key roles (especially the head of the LL unit). Individuals occupying such key roles tend to personify and represent the institutional relationship as previously highlighted.

*HLR: “...at the moment we have no dean, because we have got to get the **right** person. A person who can support the BS but also supports the University....”*

Not only different context contingencies give rise to different control mechanisms but the former can also constraint the control desires of the HL unit. At times when the LL unit is powerful or when the exercise of control would affect the long-term relationship negatively, the desire for control is manifested more tactfully. In some universities, the BS is powerful enough to deprive its higher authority from some of its desired control.

HLR: *“We have this phrase in this University of the tail wagging the dog .. [..]..So in relationship to its size, the BS flexes its muscles, I am expressing that metaphorically but it is exercising its influence, I would say, more than any other parts of the University.”*

### **5.3.3 The Contest for Influence**

Presenting the attributes attached to an ideal relationship as well as presenting and deriving the meaning associated with the concept of VIRQ based on the opinions of both parties to the relationship indicate that both parties desire the same thing; power and its associated character of strategic influence. In the vertical relationship, the LL unit is not entirely subservient to the HL unit, nor does the former unconditionally accept the latter’s structural power. Respondents from LL unit firmly stressed their need to have their say on the relationship, or in other words, to influence the relationship. The LL and the HL units are therefore engaged in a strategic contest for influence. Sometimes the noise of the contest is muted by mutual interests and sometimes such contest tends to be more heated. Most respondents referred to different instances representing different influence contests (see also Chapter 7).

*“We as faculties were post boxes in my characterisation, we had no authority whatsoever. You can see that the power really lay at departments with budgets in the centre. Much of the authority lies in the centre. The [BS] in my view is challenging*

*that view in the last 2.5 years, we still have a long way to go. Is it better? Yes, the school has more ability to build itself... [..]..Is everyone in the school happy with that? No, because it is period of organizational change and quietly rapid organizational change. Does it give us the potential to do things much better than we did before? Yes. Have we got there yet? No because in a highly centralised University where that centralisation almost as a command and control structure has been inbred for 10 years or so , it is hard to change that..."*

In the contest for strategic influence, there are different interest groups that can be potentially involved, extending the scope of the contest and the number of the contesters. Different groups within the wider institution (i.e. the University) develop certain benefits and build certain vested interests based on a given status quo. Changes to the status quo would thus potentially harm them and this is why the contest is usually strategic although it can have many operational and short-term implications. Moreover, it's the agents of the lower or the HL units who engage in the contest on the behalf of the units they represent. Therefore, the contest can have some temporary or long-term pauses when one or both of the agents change; giving rise to a truce. In most cases, respondents reported a change in the inter-unit power dynamics after a change in one of the agents representing the vertical inter-unit relationship; particularly after the joining of a new VC (possessing the highest structural power in the relationship).

#### **5.4 Summary**

While this chapter discussed the key attributes attached to VIRQ as stressed by the LL and the HL respondents, and while it attempted to construct the meaning relying on direct quotations as well as inferences based on the presented attributes, the chapter leaves two open unanswered questions. If the underlying meaning of VIRQ is to have influence; the first

question is influence on what. Is it on the terms of the relationship, or on the other party of the relationship, or influence beyond the relationship? The second and the key question is to what extent is that influence required. In other words, what is the degree of influence that can create a perceived favourable vertical inter-unit relationship? The HL unit desires the maximum amount of influence possible by the merit of its structural power. Yet, the LL unit sometimes resists. Since influence is a contested “resource”, Chapter 6 will attempt to answer these questions by focusing on the perception of the LL unit respondents through cross-case and thorough within-case study analyses.

## CHAPTER 6: QUALITATIVE FINDINGS (2)

### What are the Antecedents that are Likely to Cause Variation in the Perception of VIRQ?

#### 6.1 Introduction

Further to the quest to uncover the meaning and concomitants of VIRQ, this chapter aims to answer the research question concerning the predictors likely to be associated with the perception of VIRQ.

In attempting to answer this question, the qualitative findings were examined to make some relevant observations. Not only do such findings shed light on the key predictors, they also revealed interesting associations among the predictors themselves. The emerging associations were then used to answer the question raised in Chapter 5; namely when will a given vertical inter-unit relationship be perceived favourably or unfavourably by the LL unit? The predictors, along with the relationship quality perceptions, were then jointly used to clarify some of the ambiguities associated with the meaning of relationship quality.

This chapter has four objectives. First, it aims to identify the likely antecedents that can shape perceptions of VIRQ. In doing this, a comprehensive discussion of the antecedents identified is presented in Section I. Second, possible interrelations among the different antecedents are discussed in Section II. Third, the impact of the different antecedents, along with their different inter-linkages, on the perception of VIRQ is presented in Section III. Fourth, this chapter aims to complete the VIRQ meaning construction in the light of the relationship perceptions and the antecedents identified. As seen in Chapter 5, if VIRQ, as perceived by LL respondents, is concerned with influence, then a key question would be influence *on what* and *how much* influence seems to be satisfactory. Answers to these questions are approached in Section IV.

While the four sections cast light on different aspects of the vertical relationship, if there is one overarching theme in this chapter, it revolves around the construct of the balance of interdependence. The balance of interdependence is found to affect most of the aspects related to the vertical relationship. This chapter builds primarily on the qualitative views of the LL unit to meet the objectives previously highlighted. In doing so, both cross–case study and within case study analyses were incorporated.

## Section I

### 6.2 Proposed Antecedents

Five possible antecedents can be identified based on the case study analyses. Respondents were asked to describe their vertical inter-unit relationships in detail. Moreover, they were asked to reflect on the extent to which they are (dis)satisfied with the different relationship terms. The following antecedents emerged from such descriptions of the vertical relationship.

- I. The perceived balance of interdependence between the LL and the HL units.
- II. The LL unit orientation under the pressures of institutional duality.
- III. The perceived cognitive congruence/disparity between the LL and the HL units.
- IV. The LL unit's perceived control/autonomy.
- V. The inter-personal relationship among the key boundary spanners representing the LL and the HL unit in the vertical relationship.

The following subsections investigate these antecedents based on the case study evidence. The comprehensive explanation of the different antecedents should pave the way for an understanding of three key issues. Firstly, why are these particular antecedents focused upon? Secondly, how do they tend to affect the perception of VIRQ? Thirdly, why do there tend to be associations and inter-linkages among the different antecedents?

#### 6.2.1 The Perceived Balance of Interdependence

All relationships are based on a form of interdependence. However such interdependence can be either symmetric or asymmetric (Emerson, 1962). Symmetric interdependence is where the two parties of the relationship depend on each other in an equal or balanced way. Asymmetric interdependence is where the two parties to the relationship depend unevenly on

each other. From the perspective of either of the relationship parties, asymmetric interdependence can result in one of two situations; positive asymmetric interdependence where a given party to a relationship is more dependent on the other than vice versa; and negative asymmetric interdependence where that given party is less dependent on the other than vice versa.

Focusing on the vertical relationship, three scenarios are possible. These are positive, balanced and negative interdependence. These three different scenarios are explained in the following table.

**Table 6.1: the Three Possible States of the Balance of Interdependence based on the Perspective of the LL Unit.**

<b>State of the Balance of Interdependence</b>	<b>Description</b>
<b>Positive Interdependence</b>	In positive interdependence, the LL unit is more dependent on the HL unit than vice versa. While positive interdependence can be triggered by the mere presence of greater need, regardless of the source or nature of such need, positive interdependence tends to be common in the case of “developing” LL units. These are LL units which are still maturing, due to the relative newness or relative lack of capacity. In the case of developing LL units, the HL unit is also dependent on the LL unit but comparatively the former receives more benefit from the latter.
<b>Balanced Interdependence</b>	The LL unit can be in balanced (inter)dependence with its HL unit. This is normally the case for “emerging” LL units that have already matured into stronger ones. These LL units both provide and receive benefits to and from their HL units though in a balanced manner.
<b>Negative Interdependence</b>	In negative interdependence, the LL unit is less dependent on its HL unit than vice versa. This is typically the case with “developed” LL units where the balance of dependence has shifted in favour of the LL unit, reflecting the actual and/or the potential strength of that unit.

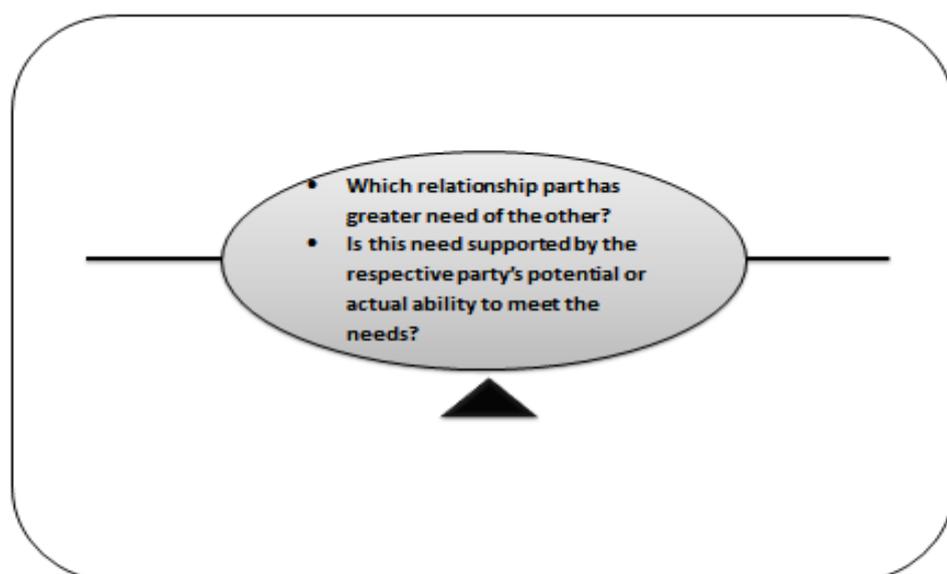
While the three different scenarios of interdependence can reflect different stages of growth or capacity building, they can also echo other contingencies such as the strategic objectives of the parties to the relationship, the wider environmental conditions inclusive of its threats and opportunities, the experiences of the relationship parties, and macro and micro institutional norms and regulations. More specifically, the alignment or divergence of strategic objectives as well as the very nature of the strategic objectives can shape certain needs. Not only shared visions/goals can shape interdependencies; a mutuality of benefits can sometimes play a pivotal role. In addition, the wider environment continuously poses certain threats or opportunities that may shape and reshape interdependence relationships (for example, the change in the funding structure in universities made BSs more powerful in their University environment due to their ability to generate comparatively high revenue inflows and this has, in turn, increased the need for a well-managed BS). The experiences of the relationship parties also influence their perceptions as to what is valued and what is needed, while the micro and macro institutional norms and regulations also frame interdependence relationships (for example, the legal implications that could emerge if a BS decides to claim independence, the normative need of a University to provide business education at a given standard, the micro institutional culture, regulations, and the history that could profile certain dependencies).

The balance of interdependence is thus not only predicted by the growth or maturity of the LL unit, although this can be one of key antecedents; it is also about *perceived* needs that are shaped and continuously reshaped by many different factors. Such needs are argued to be perceptual as they are based on the calculations of the parties to the vertical relationship. These calculations are based on assumptions developed from different experiences and expectations. Moreover, the balance of interdependence does not only involve tangible needs; there are many intangible relationship benefits that are less objectively quantifiable. These

range from the brand equity to a potential *feeling* of security provided by the merit of the relationship membership.

In addition to perceived need, another key influence on the balance of interdependence is the perceived ability or the power of the other party to meet such needs. This ability can be either actual or potential or both. Both the perceived need and ability to meet the need are used in this section to discuss the different states of the balance of interdependence based on the LL unit's perspective (see Figure 6.1). The importance of the balance of interdependence as a key antecedent to the perception of VIRQ is that it results in a calculative relationship based upon dynamic power interactions, which in turn determine definitions of a satisfactory relationship and a less satisfactory one. The state of the balance of inter-dependence is seen to be the key antecedent affecting the other antecedents and many of the perceptions and the behaviour of the parties to the relationship.

**Figure 6.1: The Foundations upon which the State of the Balance of Interdependence is Assessed.**



As mentioned, the 15 cases studied reflected the three different scenarios of interdependence; positive asymmetric interdependence, balanced symmetric interdependence, and negative asymmetric interdependence. Given the LL unit's position in the vertical relationship, the first two scenarios (the *overall*<sup>81</sup> positive and the overall balanced interdependence) tended to be more common than the third scenario (overall negative asymmetric interdependence). Positive and sometimes balanced interdependence legitimate the authority of the HL unit. Balanced interdependence makes the LL unit relatively as powerful as the HL unit which allows room for manoeuvre and bargaining, although in a framework of mutual benefits. Tensions are more likely to emerge in the third scenario. Negative interdependence is where the LL unit is less dependent on the HL unit than vice versa and that can be frustrating to the LL unit as the legitimacy of authority of the HL unit becomes questionable, particularly in the case of conflicting interests. The LL unit in the case of negative interdependence becomes even more powerful than the HL unit and therefore this needs to be reflected in the relationship terms (this will be further elaborated in Section IV in this chapter discussing the concept of fair influence).

However, assessing the balance of interdependence for these cases was not a straightforward task. Three factors tended to complicate the process.

First, there was in some cases an embedded layer of interdependence created by the presence of an intermediate vertical level. In 6 out of 15 cases, the vertical relationship was not just a relationship between the LL unit and the ultimate HL unit (i.e. the BS and its University); there was an intermediate level between them (mostly a Faculty or a College level). This resulted in bi-layered interdependence. Compared to cases of single-layered interdependence (where the HL unit is the ultimate HL, i.e. the University), bi-layered interdependence was

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<sup>81</sup> As will be highlighted throughout this chapter, there can be different layers of interdependence depending on the number of hierarchical levels between the LL and the ultimate HL in the vertical relationship.

not as easy to analyse since bi-layered interdependence can potentially suggest two different balances of interdependence within the same vertical relationship.

Second, many vertical relations seemed to be in the process of evolving and developing, with positive interdependence starting to head towards balanced interdependence and balanced interdependence evolving into negative interdependence.

Third, the assessment of the states of the balance of interdependence was perceptual as it is based on perceptual needs, perceptual abilities, and inherent calculative subjectivity as previously mentioned.

Nonetheless, an assessment of the balance of interdependence was attempted by asking the respondents directly about which party needs the other party more. In addition to this, respondents were asked to express their opinions about the relative strategic importance of the parties to the relationship to one another. The assessment of the balance of interdependence was based on the need and ability, as previously discussed. To establish the overall state of the balance of interdependence, the different responses per case were compared, whenever possible, to reduce the bias of depending on a single perception. However, generally the more senior the respondent, the more strategically focused and overarching the responses were.

Moreover, for all aggregate (inter-unit) data throughout this chapter, due efforts were made to ensure the minimisation of bias in assessment by considering within-case similarities and variations, if present. This was done by triangulation both quantitatively and qualitatively. For qualitative triangulation, the qualitative responses provided by different respondents representing the same case were compared, including both the perspective of the HL and the

LL units, whenever that was possible<sup>82</sup>. For the quantitative triangulation, the qualitative responses were compared to the corresponding survey results (same case), where possible.

Based on this, the following table was constructed to represent the cases studied and their respective state of balance of interdependence.

**Table 6.2: A Summary of the Different States of the Balance of Interdependence as Suggested by Evidence from Case Studies.**

Case	Layers of Interdependence	Balance of interdependence (Ultimate HL)	Balance of interdependence (Intermediate HL)
C1	Single-layered Interdependence	Negative	—
C2	Single-layered Interdependence	Balanced	—
C3	Bi-layered interdependence	Positive	Negative
			Balanced
C4	Single-layered Interdependence	Positive	—
C5	Bi-layered interdependence	Positive	Negative
C6	Single-layered Interdependence	Balanced	—
C7	Bi-layered interdependence	Positive evolving to balanced	Negative
C8	Bi-layered interdependence	Positive	Positive
C9	Bi-layered interdependence	Positive	Balanced
C10	Single-layered Interdependence	Balanced	—
C11	Single-layered Interdependence	Balanced	—
C12	Bi-layered interdependence	Balanced	Negative yet crossed <sup>83</sup>
C13	Single-layered Interdependence	Positive	—
C14	Single-layered Interdependence	Positive	—
C15	Single-layered Interdependence	Positive	—

In total, nine cases have demonstrated single-layered interdependence while six cases showed bi-layered interdependence. These two different types of interdependence layers are presented in the following table.

<sup>82</sup> In four cases, the qualitative evidence was based on a single respondent. However, this was deemed to be satisfactory for two reasons. First, that single respondent was the only person in his/her unit concerned with the vertical relationship and therefore there were no other boundary spanners who could reflect on this relationship with first-hand experience. Second, whenever the data were based on the views of a single respondent, that single respondent was the head of the LL unit, and therefore it is presumed that s/he was reflecting holistically on the relationship.

<sup>83</sup> Although there is an intermediate level between the ultimate HL and the LL units in the formal organisational structure, this intermediate level does not have a “real” relationship with the LL unit as the LL unit considers its direct vertical relationship to be with the ultimate HL. The formal organisational structure thus played a minor role and this was attributed to the strategic importance of the LL unit in this case.

**Table 6.3: An Elaboration of the Perceived States and Types of the Balance of Interdependence in Cases Studied.**

Type of Interdependence	Explanations based on evidence from case studies
<p><b>A. Single-layered Interdependence</b></p>	<p><b>A.1. Positive Interdependence</b></p> <p>Out of the nine cases that demonstrated single-layered interdependence, four cases showed a positive interdependence. These LL units tended to be young BSs (in post 1992 Universities) which operate in relatively stronger universities. The actual or expected potential power of the LL unit relative to its HL unit was low and therefore the LL unit’s need of the HL unit is greater than vice versa.</p> <p>C4: <i>“So it is a balance, we got to be mindful we only exist because of the University, this is not the other way around. The BS needs the University and if you get to the point that we are bigger or better than that, that causes issues. Clearly we are part of the University and the University is not going to fall apart if the BS disappeared although we are big part of it [but] you’ve got bigger faculties which are more strategically, you could argue, more important than the BS, but I would say counters that the University needs a strong BS; financially and reputationally..”</i></p> <p>C13: <i>“We are strategically important to the University. It has been sent quite clear that they see the BS as having the potential to lead the development within the University and it has been important in terms of its regional role, so the University clearly sees us as important for its future. On the other hand I can’t claim that the whole of the University finances will fall or succeed on the basis of the BS finances. I know that it can be different in other universities where the BS is a cash cow that is not the case in this particular institution, so we are important to the University but the University is not entirely dependent on us. Likewise, because we have highly centralised set of services, then of course, to some extent, we are dependent on themselves ...[.]... I think it is important we are part of the University because it is part of our differentiation relative to private providers, so being part of the University does provide us</i></p>

*with certain credentials you wouldn't otherwise have."*

Respondents in C14 and C15 strongly advocated that they only exist because of the University as they would find it very difficult to survive outside this relationship.

### **A.2 Balanced Interdependence**

Four other cases demonstrated balanced interdependence where the two parties of the relationship more or less need each other equally. Balanced interdependence tends to be more common in more mature BSs. Well-performing mature BSs tended to have significant financial power in their University, which tends to increase the University financial reliance on them. Meanwhile, many of these schools were not necessarily achieving academic superiority relative to their peer schools in their respective universities. This increased the LL unit's dependence on their HL unit for the need of the former on the academic reputation of the latter. In many instances, the LL unit felt "safe" to be part of the University because of the potential financial or reputational benefits or potential cooperation opportunities. This formula was seen by the respondents as representing approximately balanced interdependence, where the two parties to the relationship need each other more or less equally, albeit in different ways.

*C2: "... The money is still by far the most important thing. This means that [the University] can do lots of things it would not have been not be able to do, because we [the University] are not that big, I mean the total surplus of the University is likely to be this year about £X million, well more than XX% of that X million alone is the [BS] and we are only X% of the University, so you can see that our money is making a huge difference ... [..]. The future in British universities is pretty dangerous anyway and that University is actually one of the universities that has very good financial standing.. [.. ]. I try to persuade people that this actually a very beneficial situation to be in, in the difficult times we have at the moment, because if I don't contribute £X million next year, because recruitment falls off, or the government does what it is threatening to do with visas...[.].; it does not make any difference to us,*

*because we don't owe anybody anything. We don't have to have savings too, because we are part of the University, they have to carry us."*

*C6: "If we fail, then the University fails. It [the BS] is one third of the University that we are running in academic terms; so if one third fails the two others have to pick the bill..."*

*C10: "... So we are seen as a central part of support for University.. [..]. We finance other parts of the University so we are important for that reason. ...[..]. Financially, we are just very important to the University. Research profile, we are seen as second-class ... [..]. We are highly dependent on the University and in terms of our relationship ..[..]. I have no aspiration to be autonomous to the University. We want to be a BS at the heart of the University; that is our strengths. You know in the BS, we are open to competition all over the place because we have very low barrier to entry. One of our strengths is that ..[..]. we can offer a multidisciplinary approach and we work hard, that is quite important part of the offer.... [..]. So being part of a University gives us huge strength that perhaps other little private universities on its own don't have and it gives a point of differentiation, which is why, for me, it is very important that we project our position as a BS at the heart of the University, because it is a source of our frustration but it is also the source of our strength, no doubt about that. ..[..]. I think they [the University] protect us as well, you know if we had bad time, our protection is within the University, in case we have any problems."*

*C11: "... In fact, there is part of the school alone that is easily the biggest contributor in terms of income across the University. The University would really struggle without that. We are very important on the undergraduate [side]. And we are only one of X, so alone that tells you that the University needs us all. ..[..]. [But] when for example we recruit overseas, we still a large [in] recruiting not because it is the X BS, but it is because it is X BS at the University of X, there is no question about that..[..]. We have*

	<p><i>that complementarity of fitting together. At this point of time, there is a form of mutual dependence...[...]. Nobody in this school who thinks about this school really having UDI [Unilateral Declaration of Independence] or declaring UDI or something like that. I don't think anybody in the University seriously sees the school as anything other than an integral part of the University.”</i></p> <p><b>A.3. Negative Interdependence</b></p> <p>There was only one clear case of negative interdependence where the LL unit is less dependent on the HL than vice versa. Such cases are less common as normatively expected, particularly in single-layered interdependence. Negative interdependence reflects a LL unit with relatively greater power than its structurally “superior” HL unit, which puts the superiority and the legitimacy of that HL unit into question. Nevertheless, it is worth emphasising that the three balances of interdependence still show mutual interdependence. In the only case representing single-layered negative interdependence, the mutual interdependence of the parties to the relationship ensured its continuation. Both parties still need each other, but the difference is in the relative need and, consequently, the relative power or dependence.</p> <p>C1: “... <i>In terms of the direction [of dependence], it is very much from the University being dependent on the BS rather than vice versa.</i>”</p> <p>C1: “... <i>If the BS vanishes overnight, I think that the University won't survive and you can say that the University cannot afford to lose us.</i>”</p>
<p><b>B. Bi-layered (Embedded) Interdependence</b> 84</p>	<p>Bi-layered interdependence results in the creation of an additional intermediate layer of interdependence. Such an intermediate layer usually exists for organisational and structural reasons; thus it does not reflect “real” interdependencies. While the actual and the main interdependence remains between the ultimate HL and the LL units, the intrusion of an intermediate level is usually justified for coordination reasons. In 6 out of 15 cases, there</p>

<sup>84</sup> In the case of bi-layered interdependence, the role of the intermediate HL unit becomes vital in determining relationship perceptions as it represents the direct HL in the vertical relationship (unless it is crossed by building on the informal organisational channels). While the role of overall interdependence is not by any means discounted, this chapter builds primarily on the perception of the relationship with the direct HL unit, whether it is the intermediate or the ultimate one. All the following tables and the propositions are based on this premise.

	<p>was an intermediate level represented by a faculty or college level.</p> <p>Justified in terms of efficiency and the challenge of management and coordination, different schools were clustered under a common college/faculty level. Instead of having a direct link to the University as the ultimate HL, LL schools were to conform to the intermediate level as representing and deriving authority from the ultimate HL. While the intermediate level can be helpful for administrative and managerial reasons particularly with the increased number of LL units (schools), according to the cases examined, it can also result in two different perceptions from the LL perspective. If the LL unit is similar in its power and needs to its peer LL units governed by the same intermediate level, it would appear justifiable and legitimate to follow the standardised governance of the intermediate HL unit. Also, if the LL unit receives more direct or indirect benefits than costs from being part of this “secondary” vertical relationship, then the relationship will appear to be satisfactory. However, if the LL unit is more substantial or has different needs from its peer LL units, and if the intermediate HL unit does not recognise such needs or acknowledge its substantiality, then the LL unit would see the intermediate level as constraining or sometimes “redundant”<sup>85</sup>.</p> <p>Based on the six cases of bi-layered interdependence, respondents reported four scenarios of different interdependence types. The following is a description of these four scenarios.</p> <p><b>B.1. Positive– Positive Interdependence</b></p> <p>One case showed positive interdependence with the two layers of the vertical relationship. Being in a low bargaining position and being very</p>
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<sup>85</sup> On one hand, this highlights the need for common frames and understandings that keep governance relations continuous. On the other hand, this shows that the different potential power of the different LL units needs to be reflected in the vertical relationship. For an LL to be satisfied with a constraining vertical relationship, it must derive benefits from that relationship that outweigh or justify the cost of constraints. If such benefits are not enough to justify the cost of the relationship, then the stability of the relationship could be questioned.

Therefore, two interrelated factors can be deduced as decreasing the benefits derived from the vertical relationship to form a case of negative interdependence. The first is the evolving power of the LL unit where it becomes strong enough not to dependent on the HL unit. The second is the lack of common understandings between the vertical parties to the relationship (this is referred to as cognitive disparity in this study and will be highlighted in further detail as the third antecedent for VIRQ). However, the lack of common understanding, common frames of reference, common goals, and means can be also triggered by the evolution and maturity of the LL unit, which allow for such divergence.

dependent on its ultimate and intermediate HL units, the respondent from this LL unit perceived that the support his unit gets from the ultimate level as one that can be only obtained through legitimising with the established structure and its conditions. In addition, the support the unit received far exceeded any costs, which caused the relationship to be generally perceived as a positive one, given its structure.

*C8: “It is a very good relationship; we have an immense amount of support from the University and the [faculty– the intermediate HL]. Right from the beginning, the University has been extremely enthusiastic about establishing [our] BS, ..[.]. and via the [faculty], they have been extremely supportive of everything that we have been doing... [.]. My view is that we derive far more benefit than the cost associated with the arrangement being part of the..[.].University with its knowledge base, its resources, its educational standing, that is of tremendous benefit to the BS and we hope that we not only grow but to contribute to the rest of the University. So the benefit to us from that relationship far exceeds any issues or constrains associated with it...[.]. We are just one department in a major University....”*

## **B.2. Positive– Balanced Interdependence**

Another case reported a positive interdependence with the ultimate HL and a balanced interdependence with the intermediate HL units. In this case, the LL was highly dependent on the ultimate HL for its academic status, reputation and other relationship embedded resources. On the other hand, the LL unit provided a significant financial contribution to the intermediate HL, but it needed the intermediate HL for two interrelated reasons; gaining institutional legitimacy from the ultimate HL and reaping the benefits of the vertical relationship. The ultimate HL “resources” were only perceived to be accessible via accepting the authority of the intermediate level. Dependence normally increases when one actor does not have alternative options. The LL unit was not powerful enough in terms of its size or academic legitimacy to opt for a different structural arrangement. Therefore, the impracticality of alternative structural agreements made the LL respondents in this case perceive their interdependence with their intermediate HL unit as a balanced one.

Yet, it should be noted that this balanced (intermediate) interdependence only exists because of the presence of an HL interdependence; i.e. that with the ultimate HL. The LL could not survive without the University's support and therefore it resorted to accepting the University conditions with its structure of having a bi-layered interdependence relationship.

C9: “..... *The only way we can have more autonomy is that if we become a faculty in our own right or maybe with a small group of departments in a faculty. I do not think we are big enough at the moment to be a faculty on our own right. The faculty and always University level will argue that students come here because it is this University and because it is the ground of the University and to some extent that is true, but we deliver the programmes, we deliver the research... But in terms of broad statistical terms, for one [school] in the faculty that has X [schools] and we are delivering more than X% of income to that faculty, then faculty and therefore the University is very dependent. We are probably the biggest [school] and the biggest income here. The faculty is definitely largely and quite obviously very dependent on the school to be successful. If we do not hit our targets, then everybody suffers within the faculty...*”

### **B.3. Positive – Negative Interdependence**

Unlike single layered dependence, negative interdependence is not as uncommon in bi-layered interdependence where most of the LL units have seen the intermediate HL as “redundant” or defunct (in 4 out of 6 cases in total). Three cases reported positive interdependence with the ultimate HL and negative interdependence with the intermediate HL unit.

In the first case, the constraints placed by the intermediate HL unit were not justified by the benefits derived from this vertical relationship. The LL unit had a strong potential power within its intermediate vertical relationship due to its size, reputation and financial contribution. However, it was relatively less powerful when it comes to the ultimate HL as they needed the University current support, potential support, reputation, and academic status. In terms of its relationship with the ultimate HL unit, the LL's financial importance was challenged by the presence of more powerful peer

LL units. Those peers seemed to receive the attention of the HL as the University relied on them for its strategic development.

*C7: "The [faculty] depends far more on us, they depend on us financially, and they depend on us to exploit our brand name. What do I depend on the faculty for?! Nothing that I could not get if I was my own faculty. I am forced to depend on them, that is an interesting idea because of the structures, but I wouldn't wish to, so forced dependency. We are massively important because of money and brand. But I will also tell you something, it is by far the least important academically, this University has a strategy of getting into [different areas] of research ..."*

Similarly, the second case reported positive interdependence with the ultimate HL but negative interdependence with the intermediate HL unit. In terms of the relationship with the ultimate HL, the potential power of the LL unit was reduced by having other powerful rival peers (LL units) in the University. This tended to affect the strategic position of the BS as a sole powerful player.

Respondents in this case saw the intermediate HL as just part of the structure to which they had to conform in order to be legitimate in their wider University environment, which they immensely need. However, the intermediate HL as such did not provide any direct benefits to the LL to justify the cost the latter incurs in terms of bureaucratic and financial constraints.

In relationship to the University, respondents clearly articulated that it is a case of positive interdependence.

*C3: "...[. ].. But also it is important to recognise that being part of a University like this actually brings tremendous strength to the BS. So, if you don't work within the institution, then you are actually missing out on a lot of potential development that you could make..."*

In relationship with the intermediate HL, perceptions tended to vary. While all respondents in this case viewed the intermediate HL unit as defunct and not necessary, the legitimization and the satisfaction with relationship itself

tended to be seen differently. Some respondents were relatively more satisfied with the intermediate relationship as it was one way to realise the relationship benefits from the wider institution, while others were not as satisfied focusing on their discourse on the costs of this intermediate relationship<sup>86</sup>. While this stresses the important role of perception in general in shaping the respondents' world, it also shows that the perception of dependence can affect the perception of control and autonomy.

C3 group 1: *“So I think in that sense, I think the limited autonomy is not because we are part of the [faculty]. It is because we are part of the University. But it is the [faculty] which is the level that we deal with, so the [faculty] is perceived where the lack of autonomy comes from. But really, it is justified with the University as a large organisation, and the BS is an important part of it, but just one of many important parts. And I don't think I would be fair when I say that we should have too much autonomy. Because on the learning and teaching side, we award University of X degrees and I think that is where a lot of our reputation comes from rather than if you are a standalone BS, you will be fighting to build a reputation for that thing.”*

C3 group 2: *“[...] The BS is phenomenally important to the [faculty] because it is very profitable. So if you would rate it in terms of whether the [faculty] depends on the BS, then yes. Because the BS brings in a lot of money, and there are a lot of aspects of the [faculty] that are not as profitable. Well, what do we rely on the [faculty] for!.. mmm! ... What happens now is that the University guidelines, guidance and policies come to us through the [faculty] so in that sense, you know, we get information from the [faculty] as to what is happening at the University level....[.]. and it is our means of influencing the University so communication from the centre of the whole organisation comes via the [faculty]...”*

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<sup>86</sup> In this case, responses were split into two groups. One group viewed the intermediate interdependence as a balanced one, legitimising it by the overall benefit they receive from the University as a whole. The other group tended to view the intermediate interdependence as negative in terms of being unable to justify its costly presence. This split will be evident across the whole chapter and was deemed to be an interesting finding since intra-unit perceptions could be different.

The third case was not different from the previous two cases where there was a positive interdependence with the ultimate HL but a negative interdependence with the intermediate one. The need for the ultimate HL was significant as the LL unit needed the former's reputation, and academic and financial support along with its strategic and operational resources. The LL unit has relatively low power within its University environment, not merely because of its mediocre financial or academic contribution, but also due to the strength of the other parts of the University.

*C5: "All of our students, they tell us when we do surveys that they come here, 1. For the University, 2. For the city, 3. For the school. So we are not kidding ourselves. Our reputation as a school is not as strong as that of the University.."*

However, in terms of the relationship with the intermediate level, it was seen as a redundant level in a "confusing institutional environment" as there were no perceived benefits realised from this intermediate relationship. It was just a costly one. In the three previous cases of negative interdependence, respondents stressed the artificiality of the embedded structural link.

*C5: "I think you have to think of this in the light of these 3 levels created relatively recently. It is not a clean piece of organisational design. It is quite messy, that creates a rather confused institutional environment..."*

The presence of redundant bi-layered vertical interdependence shows that some of the vertical interdependencies can be legitimate and some of them can be just an artefact of the organisational structure, which are seen as legitimate only when needed. In the previous three cases, the link with an intermediate vertical level was relatively recent, which emphasised the perception of such artificiality as the relationship came with an observable cost (usually decreased financial autonomy) rather than a recognisable benefit.

#### **B. 4. Balanced – Negative interdependence**

The last case of bi-layered dependence reported a balanced interdependence with the ultimate HL but a negative interdependence with the intermediate one. In this case, while the intermediate HL was formally more powerful, it

	<p>was crossed in practice informally where the relationship of the LL unit with the ultimate HL unit became the main vertical relationship. As the negative interdependence relationship was crossed, the perception of the overall vertical relationship tended to be favourable.</p> <p><i>C12: “... We are the largest department in the University, we are the largest revenue generation for the University.. [..]. The University is important for the brand of course, the interdisciplinarity, the fact that you can work with other departments, I do quite a lot of collaborative research with people in the X school, so that would not be possible if you are a stand-alone or private BS...”</i></p>
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Based on the elaborative table above, the cases studied indicate that positive single-layered interdependence was usually associated with a favourable perception of relationship quality, while negative single-layered interdependence was associated with an unfavourable relationship perception (as the benefits derived were not perceived to justify the cost of control that the structurally HL unit imposes). For balanced as well as bi-layered interdependence, the perception of VIRQ tended to vary<sup>87</sup>.

### 6.2.1.1 Summarising Propositions

- In general, the balance of interdependence is likely to influence the perception of VIRQ by the LL unit, such that if the LL unit is positively interdependent on its HL unit, the former is more likely to perceive the VIRQ favourably in comparison to if the LL is negatively or equally interdependent on its HL.

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<sup>87</sup> A more detailed account of the different possible scenarios of balanced and bi-layered interdependence is presented in Section III of this chapter.

### **6.2.2 Institutional Duality and the LL's Institutional Orientation**

The second antecedent identified is concerned with the institutional orientation of the LL unit. In many diversified institutions, the LL unit can potentially refer to two different institutional environments; its internal institution (the vertical institutional relationship, in this case the University), and the institution of the sector in which it operates (in this case the wider BS sector). This can suggest a case of institutional duality, as has been discussed in the recent literature concerning headquarters–subsidiary relations in MNCs (see for example Kostova and Zaheer, 1999; Kostova and Roth, 2002). The two institutional environments can potentially impose different or conflicting pressures on the LL unit, unless they are aligned. Yet such pressures are not necessarily always conflictual. Sometimes the vertical institutional relationship supports conformity to the institutional pressures imposed by the wider BS sector, and sometimes the sector's institutional pressures are addressed only via the help of the vertical institutional relationship.

All the cases studied revealed the presence of two distinct institutional frames. In 9 of the 15 cases (60%), it was reported that the two institutions can place competing pressures on them<sup>88</sup>. Cases which exhibited a strong perception of conflict between the requirements of the two institutions tended to compare themselves relative to the wider BS sector with its corporate links and closeness to the market, and to their successful peer schools which have relatively more autonomy due to the very way they are structured (for example: London BS and other European BSs (such as INSEAD) which are independent of universities). Respondents from these cases stressed the need for their school to conform to the pressures of the BS sector in order to remain competitive, acquire and maintain the necessary accreditations (such as AACSB, AMBA, and EQUIS), and to occupy a place within the

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<sup>88</sup> These 9 cases are the highlighted cases in Table 6.5.

rankings they seek positioning in (for example: Financial Time MBA or EMBA rankings), while simultaneously conforming to the pressures exerted by their host universities. Table 6.4 shows a sample of illustrative quotes referring to the perception of institutional duality in BSs.

**Table 6.4: The Perception of Institutional Duality in UK University-based BSs**

<b>Indicators of Institutional Duality</b>	<b>Explanation</b>	<b>Illustrative Quotes</b>
<b>“Wearing two hats”.</b>	BS leaders indicated that they have to “wear two hats”. Jobs of BS Deans involve two roles; one as leaders to the BS that has a distinct identity (with the wider sector of BSs), and one as leader to an academic department inside its host University.	<i>“I am actually off to a conference event this week in Lyon which is a sort of meeting to [meet] all the deans and directors of BSs maybe in Europe and from all over the world. So, I see myself also as interacting with other heads of BSs as well. And I think that is probably a unique part of being in a BS compared to any other schools, because if you are head of the school of physics, there is not an institution which is the Association of the Schools of Physics for example, whereas there is one for BSs. So I spend a lot of my time, if you like, as a director of the BS talking to other similar heads of BSs, but also spend a lot of my time as the head of the school within the larger University. And I think it is important to recognise those are probably two different jobs because the attitude you have in negotiating and discussing with people within the University inevitably has to be a little bit different from when you are talking to other heads of BSs ...”</i>
<b>A sense of alienation from the host</b>	Some universities tended to be less welcoming in terms of their treatment of BSs. One	<i>“Speaking about the position of the BSs, I think the big problem is that BSs have grown up afterwards. In other words, the BSs and the</i>

<p><b>University.</b></p>	<p>respondent expressed his concern that BSs are “foreign” to their University environment. This was attributed to the very nature of BSs and their difference from the other academic departments and fields. Feeling alienated makes the tensions resulting from institutional duality more obvious and more antagonistic compared to a situation where the LL is more integrated in its internal environment.</p>	<p><i>growth of business as a subject have grown tremendously in the last 30 years. So, essentially universities were designed for engineering, technology and science and all these sort of things, i.e. teaching. And then the business faculty in 1970s was just very tiny. But then in the last 30 years, we have grown tremendously and BSs have grown and because we [as BSs] could not fit in, a lot of them have grown as autonomous entities because they could not fit into the existing structure. I think the problem is that we are a victim of our own success and that is where it lies – the exponential growth of business education in the last 20 – 30 years. And we need a different structure to the traditional University subjects which were well-established before us...”</i></p>
<p><b>Seen with an eye of suspicion.</b></p>	<p>In many universities, BSs were regarded with an eye of suspicion, or at least, confusion by their HUAs. Are they just like any academic department and should therefore be judged by their research output? Or, are they closer to the market due to the very nature of the BSs environment, and therefore they are expected to have a different output (for example, income generation and corporate links)? Deciding and prioritising between these two ends by the HL unit made respondents from BSs generally claim that their</p>	<p><i>“There are a number of currents that we have to swim against. In the academy, there is a general bias against BSs. They are seen as too close to markets, too commercial, not academically driven, and all that; maybe less here because this is a research intensive place. So there is this legacy that creates suspicion. And indeed in some areas, we are closer to markets, that is part of our USP [unique selling point], we have to be closer to markets.”</i></p>

	HUAs do not understand their situation or position.	
<b>“We are different”.</b>	Institutional duality has created a “ <i>we are different</i> ” discourse and attitude that were common in all of the cases studied (except one). BSs studied find themselves referring to two environments; they need to compete with autonomous BSs but within the constraint of the vertical relationship. Being different implies that the LL unit has a different frame of reference than that outlined by its higher level unit.	“...[.]... and one of the things that we understand or increasingly understand is that the nature of what management and BSs and what they [the University people] seek us to do is often very different from what other conventional social science departments are seeking to do. We try to operate in a different kind of way..[.]... I think the problem at the faculty level is that the models they operate, that each of the schools or departments has to be the same. So I think there is reluctance at the faculty or the University level to have their departments operating or behaving in a different way from the others...”

With all cases indicating the presence of institutional duality, it is argued that the perception of institutional duality in this sector (UBBSs) is very common and therefore the perception of the presence of the duality as such is deemed not to be a variable in its own right. The consequences and implications of duality seemed to be more significant. Two consequences of institutional duality are of more interest in this section; namely the LL’s orientation and the duality neutralisation.

### **6.2.2.1 The Lower Level Unit Orientation**

The orientation of the LL unit is related to the positioning of the LL unit relative to its two potentially competing institutional frames. It refers to the *choice of the LL unit to a prioritised institutional frame*, but this does not mean that the less prioritised frame is ignored. It is assumed that if the LL unit is more oriented towards its internal institution (the University)

and pays less attention to its positioning relative to its wider sector (the BSs' sector), then the chance of perceiving the internal institution (or the HL unit) favourably is higher than if the LL is inclined towards conforming to its wider sector while viewing the HL unit as constraining such conformity. Orientation towards one of the two institutions is a function of many variables including the extent of dependence and the balance of interdependence, the bargaining power of the LL unit, the strategic objectives and aspirations of the LL and the HL units, the frames of reference (which peers are considered rivals, and which performance measures are more important?), and the level of maturity of the LL unit. Orientation choice is assumed to be based on strategic cost and benefit calculations.

Some cases showed that the LL unit is more inclined towards one institution more than the other, highlighting the institutional orientation. Such orientation can affect the perception of the vertical relationship in general. Inferences about the institutional orientation were made based on direct questions concerned with the frames of references of the LL unit (such as who would you identify as your peers, frames of reference, and competitors?); and through the course of the conversation. Tensions are more likely to surface if the LL unit finds it hard to reconcile the pressures coming from the two different institutional frames.

*“... have you come across that book, [well] working here is actually like a Swedish public sector organisation which supports [the book's] argument because of the need of legitimacy. The bosses of the organisation have to say all sorts of things to external stakeholders essentially to kind of please them and get the support and often the things they say to please these external stakeholders are absolutely nonsenses. In terms of internal operations and promises they made, they absolutely can't be kept and people end up breaking these impossible promises and this is a reality ..[..]. and it brings uncomfortable duplicities. There are these two environments [which are] impossible*

*to reconcile together and actually this is a lot of what we encounter and most of the schools encounter, but we encounter it a bit more in the BS because we have to follow the market logic. Otherwise, we just won't be here.”*

#### **6.2.2.2 Duality Neutralisation**

The presence of the duality in its own right is assumed not to affect VIRQ; it is whether such duality is a conflicting or an aligned duality that can make a difference in the perception of this relationship. The HL unit has a key role in shaping this perception as it can potentially align (or not) the demands it places on the LL unit. Therefore, institutional duality can be perceived neutrally or negatively by the LL unit. Institutional duality is neutrally perceived if the pressures of the two institutions are aligned and are not conflicting or mutually exclusive. In such cases, the adverse impact of institutional duality is neutralised by alignment. Problems in the relationship arise if the pressures of the two institutions are not aligned or if they place conflicting demands on the LL unit, resulting in a negatively perceived institutional duality<sup>89</sup>.

#### **6.2.2.3 Institutional Duality and the Perception of VIRQ**

Reflecting on the LL unit's orientation and the duality neutralisation, Table 6.5 summarises the perception of these antecedents across all the cases studied<sup>90</sup>. Negatively perceived (un-neutralised) institutional duality was generally linked with prioritising the wider sector's institutional frame over the vertical institutional relationship. Neutrally perceived institutional duality was linked with prioritising the vertical intra–University institutional relationship over

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<sup>89</sup> The consequences of an aligned or non-aligned institutional duality will be dealt with in further detail under the third antecedent- cognitive congruence. This section only briefly presents antecedents without fully considering their consequences, as the consequences of the different antecedents are highly inter-related.

<sup>90</sup> Two points were considered while constructing this table. First, the vertical orientation is not necessarily against conforming to the BS sector, it just refers here to the presence of alignment or neutralisation of duality adopted by the vertical institution. Second, the *direct* vertical relationship (whether it is the intermediate HL or the ultimate HL) was considered in constructing this table, as the state of embedded interdependencies seemed to be associated with the (non-)alignment of duality pressures.

the wider sector (except for (C2) and (C12)). It is generally suggested that if the LL unit is oriented more towards the wider BS sector rather than its University environment, and if there is a lack of alignment between the two environments, that will pose a higher chance of creating tension in the perception of the vertical relationship.

As will be shown in Table 6.5, generally LL units which enjoy a relatively good position within their sector (mature BSs) tended to be oriented towards the BSs sector. LLs units which were still taking their first footsteps towards fitting into the sector were generally more inclined towards their vertical institutional relationship. These were typically younger or smaller schools. The choice of orientation was associated with the maturity of the LL unit in its wider sector (the BSs sector). However, the (non-)neutralisation of the duality was more associated with the balance of interdependence between the higher level (with its embedded layers) and the LL units, taking into account the level of maturity of the LL unit. Positively interdependent LL units tended to conform with the HL or the vertical institutional relationship, while balanced or negatively interdependent units tended to have more latitude. Only (C12) and (C2) were oriented more towards the wider BBs sector but because of their high potential power within their universities, there was a *general*<sup>91</sup> alignment of the two institutional pressures.

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<sup>91</sup> In (C12), such alignment was not complete. However, in general, respondents in this case reported an overall satisfaction with the alignment, with only a few exceptions. The balance of interdependence in C2 and C12 was in favour of the LL units (balanced interdependence), which made the HL units incorporate the needs of the LL units, resulting in a general alignment of institutional pressures.

**Table 6.5: Duality Neutralisation, LL Unit’s Orientation, and LL Unit’s Characteristics as based on the Case Study Evidence.**

Case	Duality Neutralisation	LL Unit’s Orientation <sup>92</sup>	The LL Unit’s Characteristics
C1	Negative	The wider BS sector.	<ul style="list-style-type: none"> <li>▪ Mature BS</li> <li>▪ Relatively strong in its wider sector.</li> <li>▪ Very strong bargaining power within its vertical institutional relationship (the University with its embedded layers of interdependence).</li> </ul>
C2	Overall neutral  (The alignment was part of the overall cognitive congruence which was enabled by the bond created by mutual benefits and balanced interdependence. The HL unit, due to the importance of the LL unit, integrated the need of the LL unit so that the latter can conform to pressures from its wider sector.)	The wider BS sector.	<ul style="list-style-type: none"> <li>▪ Mature BS</li> <li>▪ Strong in its wider sector.</li> <li>▪ Relatively strong bargaining power within its vertical institutional relationship.</li> </ul>
C3	Negative	The wider BS sector.	<ul style="list-style-type: none"> <li>▪ Mature BS</li> <li>▪ Averagely strong in its wider sector.</li> <li>▪ Very strong bargaining power in its direct vertical relationship (with the intermediate HL unit) yet relatively weak within its University as a whole.</li> </ul>

<sup>92</sup> Orientation refers to the prioritised institutional frame. However, prioritisation does not mean necessarily excluding any of the two institutional frames.

C4	Neutral  (The LL unit, due to its freshness in the wider BS sector and its weak bargaining power, has to conform to University pressures. The University also aligned some of the wider sector's demands as the relationship was bonded by mutual benefits.)	The vertical institutional relationship.	<ul style="list-style-type: none"> <li>▪ Young BS</li> <li>▪ Relatively weak in its wider sector.</li> <li>▪ Relatively weak bargaining power within its vertical institutional relationship.</li> </ul>
C5	Negative  (The LL unit viewed its direct HL unit as unnecessary and, therefore, compliance was not seen as necessary either, particularly due to LL unit's potential opportunities in the wider BS sector.)	The wider BS sector.	<ul style="list-style-type: none"> <li>▪ Mature BS</li> <li>▪ Relatively strong in its wider sector.</li> <li>▪ Average bargaining power in its direct vertical relationship (the intermediate level) yet weak within its overall vertical institutional relationship University.</li> </ul>
C6	Neutral  (The LL unit, due to its freshness in the wider BS sector and its weak bargaining power, has to conform to the University pressures. The University also aligned some of the wider sector's demands as the relationship was bonded by mutual benefit.)	The vertical institutional relationship.	<ul style="list-style-type: none"> <li>▪ Young BS</li> <li>▪ Relatively weak in its wider sector.</li> <li>▪ Average to relatively strong bargaining power within its vertical institutional relationship.</li> </ul>
C7	Negative	The wider BS sector.	<ul style="list-style-type: none"> <li>▪ Mature BS</li> <li>▪ Strong in its wider sector.</li> <li>▪ Strong bargaining power within its direct vertical relationship yet weak to average in its overall vertical institutional relationship.</li> </ul>
C8	Neutral  (The LL unit was more oriented towards its vertical institutional relationship due to its weak bargaining power, but more importantly due to the potential rewards embedded in that	The vertical institutional relationship.	<ul style="list-style-type: none"> <li>▪ Young BS</li> <li>▪ Strong in its wider sector.</li> <li>▪ Relatively weak bargaining power within its vertical institutional relationship.</li> </ul>

	relationship. The higher level units also closely aligned demands from the wider sector to ensure that the LL unit is successful in its wider sector.)		
C9	Negative	The wider BS sector.	<ul style="list-style-type: none"> <li>▪ Mature BS</li> <li>▪ Relatively strong in its wider sector.</li> <li>▪ Average bargaining power within its direct vertical relationship yet weak within its vertical institution.</li> <li>▪</li> </ul>
C10	Overall neutral with minor issues  (Conformity to the vertical institutional relationship was more rewarding given the freshness of the LL unit in its wider sector. The two institutional frames were generally aligned as the relationship was bonded by mutual benefits.)	The vertical institutional relationship.	<ul style="list-style-type: none"> <li>▪ Relatively young BS</li> <li>▪ Relatively weak in its wider sector.</li> <li>▪ Average bargaining power within its vertical institutional relationship.</li> </ul>
C11	Moderately negative	The wider BS sector.	<ul style="list-style-type: none"> <li>▪ Mature BS</li> <li>▪ Average in its wider sector.</li> <li>▪ Relatively strong bargaining power within its vertical institutional relationship.</li> </ul>
C12	Overall neutral with minor issues  (The alignment was not due to compliance, it was due to the relative strength of the LL unit which made it able to negotiate its terms within the vertical institutional relationship. The HL unit in turn, due to the importance of the LL unit, integrated the need of the LL unit to conform within its wider sector.)	The wider BS sector.	<ul style="list-style-type: none"> <li>▪ Mature BS</li> <li>▪ Strong in its wider sector.</li> <li>▪ Strong bargaining power within its vertical institutional relationship.</li> </ul>

C13	Neutral  (Conformity to the vertical institutional relationship was more rewarding given the freshness of the LL unit in its wider sector. The two institutional frames were generally aligned as the relationship was bonded by mutual benefits.)	The vertical institutional relationship.	<ul style="list-style-type: none"> <li>▪ Young BS</li> <li>▪ Weak in its wider sector.</li> <li>▪ Relatively weak bargaining power within its vertical institutional relationship.</li> </ul>
C14	Neutral  (Conformity to the vertical institutional relationship was more rewarding given the freshness of the LL unit in its wider sector. The two institutional frames were generally aligned as the relationship was bonded by mutual benefit.)	The vertical institutional relationship.	<ul style="list-style-type: none"> <li>▪ Young BS</li> <li>▪ Weak in its wider sector.</li> <li>▪ Relatively weak bargaining power within its vertical institutional relationship.</li> </ul>
C15	Neutral  (Conformity to the vertical institutional relationship was more rewarding given the freshness of the LL unit in its wider sector. The two institutional frames were generally aligned as the relationship was bonded by mutual benefits.)	The vertical institutional relationship.	<ul style="list-style-type: none"> <li>▪ Young BS</li> <li>▪ Weak in its wider sector.</li> <li>▪ Relatively weak bargaining power within its vertical institutional relationship.</li> </ul>

#### 6.2.2.4 Summarising Propositions

- In general, the LL unit's orientation, whether it to be towards the vertical intra–University institutional relationship or the wider institutional sector, is likely to affect the perception of VIRQ.
- The neutralisation of the institutional duality via alignment is likely to positively influence the perception of VIRQ and vice versa.

### 6.2.3 The State of Cognitive Congruence as Perceived by the LL Unit

The third antecedent identified that can have a bearing on the perception of the VIRQ is the cognitive disparity or congruence between the LL and the HL units. This antecedent is concerned with the breadth and the depth of the gap in broad visions, goals and ambitions, frames of reference, views, understandings, and means between the parties to the vertical relationship. This is deemed to be one of the key antecedents as shared visions, goals, and means are not only vital governance mechanisms, they are also the cement of any well-functioning relationship. While having common understandings and views can be an important antecedent to the perception of VIRQ, building common understandings can be also an outcome to the relationship perception so as improve its quality in the future encounters, this is because a healthy relationship is based up on mutual understanding. As a key antecedent, cognitive congruence was found to be highly related to the perception of all the other antecedents as well as to the perception of VIRQ. In general, cognitive congruence was closely linked to the positive attributes of VIRQ or an overall favourable perception of the relationship and vice versa.

*“... If you haven't got a shared vision, then it makes it very difficult to achieve openness and the trust. You have to have a shared vision and that has been quite pleasing...”*

*“[The HL unit] was not passionate about [our] strategic objectives. I think the BS had achieved a great deal. It had a clear idea where it wanted to go to. All of a sudden, its set strategic objectives were thrown at it. Strategically, there was an issue, operationally, there was an issue, and financially. And I think that causes a lot of upset amongst the faculty, and it was frustrating.”*

As discussed in the Chapter 5, empowering win–win relationships are sought–after. Therefore, alignment, although not necessarily identity, of mutual interests has been identified by all respondents, in varying degrees of explicitness, as fundamental to a favourably perceived vertical relationship. Yet, such alignment is neither easy nor straightforward. What underlies this (non–) alignment are two different realms that can be very distant from each other. The more these two realms (the HL and the LL unit) are distant from each other and the more there is a lack of alignment between their broad and detailed views, the less harmonious the vertical relationship.

The concept of sharing or non–sharing took multiple levels and forms. Cognitive congruence/disparity, therefore, is a multi–faceted concept, according to which some of its different facets can be unrelated. According to the findings of this study, four different facets of cognitive congruence were identified. These are:

1. Sharing the frames of reference (alignment/conflict based on the duality of institutional frames).
2. Sharing the broad vision or the strategic goals.
3. Sharing means and the practicalities for realising the vision.
4. Sharing perceptions.

Table 6.6 provides a detailed explanation of these different sub–constructs (see also Figure 6.2).

**Table 6.6: A Detailed Explanation of the Sub–Constructs Composing the Concept of Cognitive Congruence**

Construct	Explanation
<p>1. Cognitive Disparity/ Congruence based on the Duality of Institutional Frames</p>	<p>Due to the aforementioned institutional duality facing the LL unit (the second antecedent), there tended to be some gaps in understanding between the HL and the LL units. In more than half the cases studied (9 cases), the LL unit blamed the HL unit for not understanding its environment or the pressures it faces. Such claims convey a questioning of the HL unit’s ability and legitimacy to “govern” the LL unit through the vertical relationship. <i>“They don’t understand”</i> or <i>“we are different”</i> can embody an unspoken resistance to a frustrating authority that does not, in many instances, prove to be constructive.</p> <p>From emphasising differences in the backgrounds of the people in power, and differences of experience stemming from disciplinary cultural divides (natural sciences versus social sciences), to differences in the frames of reference (market oriented versus public sector), the LL unit stressed its distinctiveness and the particularity of its position and the sector in which it operates. In three cases, the reason for the lack of understanding of the LL unit’s environment was attributed to the difference in background of the person/people possessing the vertical power. In some other cases, when shared understandings were perceived, respondents attributed it to the similarity of experience or background of the person/people representing the HL unit.</p> <p style="padding-left: 40px;"><i>“Another interesting thing about the PVC..[..]. that he is very much a natural scientist and so those from the social science and humanities would actually grumble about it, that he actually doesn’t understand us and that was actually quite an important part of our dialogue, that he does not understand us.”</i></p> <p>The lack of understanding attributed to the individuals’ background differences is only seen as a shallower manifestation of a deeper level of difference that was more obvious in other quotes; it is the duality of institutional frames as discussed above. The LL unit is working under two institutional frames that can be potentially conflicting. Not understanding the environment of the LL unit can be thus expected, unless the parties to the relationship exert extra effort to</p>

	<p>build a shared understanding to align the requirements of the two institutional frames.</p> <p><i>Statements such as “They do not understand what the BS is about!” can be just the tip of the iceberg. A market-oriented LL unit operating in a wider public sector institution, debilitated by its bureaucracy in the face of tough and sometimes global competition from more autonomous rivals, serving different types of clients who have particular demands, muddled by various levels of embedded and sometimes artificial dependencies; these are perhaps amongst the reasons for the perceived cultural divide and the subsequent sensitive vertical relationship.</i></p> <p><i>“They [the HL unit] do not understand why our students expect a higher level of services than the average students within the University. And the reason why our students expect that; because they're paying more fees and because they chose this BS. He [the student] could've gone to anyone of the three and half thousand in the world, it is a competitive environment. In other schools the fact that they have some professors of international repute is sufficient to attract students, in our world that is not the case...”</i></p> <p>Tensions arising from perceived cultural divides caused by the institutional duality can be further complicated by embedded dependencies within the vertical relationship, such as dependence on an intermediate HL unit or central services. This creates additional need and effort for building common views and understandings. Complaining about unnecessary dependence on the central services was very common. In many cases, respondents from the LL unit viewed their dependence on the central functional service providers as artificial and ineffective. They argued that they can provide better services to themselves in-house. They see themselves as different and they need this difference to be appreciated and understood.</p> <p><i>“... I do not think we are as fleet on foot as we could be. We are reliant on other people championing our cause, for example, the building that we are in is not a good building, it's not a signature building as many BSs have, and we have to argue for a long time [that] we need to have a better building. There is a lack of understanding because people from</i></p>
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*other disciplines in social science have not been into or been around business and management schools. They don't see what other institutions have. So you persuade them with that and then you have to rely on them to pursue your course through the estates committees and other areas. So you are very much reliant on people outside the school to actually champion what you are seeking to do....”*

Consequently, cultural divides in such relationships, which should be empowering in essence, resulted in a wide range of dysfunctionalities.

*“...Much of the University was operating as an extension of the public sector. I think you do notice certain things for some services, you think you are in a post office. ..[.]. We are looking for a finance professor now for a year and half .. [.].what we're looking for is not only person who got good research record and is a good teacher but also kind of engaged with the corporate world. For the University, that is a bit of an irrelevance...[.]. it is a bureaucratic tick box, so they do not know that. It is just a bureaucratic guidance. For us, it is essential to have that kind of capability not just a tick box!”*

Due to the strong cultural divide resulting from the duality of institutional frames, the HL unit was commonly required to treat this LL unit (the BS) differently and to learn more about the peculiarities of the LL unit, suggesting the need for continuous *relationship learning*. Relationship learning is based on active and thorough understanding of positions and differences beyond a mere egalitarian standardised governance relationship.

*“The responsibility of the faculty, I think there need to be a greater recognition of the degree of difference, you cannot treat each department in the same way..[.].... A one-size fits all solution is not going to work, you have got to recognise differences and you got to respond to these differences. It is an on-going tension...”*

It is worth mentioning that cases which reported relative or strong cognitive disparity resulting from institutional duality are the same nine cases which manifested a relative institutional misalignment and a different institutional orientation. The other six cases did not express a similar degree of difference and ensuing frustration.

<p>2. Sharing the Broad Vision</p>	<p>LL unit respondents in all the cases studied, except three, explicitly stated that both the LL and the HL units agree on the broader vision or the strategic goals for the LL unit. Whether it is described as “<i>singing from the same hymn sheet</i>” or “<i>sharing the same high level’s goals</i>”, the LL unit placed a noteworthy emphasis on the role that a shared vision plays in a positively perceived relationship. In essence, shared vision is what unifies and/or harmonises the actions of the different units. One dean of a relatively small and young BS explained:</p> <p style="padding-left: 40px;"><i>“I think you have problems when you have some different agendas. You know, in this BS, if someone wants to see us five–star research whistles and bells, EQUIS accredited. To me, then again, they don't really understand the nature of where we are, which is about links with business, professions, employability of our graduates...[.]. So that is where I think you have issues, if the alignment between the strategic direction of the new VC and the Dean does not fit.”</i></p> <p>Yet, the importance of shared vision does not only reside in the sought–after harmony, but also in the actualisation of tangible benefits to be reaped by the LL. Tangible benefits can be embodied in resource support for the strategic goals of the LL unit or in other relationship benefits.</p> <p style="padding-left: 40px;"><i>“... [.]. There is some degree of feeling of shared ambitions and the rest of it ...[.]. They do want us to be in the top BSs in the UK and they are giving us some resources to enable us to continue to be there.”</i></p> <p>Unsurprisingly, individuals played a key role in creating (or non–creating) a sense of shared vision. In most cases, an aligned strategic outlook was attributed to individuals in key positions, whether in the HL or LL units. Shared vision is something that can evolve over the time, and it can swing between the poles of negative and positive extremes over time. It can be seeded by appropriate institutional mechanisms (for example: effective representation), nurtured by the open sharing of views and information, and reaped by realising its synergetic benefits. However, all the previous measures require both time and the appropriate individuals who have the willingness and the ability to so.</p> <p style="padding-left: 40px;"><i>“Again, this has been a major shift in the last two or three years, so if you had asked me the same question two or three years ago, I would</i></p>
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*think that we would have had completely different visions. So we developed our vision, other faculties developed their visions, the University developed their visions and none of them was tied up. So, if you had asked me that question three years ago, I would have said we all operate independently and the University operates independently. Again, I have to say that this is something that the VC has done very well.”*

Realising the significance of the role of individuals was more obvious in quotes which linked the control of human resources to the fulfilment of a shared vision. The selection of the heads of the LL unit (BS Deans) in some cases served the purpose of creating a shared vision.

*“100% [compatible vision]. The University’s primary ambition is to be ..[.]., the BS’s primary ambition is [entirely compatible with that]. Unless we achieve academic pre-eminence, the University won’t be able to achieve its objectives. And the University has aims in pursuing interdisciplinary research which do not sacrifice academic excellence, but nevertheless reaches out to the wider public and business industry. That is exactly what the BS is aligned to be. I don’t think that this is entirely by accident. ..[.]. and this is why I have been selected as the Dean...”*

There were three cases, however, where some of the respondents identified that the HL units do not share the same vision with their respective LL units. These were primarily attributed to five reasons:

1. The lack of clear objectives at the HL unit level.
2. The excessive bureaucratisation of universities.
3. The communication distance between the organisational levels which makes the communication necessary for building a shared vision difficult.
4. The impracticability of the alignment of goals due to institutional difference.
5. Differences in the backgrounds of individuals in power.

*“...[.]. I am not very sure we share the same vision with the University*

	<p><i>as an institution and part of that I think universities as a whole, I think universities have become increasingly bureaucratised and the nature of this bureaucratisation leads to a very functional approach to what goes on. As a result, a concept such as vision, which could be seen as in the academic sense of vision, tends not to be seen by lots inside the institution because they have become ground down to the functional things they do. And so, in an ideal world, we should share the vision and share the means, but I don't think that is necessarily true.. ”</i></p> <p>In all cases, the lack of a shared vision was seen as primarily dysfunctional.</p>
<p>3. Sharing the Means</p>	<p>While responses about shared vision were positive in most cases, most respondents indicated that while they might share the vision, this does not necessarily mean that they share the means of realising the vision. The broadness of the strategic vision makes it flexible enough to be shared, but when it comes to the practicalities of achieving it, differences start to surface. This can be threatening to the realisation of the vision itself as the vision becomes nothing more than a mirage covering fundamental cultural and methodological divides. Lack of shared means can be, at least partially, attributed to the perceived institutional duality.</p> <p><i>“Well, perhaps shared vision but we neither share the means nor the practicalities of reaching the goal...[..]. I think it is undoubtedly true as I already mentioned that we both want success. The [faculty] wants us to be successful. You know the head of [faculty] is judged on the success of the schools in his faculty and we want to be successful. So, there is a shared vision in that sense. Whether we both judge success to be the same thing, I guess that would be the issue...[..]. So here's the broad goals of success are shared, but we might achieve it in a slightly different way given the choice.”</i></p> <p>As with the other facets of cognitive congruence, lacking shared means was usually associated with practical dysfunctions. However, it was the interdependence that was holding the unsatisfied relationship parties together.</p> <p><i>“I think we would liken it to a discontented marriage. They tolerate us, we tolerate them. We get benefit from each other. But there is an</i></p>

	<p><i>underlying set of misunderstandings. We undoubtedly think that they misunderstand things we are doing, and we think that we misunderstand things they are doing. So, they will have holidays when they close down the whole University, they will announce special teaching weeks, all of which are incredibly difficult for us to do. We have students who do not understand why these holidays are happening, why these special teaching weeks are taking place. We are trying to arrange MBA exchanges with international schools and then all of a sudden we have some weeks which are on teaching weeks in the middle of all that, so this is just a logistical nightmare ...”</i></p>
<p>4. Sharing Similar Perceptions</p>	<p>The fourth facet of cognitive congruence was the shared perceptions between the HL and the LL unit. Due to the perceived institutional duality, the perceived distinctiveness of the LL unit, and due to differences in experiences and backgrounds, the HL and the LL units tended to approach things differently. This has deepened the gulf between them, and made the relationship even more contentious. Perception gaps can be seen in all quotes across this section as it simply refers to different perceptions associated with the same subject/event. However, added to this, there tended to be some perception gaps that were not directly associated with institutional duality or the distinctiveness of the LL unit; they were just highlighting different views regarding the same matter.</p> <p><i>“I mean they [the HL unit] saw it as they had given money away to us and we saw it as they have stopped robbing us. I mean it is funny in a way that it is that gulf and it is still exists; a gulf of perception ...”</i></p> <p>Gaps in perception can have a strong bearing on the terms of any relationship that is based on cooperation and mutual support. Perception gaps can result in different and sometimes conflicting attitudes and decisions, even when the overall goal is shared.</p> <p><i>“I mean we are in a very good financial position at the moment as a University, as a BS we are in a very good financial position..[..]. We want to do a major investment in developing things over the next year to help the place. They are really frightened about spending this money and we put these plans in [time] and there are still trying to decide and they make it really complex. But really, unless we make a decision and</i></p>

	<p><i>go for it, then already it will be too late because a lot of this money was about recruiting new members of staff. We are already too late to get them in place in September...[..].. And we cannot afford it. ..[..].. You know, the plans have been approved..[..].. They agreed the need, but they are fussing. ..[..].. so that is problematic..[..].. this is our budget, this is our agreed budget and this is over and above our agreed contribution. So, this is to me out of our own money but they see it as their money. It is not risk, but they see the money and worry about it. And to me, they are just risk-adverse whereas I think we have done a case, we have agreed to this, just let us get on with it please and I find it quite frustrating. So it is a perception of risk. I don't see it as a higher risk thing. It is a different perception of risk, so it is about perception.”</i></p>
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**Figure 6.2: Constructs Composing Cognitive Congruence**

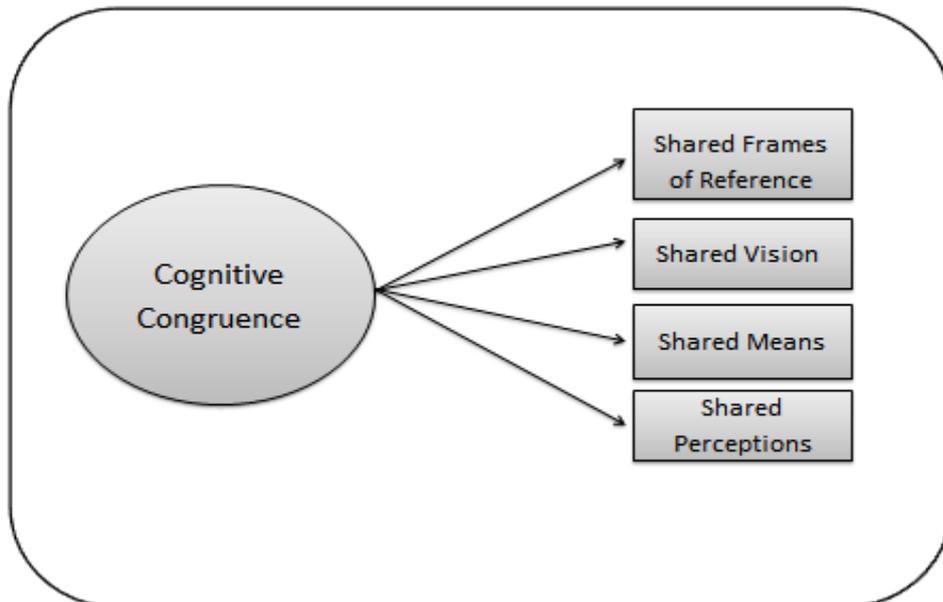


Table 6.7 provides a summary of the perceptions of the different facets or sub-constructs of cognitive congruence as suggested by the case studies. The different states of the balance of interdependence were also incorporated in this table. Based on evidence from the case studies, there seems to be an association between the overall assessment of cognitive congruence and

the state of the balance of interdependence. Positively interdependent LL units tended to show higher satisfaction with the state of cognitive congruence compared to negatively interdependent cases. However, for balanced interdependent cases, respondents expressed general satisfaction in some cases and dissatisfaction in other cases, thereby splitting the results into two sub-groups<sup>93</sup>.

**Table 6.7: a Detailed Account of the State of Cognitive Congruence with its Different Facets along with the Overall State of the Balance of Interdependence as Indicated by Evidence from Case studies.**

Case	Alignment of broad vision	Shared means and understandings	The alignment of institutional frames'	Perceptions gaps	Overall satisfaction and assessment of the state of cognitive congruence	Balance of Interdependence	
C1	Questioned	No	No	Reported different perceptions	Not satisfied Cognitive disparity	Negative interdependence	
C2	Yes	Yes (no complaints)	Yes to a satisfactory extent	Reported only minor different perceptions	Satisfied High cognitive congruence	Balanced interdependence	
C3	2 groups	No	No	No	Reported different perceptions	Negative interdependence with the intermediate HL unit.	Positive interdependence with the ultimate HL unit.
		Moderate alignment	Moderate alignment	Positive to Moderate alignment	Reported minor different perceptions	Slightly satisfied Moderate cognitive congruence	
C4	Yes	Yes	Yes	No report of different perceptions	Highly satisfied High cognitive congruence	Positive interdependence	
C5	Yes (broadly)	No	No	Reported different perceptions	Not satisfied High cognitive disparity	Negative interdependence with the intermediate HL unit. Positive interdependence with the ultimate HL unit.	
C6	Yes	Yes	Yes	No report of different perceptions	Highly satisfied High cognitive congruence	Positive interdependence	
C7	Yes (broadly)	No	No	Reported different perceptions	Not satisfied High cognitive disparity	Negative interdependence with the intermediate HL unit. Positive to balanced	

<sup>93</sup> Section III in this chapter provides a detailed account of this relationship and its different forms.

						interdependence with the ultimate HL unit.
<b>C8</b>	Yes	Yes	Yes	No report of different perceptions	Highly satisfied High cognitive congruence	Positive interdependence
<b>C9</b>	Yes (broadly)	No	No	Reported different perceptions	Not satisfied High cognitive disparity	Balanced interdependence with the intermediate HL unit. Positive interdependence with the ultimate HL unit.
<b>C10</b>	Yes	No	Yes	Reported different perceptions	Moderate satisfaction Moderate cognitive disparity	Balanced interdependence
<b>C11</b>	No	No	Moderate	Reported different perceptions	Moderate dissatisfaction Cognitive disparity	Balanced interdependence
<b>C12</b>	Yes	Yes (broadly)	Yes (broadly)	No report of different perceptions	Satisfaction High cognitive congruence	Balanced interdependence
<b>C13</b>	Yes	Yes	Yes	No report of different perceptions	Satisfaction High cognitive congruence	Positive interdependence
<b>C14</b>	Yes	Yes	Yes	No report of different perceptions	Satisfaction High cognitive congruence	Positive interdependence
<b>C15</b>	Yes	Yes	Yes	No report of different perceptions	Satisfaction High cognitive congruence	Positive interdependence

### 6.2.3.1 Summarising Propositions

- Cognitive congruence is based on a satisfactory alignment of broad vision, means, frames of reference, and perceptions.
- In general, the balance of interdependence can affect the state of cognitive congruence between the higher and the lower level units of the vertical relationship; such that the more the LL is dependent on its HL unit, the higher the perception of cognitive congruity between them.
- In general, the state of cognitive congruence or disparity is likely to affect the perception of VIRQ, such that lower cognitive congruence across the organisational levels will be associated with lower perception of VIRQ.

#### 6.2.4 Perceived Control

The fourth antecedent identified to the perception of VIRQ is the perception of the HL unit's control and the LL unit's autonomy. Control is one of the primary tasks of management, therefore the authority of control is normally expected to be in the hands of the HL unit in the organisational structure (see also Chapter 2). However, while this is consistent with the wide perception of power-over vertical relationships, as discussed in Chapter 5, power-over/with perceptions are distinct from the specific perception of control or autonomy. While the former refers to the overall *distribution* and the style of exercising power in the relationship, the latter refers to the *appropriateness* of the governance of the HL unit as seen by the LL unit. The perception of power distribution can be one of the manifestations and consequences of the perception of control and appropriate governance<sup>94</sup>.

This section is concerned with the perception of control or autonomy (i.e. how the LL unit perceives the governance and control of the HL unit, based on the appropriateness of the implications of such governance) and its relationship to the perception of VIRQ.

However, before discussing the perception of control and its impact on the perception of VIRQ, and with the aim of providing a thorough presentation of the issues attached to each

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<sup>94</sup> For instance, the HL unit may decide to use its vertical authority to govern the LL unit in a certain manner (examples could include using bureaucratic or cultural control mechanisms or closely monitoring certain areas of input or output. The HL unit may decide to increase the vertical layers or decrease them or shift the reporting lines via restructuring). According to the specific and wider implications of such control mechanisms and such governance arrangements, the LL unit will form a certain perception of the appropriateness of the HL's control and its devolved autonomy. Yet power distribution is not only a function of the appropriateness of HL governance. It also refers to where the power centres lie and whether power is concentrated or evenly distributed (for example, via effective representation in key decision-making committees). Moreover, power-over perception can be related to the high perception of appropriate or inappropriate control. However, power-with is not necessarily related to perceptions of autonomy, as a LL unit might have some autonomy because it is of less strategic importance, rather than due to it being necessarily empowered by an equal distribution of power in the vertical relationship. Power over/with is an attribute of VIRQ itself, while perceived control/autonomy is one of the antecedents to the perception of the quality of such relationships.

antecedent, Table 6.8 presents some of the issues pertinent to the control and its perception as evident in the cases studied.<sup>95</sup> These issues are:

1. Key factors that affect the expectation of autonomy by LL respondents.
2. Areas of control as reported by LL respondents.
3. Governance mechanisms as seen by LL respondents.

**Table 6.8: Issues Pertinent to the Perception of Control and their Explanation based on Evidence from Case Studies.**

<b>Issues that can affect the perception of control</b>	<b>Explanation based on evidence from case studies</b>
<p>1. Key Factors Affecting Autonomy Expectations: The Role of Trust and Fear</p>	<p>Since satisfaction with autonomy can be dependent on an underlying expectation, it is important to shed light on the preferred approach to governance as seen by the LL unit, as well as the factors that seemed to shape the latter’s expectations of autonomy.</p> <p>The LL respondents were not keen on standardised or “hands-on” governance approaches. They rather preferred trust-based “light-touch” or “hands-off” approaches. It is not “policing”, “micromanagement” or “dull uniformity” that is needed; rather the LL unit aspires to supportive, nurturing, and empowering governance. Whether this is sufficiently practical or not, the LL unit sought a governance philosophy that allows it to have control over its own destiny, while being empowered by the benefits and support of the vertical relationship, with the minimum possible level of relationship constraints.</p> <p style="text-align: center;"><i>“In my perspective, the best way to engender effective and good relations in all schools is to come back to that light touch approach, to provide guidance and support where needed, and to encourage some appropriate autonomy and points of creativity, and not try one size fits all.”</i></p>

<sup>95</sup> It should be noted that it is the perception of control that is likely to affect the perception of VIRQ. The issues identified as pertinent are not likely to affect VIRQ; they can only have a bearing on the perception of control.

	<p>However, this idealistic expectation was challenged by many practical issues. In general, the case studies indicate that the control of the HL unit was usually associated with the two-faced coin of fear and trust. In two cases, respondents attributed the lack of sufficient latitude to the HL unit’s fear and risk aversion.</p> <p><i>“I think the other reasons were more about control. And I suppose there was a lot of politics really. There was a feeling that why, if this BS has gone its own way and [has more autonomy], what would stop the next big school, you know, coming up with a similar argument and saying we need [to have more autonomy] as well.”</i></p> <p>Many responses underlined that the LL unit tended to perceive a key formula for autonomy; trust is reciprocated by autonomy. Provided that the LL unit pays the bill to prove its trustworthiness, it expects to have more autonomy in return. This applies to competence trust as well as goodwill trust.</p> <p><i>“It is quite hands-off. At one level, it is hands-off provided that they [the HL unit] have confidence. I mean financially if you are in a mess, I think that they would be more ‘what are you doing’ sort of thing. But provided things are going on the right direction and financially we are on target or better than we are left alone really.”</i></p> <p>While the LL unit recognises the HL unit’s “right” to apply tight controls if the former is underperforming, unreciprocated autonomy for established trust seemed to be an unbalanced and an incomprehensible equation to the LL unit.</p>
<p>2. Areas of Control</p>	<p>For the practicalities of autonomy and control arrangements, respondents from the LL unit were asked to express the extent to which they were satisfied with their level of autonomy. They were also asked to rate on a scale from one to 10, where 10 represents high autonomy, their perceived autonomy in each of the following areas:</p> <ul style="list-style-type: none"> <li>• Reinvestment of their own surplus</li> <li>• Key faculty appointments</li> <li>• Teaching policy</li> <li>• Research policy</li> <li>• Students’ admission</li> </ul> <p>All the LL respondents were of the opinion that they are highly controlled in</p>

	<p>terms of their finances. Highest levels of control tended to be perceived with the reinvestment of surplus. All respondents, except one, explicitly expressed that they do not have any “real”<sup>96</sup> financial autonomy. Most decisions that involved significant cash inflow or outflow were highly controlled. Therefore, key staff appointments (or promotion) were, in a number of cases, highly controlled. In other cases, student admission numbers were decided predominantly by the HL unit. There has been generally moderate control levels in terms of the teaching policy (normally bureaucratic checks for quality assurance) and the research policy (the HL unit tended to focus on the ranking for the Research Excellence Framework (REF) with almost no intervention in terms of which research areas to pursue. Therefore there was a perceived moderate level of control in this area).</p> <p><i>“... decisions are signed off centrally. You have got to agree with the University policies and procedures and financial procedures. Bureaucratic sort of checks and balances on what you do which can be annoying at times. There is a bit of double layering sometimes of the admin. So you get two layers of sign off instead of one which can be a bit frustrating. I suppose the biggest debate generally is about how much the revenue that you generate you get to keep. So the debate is about what percentage of that goes back to the University vis-à-vis what remains within the [school].”</i></p>
<p>3. Control Mechanisms and their Implications</p>	<p>UK universities tended to be highly bureaucratic; a characteristic that was not appreciated by most of the BSs. Bureaucratic controls are one of the manifestations of centralisation and standardisation that the HL unit in this case was trying to maintain. At the time of data collection (2011–2012), there was a general trend reported by respondents in all the BSs studied, towards “attempts”</p>

<sup>96</sup>In most cases, BSs were making a significant income contribution to their universities. However, these schools did not have control over such contributions. They were either allocated a certain budget by the HL (which controlled the overall financial returns) or required to pay to their vertical institution a certain percentage of their income. The budget arrangements or the “taxation” percentage were under continuous debate. In most cases where the LLs have a devolved budget, even when they have the overall budget approved, they still have to go through detailed bureaucratic and project-by-project approvals from the HL before they can take any decision. Moreover, some of the LL units which have their own budget centres did not have full authority over their budget, even after its general approval, as they have to go through the different bureaucratic procedures before being able to use such budgetary resources. Some of the LL units studied expressed that they are heavily taxed for central services that they do not use or need, as they have their own in-house services. Other LL units complained about being pressured to constantly increase their financial contribution to the centre regardless of the need for internal reinvestment necessary for their survival.

	<p>at more centralisation. The move towards centralisation was justified by the uncertainty in the Higher Education Sector in general and the pressures to become more efficient. Some respondents also referred to the centralisation – decentralisation cycles, highlighting that it was time for centralisation after a wave of decentralisation that had previously hit the sector. There was a noticeable trend towards centralisation of the functional services in all cases (except two).</p> <p>In six cases, control and coordination attempts resulted in restructuring. However, such restructuring has resulted in two opposite outcomes; giving more autonomy to the LL unit by granting it extra decision-making powers, or introducing an extra vertical layer between the LL and the ultimate HL units and hence depriving the LL units of some of its previously devolved autonomy. The latter, which tended to be more common amongst the cases studied, has resulted in the creation of an intermediate vertical level, as highlighted in point 6.2.1 in this chapter.</p> <p>Dependence on an intermediate vertical level tends to be negatively perceived in general as it creates additional levels of interdependencies and hence additional constraints on the LL unit. If the intermediate level is new and brings more costs than benefits, it may be seen as a case of negative artificial interdependence by the LL unit, impacting adversely and perhaps inadvertently upon the quality of the vertical relationship.</p> <p><i>“The senior management of the University has made a decision [to the effect] that we need to have [faculties], once you have [faculties] in place they have got to have a reason to exist. Their reason to exist seems to be to kind of increase coordination across the schools, so that what they are doing really. And whilst I can see some benefits in that, and some good things will come out of it, there will be some negatives as well for the school in terms of having less power to make decisions ourselves ...[.]. The school was more autonomous [before the introduction of the faculty] ...[.]. So there is a definite loss of autonomy with regards to things like bursaries and there is a drive, and there will be an increased drive, towards standardisation across the [faculty] ....”</i></p>
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	<p>Coupled with bureaucratic controls, the HL unit set the performance targets for the LL unit, emphasising output controls. Output controls were preferred by the LL respondents as being a practical representation of the “light touch” approach. Output controls provide the LL unit with a relatively high degree of autonomy. However, the use of output controls tended to be associated with the HL’s trust.</p> <p style="text-align: center;"><i>“.....so you would expect the degree of devolved autonomy to be greater with performance. The output agreements model rather than the hands-on interference model....”</i></p> <p>Interestingly, there was less mention of cultural controls when respondents were directly asked about their perception of the way they were governed. This is not surprising if it is viewed in the light of the subtlety of cultural controls as governance mechanisms. This also indicates that the subtlety of some of the control mechanisms can result in their being positively perceived (as they become less explicit approaches to influence). Yet human resources (HR) controls were obvious in quotes like <i>“the [HL] appointed me for this purpose”</i> where control was maintained via the careful selection of key positions in the LL unit. HR controls aim to ensure the sharing of a common agenda via selecting key individuals loyal to that agenda.</p>
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#### 6.2.4.1 The Perception of Control

Respondents linked their perception of control or autonomy to their satisfaction with the vertical relationship and the way they view it.

*“I mean that people have been slightly unhappy that there is less autonomy, I mean I had a dispute with the [faculty] over the fact that they have taken our bursaries from us, but at the end of the day I had no power to stop that, and I think that is the problem is that the [faculty] has power to do those things so it will do it, so yes we do have less autonomy.”*

There are a number of reasons why the perceived lack of autonomy or excessive control may be negatively viewed by the LL unit. First, it is related directly to the meaning of VIRQ partially constructed in Chapter 5. It results in a lack of influence on the LL unit's destiny and choice. Second, it can have an adverse effect on the performance of the LL unit as a result of the loss of the required latitude and the limited choice. Third, it indicates that the HL unit does not trust the LL unit and therefore tight controls are pursued.

#### **6.2.4.2 Formal Control /Autonomy versus Perceived Control/Autonomy**

Most respondents also made a distinction between two types of autonomy; formal autonomy and actual practiced autonomy. Having formal autonomy does not guarantee its realisation. The opposite also applies; being under formal control does not mean that the LL unit is actually constrained. Formal control can be challenged in practice by the powers of informality and upward influence techniques, while formal autonomy can be constrained by hidden practical or procedural details. What remains important is how the control of the HL unit is perceived.

*“So, just taking the formal autonomy, we are as a school, we have our budget, you could spend it how you wish but informally you have all forms of expectations from us and also it is constrained.”*

*“We had a period where [schools] were called devolved [schools], it was not quite clear what that the devolution meant. We had to agree on funding and financial plans with the University.”*

Some LL units, although formally constrained, could achieve their desired outcomes based on their favourable relationship with the group of people concerned.

*“In terms of being able to create and generate our outputs, you have to operate through the PVC people, that is why there tends to be informal autonomy ...”*

*“So, in a sense, we are fully managed...[..]. We negotiate various aspects on a project by project basis, staff by staff... [..]. but we get what we want” .*

Autonomy is thus not entirely based on formal arrangements, the areas of centralisation, or the standardisation of procedures. Autonomy is primarily perceptual. Perceptions of control/autonomy are based on the implications of the general governance and detailed attitudes of the HL unit. However, the implications of the governance mechanisms and attitudes are not the sole elements in determining the perception or the appropriateness of control. As will be elaborated in Section II, the perception of autonomy is also based on a number of contextual factors, including the degree of the balance of interdependence between the parties to the vertical relationship, the extent of cognitive congruence and the alignment of goals and means, and the degree of relationship formality between the key decision makers of the vertical relationship. Depending on these factors and their different combinations, the LL unit either *neutralises* the adverse impact of control or perceives control negatively, i.e. the LL unit will perceive it is excessively controlled or acceptably controlled. The perception of control is thus context-specific where the contextual factors play a pivotal role in shaping the appropriateness of the governance of the HL unit.

Following this line of thinking, the following table (Table 6.9) presents the perception of control as evident in the different cases studied.

**Table 6.9: Summarising the Perception of Control as Suggested by Analysis of the Case Studies.**

<b>Case</b>	<b>Perception of Control</b>	
<b>C1</b>	Negative	
<b>C2</b>	Neutralised by some informality and the balanced interdependence	
<b>C3</b>	2 Groups	Neutralised by the overall positive interdependence
		Negative
<b>C4</b>	Neutralised by high cognitive congruence	
<b>C5</b>	Negative (High formal autonomy, yet, negatively perceived)	
<b>C6</b>	Neutralised by the balanced interdependencies and mutual benefits	
<b>C7</b>	Negative	
<b>C8</b>	Neutralised by the positive interdependence and high cognitive congruence	
<b>C9</b>	Negative	
<b>C10</b>	Moderately negative perception (There were areas of autonomy and areas of unjustified control.)	
<b>C11</b>	Negative	
<b>C12</b>	Neutralised by some informality and the balanced interdependence	
<b>C13</b>	Neutralised by the positive interdependence and mutual benefits	
<b>C14</b>	Neutralised by the positive interdependence and mutual benefits	
<b>C15</b>	Neutralised by the positive interdependence and mutual benefits	

#### **6.2.4.3 Summarising Propositions**

- The general perception of control (as acceptable or excessive) is likely to have an impact on the perception of VIRQ by the LL unit.
- Acceptable (neutralised) control is likely to be associated with a favourable perception of VIRQ.
- Excessive (negative) control is likely to be associated with an unfavourable perception of VIRQ.

### **6.2.5 Inter–Personal Relationship between Boundary Spanners**

The fifth antecedent is the inter–personal relationship between the boundary spanners representing the two ends of the vertical relationship.

As mentioned in Chapter 5, the inter–unit relationship tended to be personalised by respondents from both sides. Therefore, it was not surprising to find an association between the inter–personal relationship between the key boundary spanners and the way they perceive the vertical inter–unit relationship. Unlike the other four inter–unit related antecedents, this antecedent sheds light on the inter–personal dimension of an institutional relationship. In that sense, it should be noted that inter–personal relationships are assets embedded within personal connections. Therefore, while they can have institutional benefits, they are not institutionally sustainable.<sup>97</sup>

The term “inter–personal” relationship is used in this study to denote a “between–persons” relationship, and not just a social or a friendship relationship. It rather refers to the degree to which the personal element has permeated the vertical institutional relationship (positively or negatively). Attitudinal factors (such as loyalty, liking, sharing something in common) usually resulted in an informal or a more “easy–going” vertical relationship. Strict formality, on the other hand, was usually accompanied with negative or neutral perceptions of the vertical relationship. More importantly, when the boundary spanners express a perception of a favourable inter–personal relationship, they tend to express that in terms of inter–personal trust and inter–personal satisfaction between them and the other party to the relationship.

Even without posing a direct question, many respondents described their inter–personal relationship during the course of the conversation as they were describing the vertical

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<sup>97</sup> Unless the relationship between the members concerned continues.

relationship itself. However, in other instances, respondents were asked to speak about the inter-personal relationship with the key boundary spanners with which they have the most contact; whether they trust and are satisfied with their relationship with them and whether they regard the relationship as a purely informal, a friendly-formal working relationship, or a strictly formal relationship.

### 6.2.5.1 Factors Affecting the Perception of Inter-Personal Relationships

Three factors were found to affect the perception of such inter-personal relationships based on the evidence of the case studies. These are the personal/background similarities, personal loyalties, and personal qualities. These factors are summarised in Table 6.10 (see also Figure 6.3).

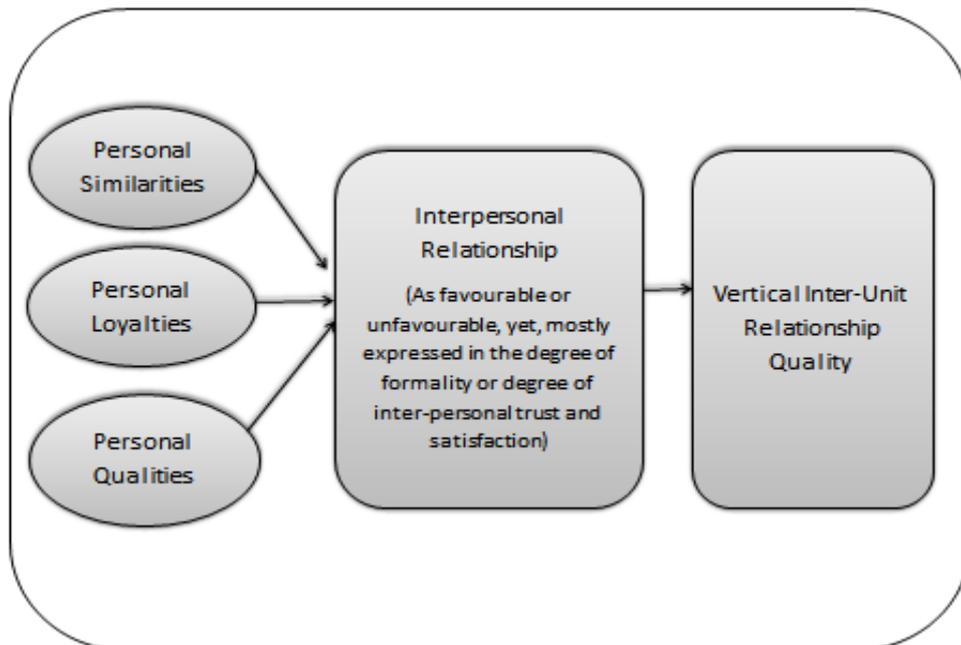
**Table 6.10: A Summary of Factors Affecting the Perception of Inter-Personal Relationship Quality as Indicated by Evidence from Case Studies.**

<b>Inter-Personal or Background Similarities</b>	<b>Personal Loyalty</b>	<b>Personal Qualities</b>
<p>According to respondents from four cases, similarity between the boundary spanners representing the two ends of the vertical relationship was one of the factors why the LL respondents tended to view their inter-personal relationship positively, and hence to view the vertical inter-unit relationship favourably.</p> <p><i>“Something to do with personalities, because</i></p>	<p>Respondents in three cases implied that loyalty plays a role in the way they perceive their inter-personal relationship with the HL people and hence the vertical inter-unit relationship. Personal loyalties can alter the lens through which the vertical inter-unit relationship is seen. Such loyalty is commonly summed up in <i>“the [PVC or the VC] appointed me”</i> and therefore, I am implicitly</p>	<p>Most of the quotes highlighted that the personal quality of individuals in the vertical relationship plays a leading role. <i>“Clearly, if we have another VC in a few years’ time, it might be different”</i> or <i>“if the top management of the University changes, maybe the situation will be different”</i>, not only because of the management philosophy but also because of the personal</p>

<p><i>[the head of faculty] and I both are predisposed to be risk takers rather than risk avoiders, also we are quite good at ideas generation...[..].. I think, in that sense, personality is very important because we perform based on our personalities.”</i></p> <p>Similarity is one of the pillars of mutual understanding and mutual trust spanning across the personal as well as the inter–unit arenas, with all their intersections. Such similarity can be a personal characteristic similarity or it can be a background similarity.</p> <p>However, the role of personal characteristics in both cases cannot be easily discounted. Personal characteristic and background similarities can also provide a basis for “liking” and that can contribute, at least partially, to the way the whole vertical inter–unit relationship is viewed and assessed.</p> <p><i>“Because I quite like [the person in the HL</i></p>	<p>indebted to his/her person. This underlying trust (of being appointed to hold a certain position) is reciprocated back by loyalty via direct (personal) and/or more generalised (institutional) reciprocity. This is why trust can be seen as a governance and control mechanism, albeit a subtle one.</p> <p><i>“Given that he [the VC] appointed me, it is a strong relationship and very supportive and clearly if we have another VC and in a few years’ time, it might be different...”</i></p>	<p>qualities and personal philosophies of individuals representing the inter–unit relationship.</p> <p>Sometimes, the vertical relationship itself is poorly perceived partially because of the personalities of people in power.</p> <p><i>“It’s a combination. I mean no structure is ever perfect, you can always work your way around it. If you got the right people in place, you can make anything work. So it is a combination of extra hierarchy, more bureaucracy, and a person who had a particular view about what he wanted and that made life very difficult...”</i></p> <p>In other instances, personnel changes are seen as the way to change the vertical relationship.</p> <p><i>“Having the new [principal] in, we are changing the way of doing things, we are replacing people with</i></p>
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<p><i>unit]. We share something and this is maybe a little contributing part. He was at [X] University, he is [from a certain field], I was [from that field], he likes people from [X] University...”</i></p>		<p><i>people from outside. That is symbolic of new ways of thinking, new ways of doing things... ”</i></p>
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**Figure 6.3: Factors Likely to Affect the Perception of the Quality of Inter-Personal Relationships among the Concerned Boundary Spanners Representing the Vertical Relationship**



### 6.2.5.2 The Inter– Personal Relationship

The previous factors (similarities, personal loyalties and personal qualities) are argued to affect the perception of inter–personal relationships. Positive inter–personal relationships or relationships beyond strictly formal ones can be helpful in making the LL unit feel “at ease”, it can be helpful in placing the LL unit in a better position to express its needs and views, and to influence the relationship terms. Therefore, a favourably perceived vertical inter–unit relationship was sometimes associated with a favourable inter–personal relationship between the key boundary spanners.

Both the friendly formal and the informal relationship are likely to be associated with positively perceived inter–unit relationship quality. Generally, respondents who negatively perceived the vertical inter–unit relationship tended to describe their inter–personal relationship as strictly formal, while those who have described the relationship in more favourable terms tended to see their inter–personal relationship with their key contacts in the HL unit as friendly formal or informal ones.

Inter–personal relationships such as “getting on well” with the people representing the vertical relationship or having something beyond a strict formal relationship were expressed in many comments as one of the factors contributing to why a vertical inter–unit relationships are perceived favourably. Favourable inter–personal relationships usually implied the presence of inter–personal trust and inter–personal satisfaction between the involved actors.

*“[what aspects of the relationship do you find most satisfactory?] At a personal level, I do get on with the head of [faculty], not everybody does, but I do and with other heads of schools and I am able to work with just about all the stuff across the*

*[faculty], but some better than others. But I think these[are] personal level relationships... “*

Good inter–personal relationships are vital for mutual understanding, and understanding paves the way for trusted causes, justifiable behaviours, but more importantly to influence. Favourable inter–personal relationships are thus fostered by mutual trust and satisfaction between the parties representing the relationship.

*“... if it wasn't a good personal relationship then I think it would have been very difficult to actually try and persuade him [the VC] of our school needs and what we want because they [the University] have been very supportive and through him and the faculty, the VC provided the school with strategic development fund etc... So if that relationship didn't exist, and he didn't have the confidence in myself and the BS, I think it would be difficult to get any extra resources into the school.”*

Table 6.11 summarises key notes on the inter–personal relationship as suggested by the case studies' evidence.

**Table 6.11: A Summary of the Inter–Personal Relationship Attributes as Emerging from the Case Study Evidence.**

<b>Case</b>	<b>Comments on the Inter–Personal Relationship</b>
<b>C1</b>	Stressed the role of boundary spanners' similarity or difference in enabling or halting building shared understandings. The role of personal qualities was also stressed.
<b>C2</b>	Stressed the role of boundary spanners' personal similarities in enabling building common understandings.
<b>C3</b>	Stressed the role of boundary spanners' background similarities and the role of personal qualities in creating common understandings.
<b>C4</b>	Good working relationships were attributed to personal qualities. The role of personal loyalties was stressed.
<b>C5</b>	The role of personal qualities was stressed.
<b>C6</b>	Stressed the role of personal qualities and personal similarities and complementarities.

<b>C7</b>	Stressed the role of personal affinity.
<b>C8</b>	The relationship functioned well based on a mutual benefit bond. Formality was enough to attain the support required.
<b>C9</b>	Stressed the role of boundary spanners' similarity or difference in enabling or impeding the building of shared understandings.
<b>C10</b>	Stressed the role of personal qualities.
<b>C11</b>	Stressed the role of personal qualities.
<b>C12</b>	Stressed the role of friendly formal relationships and its impact on achieving the desired outcomes. Also stressed the role of personal loyalties.
<b>C13</b>	Stressed the role of personal qualities.
<b>C14</b>	The relationship was formal yet bonded by mutual benefits.
<b>C15</b>	Stressed the role of personal qualities.

### 6.2.5.3 Summarising Propositions

- Personal qualities, personal and background similarities, and personal loyalties can affect the perception of the inter–personal relationship between the key boundary spanners in the vertical inter unit relationship.
- The more favourable the perception of the inter–personal relationship (represented in inter–personal trust and satisfaction) between the key boundary spanners in the vertical inter–unit relationship, the higher the VIRQ.
- Friendly formal or informal relationships are more likely to be associated with a favourable perception of the VIRQ compared to strictly formal relationships.

## **Section II**

### **6.3 The Interrelated Antecedents**

Interestingly, the different antecedents seemed to be interrelated, which created cause and effect interrelationships amongst themselves. Yet, such chains of cause and effect relationships seem to have a starting point; the balance of interdependence. The balance of interdependence appears to have an impact on the perception of VIRQ as a direct antecedent, but it also seems to impact it indirectly by affecting the rest of the previously discussed antecedents.

#### **6.3.1 The Balance of Interdependence as a Key Predictor**

##### **6.3.1.1 The Balance of Interdependence and the LL's Orientation**

The balance of interdependence appeared to leave its marks on the choice of the LL unit's orientation and its subsequent alignment. Looking into the characteristics of the LL units in Table 6.5, a number of observations can be noted:

- First, when the LL unit was highly dependent on the HL unit and had weak bargaining power within its vertical institutional relationship, its choices tended to reflect a high degree of conformity to that relationship. Conformity was evident in prioritising an orientation that was in line with its HL unit's strategic outlook (whether this orientation is towards the BS sector or towards the vertical institutional relationship) and was associated with neutralised duality. Relatively weak LL units were more integrated, aligned, and compliant with the pressures of their HL unit, thereby reflecting positive interdependencies. On the other hand, LL units with high bargaining power were more likely to deviate, to an extent, from the line drawn by their HL units, reflecting balanced or negative interdependencies.

- Second, maturity is assumed to be a subset of the LL unit's potential power. Mature LL units were more likely to be orientated towards the BS sector, while younger ones seemed to prioritise orientation towards the vertical institutional relationship. This has also tended to reflect different dependencies. While being mature does not guarantee strong bargaining power, maturity itself can partially alter the state of interdependence. Maturity can grant the LL unit the confidence of knowledge power and the power of experience, while younger LL units may need to incur the liability of newness, paying the price for their first stumbling steps. Young subsidiaries are, in most cases, weak by default and lack the power of institutional experience. Young subsidiaries can therefore be relatively more dependent on their HL units.
- Third, both C2 and C12 are no exception to the observation that the balance of interdependence affects the alignment of institutional duality (see footnote 87 in this chapter). The LL units in these two cases were not only mature and relatively strong in their sector, but were also relatively strong in their vertical institutional relationship. Hence, the alignment was based on the LL unit's choice of prioritising the BS sector, not vice versa. It was the HL unit that had to accommodate the need of a very powerful LL unit, not the other way round.

Three points can be deduced from observing the LL unit's orientation and its relationship to the balance of interdependence.

First, it conforms to the general premise that relative power gives its holder the luxury of choice. Relative power gives the holder relatively more options compared to its weaker peers. Yet, how much constitutes "relatively" remains an important question.

Second, it seems that the balance of interdependence not only alters the previously discussed antecedents, but also plays a key role in the game of legitimation. Oliver (1991, 1992)

inferred that legitimation (or delegitimation) is a choice that has different degrees and forms. Since younger or weaker LL units tended to be more compliant and conforming to the vertical institutional relationship in their choices compared to their stronger and more mature peers, this may imply that the extent of legitimation is associated with the balance of interdependence, and hence the relative latitude of choice<sup>98</sup>. This could partially answer the question posed in the above paragraph.

Third, based on such observations it can be also inferred that legitimation is not only a choice, and it not only has varying extents; it also has an aspiring nature. Stronger LL units were once more compliant when they were weaker. As they grew stronger, they were trying to “fit in” or comply with a wider and a stronger institution; the BS sector.

### **6.3.1.2 The Balance of Interdependence and the State of Cognitive Congruence**

Similar to the choice of orientation, it also seems that the balance of interdependence affects the state of the cognitive congruence between the LL and the HL unit. With reference to Table 6.6, positively interdependent or highly dependent LL units tended to have higher cognitive congruence than their balanced or negatively interdependent peers. The reason could lie also in the power of choice and legitimation. Positively interdependent LL units are likely to conform to the institutional frame they are highly reliant on, even in their visions and means. Their choices are limited by their desire to be legitimate within their vertical institutional relationship. That is why highly dependent LL units seemed to be more aligned and integrated with their higher level units than their stronger peers.

On the other hand, less dependent LL units tended to have relative power in choosing their own routes and referent institutional frames. Consequently, it was natural to quote the

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<sup>98</sup> The extent of legitimation can be inferred to be dependent on the power of the LL unit in relationship to the state of the balance of interdependence. The more the LL unit is dependent on the HL unit, the more the former is likely to comply with the pressures of the latter and vice versa.

respondents of the LL units saying “they do not understand” referring to a HL unit’s different ambitions or means. However, the deviation of the LL unit was always calculated, reflecting mutual, yet different extents of dependence.

*“We shaped this investment plan twice now. And we are constantly reshaping it to fit their [the University] agenda. The same one but to fit their priorities...”*

*“We have got to conform to it, we have got to conform to the vertical relationship, we cannot deviate from it, I think if I simply ignored it, they will get rid of me and get somebody else. So it is very critical to conform to that and to play the game within the set of rules and do the best you can.”*

### **6.3.1.3 The Balance of Interdependence and Perceived Control/Autonomy**

There were a number of quotes linking demands for further autonomy with the balance of interdependence. Positively interdependent LL units tended to perceive the level of autonomy they have more favourably than other LL units which had corresponded with their HL units in terms of their level of interdependence or even exceeded it. The following quotes show that the LL unit’s perception of high dependence outweighs its perception of the need for more autonomy. As was evident in a number of cases, the benefits derived from the vertical relationship were just enough to discount the other tensions in the relationship. This point is deemed to be crucial in determining which level of autonomy is appropriate, as will be discussed later in this chapter.

*“... But I stress this, I personally, my view is too much is made of autonomy. A lot of my colleagues may not share this view. Personally, I think we talk about it a little too much, we got obsessed with it, and probably we should be focusing over things we have control over a little bit more. So, as I said, I think it is too valuable to us and*

*that we are part of a broad University, I think there is something that we should be making more of. There are many institutions that would love to be part of a large .. [..]. University..”*

*“I'm not obsessed with autonomy, I know some deans who work in spite of their organisations. I don't think it's silly, I think it is dangerous to be competing with your University. ..[..]. I have seen some very tough deans, who think that they are in charge of their own business, but they are not, they are employees of the University. And I never acted as an independent person, never! There is no point because I am an employee. That doesn't mean I'm overly deferential, it just means that I understand what my role is ...[...]. I need and value working in the framework within which I work. I find it a little constraining, but I find it totally appropriate. It is difficult, sometimes I manage it really well, and sometimes I go with the flow, with the speed of the movement. Sometimes like a Canute which is standing and trying to stop the tide coming in but the sea does not stop, so you need to learn to go with the tide.”*

This quotation, the benefits derived were sufficient for the head of the LL unit to redefine his role as “*an employee*”, while acknowledging that “*it is difficult*” but that he does not have enough power to “*stop the tide coming in*”. That not only sheds light on the role of positive interdependence and the low bargaining power of the LL unit, it also shows how respondents can shape a different perception about the very concept of “autonomy”.

In other cases, the benefits derived were enough to view HL unit’s control as a form of integration rather than as a constraint; shifting the perception of the vertical relationship from being authoritative to an empowering one.

*“We are not constrained. We are a central part of the University and integration with the rest of the University is very important. And the University values it a great deal. So we have a great deal in terms of the latitude in how we manage our activity and how we are expected to function effectively as an independent organisation but we do so within the context of the wider University...”*

While the control of the HL unit was still constraining in all cases, it could be *neutralised* by the benefits obtained from the vertical relationship.

#### **6.3.1.4 The Balance of Interdependence and the Boundary Spanners’ Inter–Personal Relationship**

The balance of interdependence potentially impacts upon the inter–personal relationships among the key boundary spanners involved in the vertical relationship. Because they are highly dependent, the people of the LL unit usually initiate a friendly relationship with their key contacts in the HL unit. This not only provides a better basis for legitimisation, it also is more conducive to building shared understandings.

*“I always go to the social do’s ...[.]. it is all part and parcel of showing that the BS is part of the University...”*

This works in the opposite direction as well. If the HL unit recognises the importance of the LL unit, it tends to carefully select the key people in the LL unit. This can be a basis for personal trust and similarity (see point 6.2.5).

#### **6.3.1.5 Summarising Propositions**

- The perception of the balance of interdependence, coupled with the LL’s level of maturity, is likely to be associated with the neutralisation of the institutional duality as seen by the LL unit in the vertical relationship.

- The perception of the balance of interdependence is likely to influence the perception of cognitive congruence/disparity between the HL and the LL units in the vertical relationship as seen by the LL unit in the vertical relationship. The more the LL is dependent on the HL, the higher the level of cognitive congruence between them.
- The perception of the balance of interdependence is likely to influence the perception of autonomy as seen by the LL unit in the vertical relationship. The more the LL is dependent on the HL, the more likely the HL's control will be favourably perceived (neutralised) by the LL unit.
- The perception of the balance of interdependence is likely to have bearing on the perception of the inter-personal relationships between the key boundary spanners in the vertical inter-unit relationship as seen by the LL unit. The more the LL is dependent on the HL, the more likely the inter-personal relationships between the key boundary spanners concerned will be favourable.

### **6.3.2 The Neutralisation of the Perception of Control**

While the level of interdependence tended to impact the other antecedents, many of the antecedents tended to impact the perception of control/autonomy. The interpersonal relationship between the key boundary spanners, the state of cognitive congruence and the unification of the institutional frames tended to colour the perception of the HL's control, and hence the perception of the VIRQ.

#### **6.3.2.1 Perceived Control and the Degree of Formality between the Boundary Spanners**

The relationship between the boundary spanners representing the vertical relationship can impact the perception of control. A trust-based inter-personal relationship between the key boundary spanners tends to affect the perception of control favourably, regardless of the formal state of that control.

*“Of course we would want more autonomy but the BS has a high amount of autonomy when it comes to appointments now. The Dean has got a good relationship with the VC so that kind of helps. And sure anyone will tell you that they want more autonomy in their hands but I don't think the BS would want to be anything other than part of the University. So we realise we have to cooperate...”*

Both positive interpersonal and balanced interdependent relationships tended to *neutralise* the adverse repercussions of control.

#### **6.3.2.2 Perceived Control and Cognitive Congruence**

More importantly, it was cognitive congruence that seemed to have a profound neutralising impact on the perception of control. Cognitive congruence is argued to affect perceptions of control in general, whether positively or negatively. Shared values and culture are key governance mechanisms that are suggested to harmonise and govern a relationship without

creating a high sense of use of authority or control. Therefore, cognitive congruence is itself a control mechanism.

In one case, the alignment of the broad strategy was enough to build a positive perception of autonomy.

*“If you were saying that do I have somebody on my neck 24 hours a day saying what you're doing, then the answer is no. But in terms of shaking the strategy, then within the context of the University strategy, which isn't a problem for us because it fits what we want to do, it is very aligned, then in one sense we are aligned with an overall strategy that has been broadly endorsed, and there is very little of what you cannot do, which is good.”*

It might be worth noting that cognitive disparity is negative mainly because it imposes constraints on the LL unit without necessarily understanding its needs and its environment. This means that it is due to the lack of common understandings, perceptions, and frames of reference that the autonomy of the LL unit is limited. Interestingly, the perception of autonomy was sometimes based on the LL's previous experiences or an active comparison with peer LL units in the sector. This can highlight the important role of the unified frame of reference.

*“So we are controlled through our budget, our budget is very tightly controlled but once they've been approved, [it is fine]. I have talked to other deans in other BSs and I think we have more autonomy than what you see in other BSs but it is controlled through budgets.”*

In one case, the concept of high autonomy was stigmatised by a previous bitter experience.

*“...and in terms of our relationship, I am a very clear that, you know, I was with the BS when it was [more] autonomous and it was a painful time, I have no aspiration to be [more] autonomous from the University, we want to be a BS at the heart of the University, that is our strengths.”*

This stresses the importance of focusing on the perception of autonomy rather than focusing on control mechanisms as such, if the perception of the VIRQ is the key concern. This analysis shows that there were three key factors that tended to neutralise the negative perception of control. These were the balance of interdependence, the interpersonal relationships, and the cognitive congruence.

#### **6.2.2.3 Summarising Propositions**

- The perception of interpersonal relationship quality is likely to have a bearing on the perception of autonomy from the perspective of the LL unit. The higher the perceived interpersonal relationship quality, the higher the autonomy perceived by the LL unit.
- The state of cognitive congruence is likely to have bearing on the perception of autonomy from the perspective of the LL unit. Cognitive congruence is more likely to neutralise the perception of control compared to cognitive disparity. The higher the perceived cognitive congruity by the LL unit, the higher it perceives autonomy.

### Section III

#### 6.4 The Perception of VIRQ

This section reports the associations of antecedent conditions on the general perception of VIRQ as reported in the cases studied. These are summarised in Table 6.12.

**Table 6.12: Summarising Different Perceptions Associated with VIRQ based on Evidence from Case Studies.**

Case	The balance of interdependence		The LL's orientation	The state of cognitive congruence	The perception of autonomy	The overall perception of VIRQ
	Overall interdependence	Embedded interdependence <sup>99</sup>				
C1	Negative	—	The wider BSs' sector	Cognitive disparity	Negative	Negative
C2	Balanced	—	The wider BSs' sector	High cognitive congruence	Neutralised	Positive
C3	Positive	Balanced	The wider BSs' sector	Moderate cognitive congruence	Neutralised perception of control	Moderately positive
		Negative		High cognitive disparity	Very negative perception of control	Negative
C4	Positive	—	The vertical institutional relationship	High cognitive congruence	Neutralised perception of control	Positive
C5	Positive	Negative	The wider BS s' sector	High cognitive disparity	Negative perception of control	Negative
C6	Positive	—	The vertical institutional relationship	High cognitive congruence	Neutralised perception of control	Positive
C7	Positive–balanced	Negative	The wider BS s' sector	High cognitive disparity	Very negative perception of control	Negative
C8	Positive	—	The vertical institutional relationship	High cognitive congruence	Neutralised perception of control	Positive

<sup>99</sup> In case of the presence of an intermediate HL.

C9	Positive	Balanced	The wider BSs' sector	High Cognitive disparity	Negative perception of control	Negative
C10	Balanced	—	The vertical institutional relationship	Moderate Cognitive disparity	Moderately negative perception of control	Moderate
C11	Balanced	—	The wider BSs' sector	High evolving to moderate Cognitive disparity	Negative perception of control	Negative evolving to moderate
C12	Balanced	Crossed	The wider BSs' sector	High cognitive congruence	Neutralised control	Positive
C13	High positive interdependence	—	The vertical institutional relationship	High cognitive congruence	Neutralised control	Positive
C14	High positive interdependence	—	The vertical institutional relationship	High cognitive congruence	Neutralised control	Positive
C15	High positive interdependence	—	The vertical institutional relationship	High cognitive congruence	Neutralised control	Positive

Based on this table, a number of observations regarding VIRQ and its antecedents can be made.

It can be noted that all positive interdependent LL units (C4, C6, C8, C13, C14 and C15) tended to view VIRQ positively. Whenever the balance of interdependence was perceived to be negative, the perception of VIRQ tended to be unfavourably (C1, C3 – group (2), C5, and C7). For balanced interdependence, the results tended to be split into two groups. The first group was (C2, C3 group (1), and C12) where the balanced interdependence was associated with a favourable perception of relationship quality. The second group was (C9, C10 and C11) where the balanced interdependence was associated with unfavourable or moderately unfavourable perceptions of VIRQ.

#### **6.4.1 When the LL Unit is Positively Interdependent**

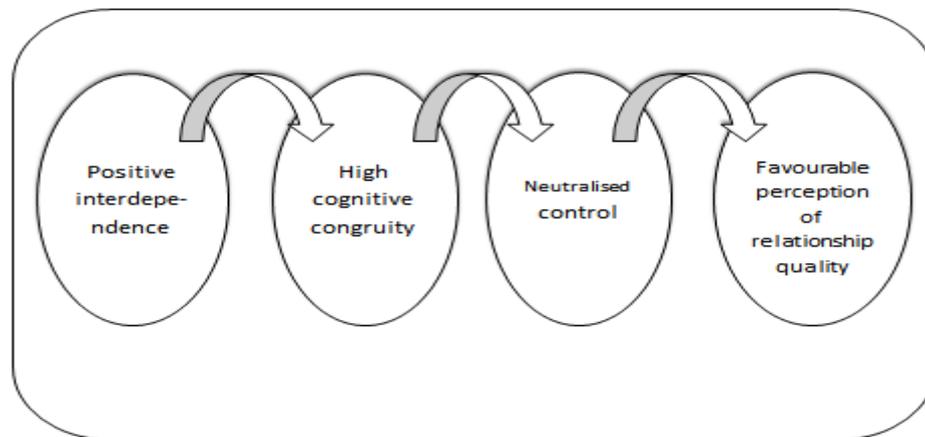
With regard to the positively interdependent LL units, they tended to have high levels of cognitive congruence, which in turn neutralised their perception of control, even when they were generally highly controlled through different control mechanisms. The relationship was generally supportive and empowering to the LL unit. It was bonded by mutual, yet possibly unequal rewards rebated to both the relationship parties.

This indicates a key point. A positive interdependence relationship is a relationship where the benefits far exceed the costs from the perspective of the LL unit. These derived benefits then shape the rest of the relationship-related perceptions.

In the positively interdependent cases, not only was the overall assessment of VIRQ favourable but also the perception of cognitive congruence as well as of control. As mentioned in Section II, positive interdependence can shape the choices of the LL unit as they start to conform to the institutional frame on which they are highly dependent. Both the HL and the LL units become unified by common goals or mutual benefits, and the positive relationship between them can even reinforce the continuous sustenance of cognitive congruence.

Control is neutralised in such cases not only due to the impact of cognitive congruence but also because accepting control is a way of legitimation within the vertical institutional relationship in order to derive the desired benefits. Control thus becomes justified as a key source of empowerment. If one were to search for a key word describing the dynamics of the aforementioned interrelationships, it would be legitimacy. Legitimacy dominates the scene in positive interdependent relationships.

**Figure 6.4: Summarising the Consequences Associated with Positive Interdependence**



#### **6.4.2 When the LL Unit is Negatively Interdependent**

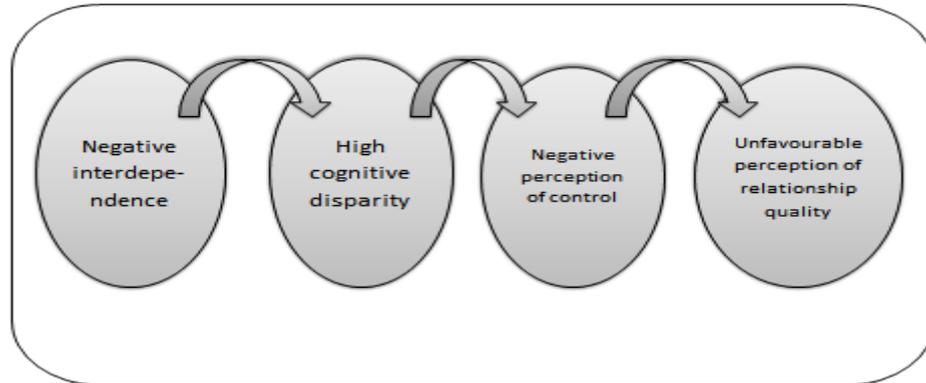
With regard to negative interdependence, not only was VIRQ perceived unfavourably, but so also were the state of cognitive congruence and subsequently, the perception of control.

Negative interdependence relationships are relationships where the cost is negatively perceived as they are not met by comparable benefits. In negative interdependence cases, the LL unit did not need the HL unit as much as the latter needed the former. The bargaining power of the LL unit was high and its desires were not as constrained by the need for (active) legitimacy. Negatively interdependent LL units were more confident to choose a different orientation and to have different goals to their HL unit, resulting in high cognitive disparity. A negative perception of control then resulted from high perceptions of cognitive disparity.

Lacking a common frame of reference along with excessive control from a structural authority that is not needed was seen as dysfunctional, constraining, and tormenting. In such cases, the

vertical inter-unit relationship evolved from an empowering relationship to a constraining one with relatively less reason to accept the constraints<sup>100</sup>.

**Figure 6.5: Summarising the Consequences Associated with Negative Interdependence**



#### **6.4.3 When the LL Unit is in Balanced Interdependence**

For balanced interdependence relationships, the picture seemed to be less straightforward. Results for the balanced interdependent cases split into two groups representing two different scenarios. The first group of balanced interdependent cases tended to generally view VIRQ positively or at least as moderately positively. In these cases, the state of cognitive congruence was closely associated with the perception of VIRQ and the subsequent perception of control. Balanced interdependence requires that the two parties of the relationship need each other more or less equally, and therefore, both of them have high bargaining power in the relationship. Since both of them need each other equally, the bond of

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<sup>100</sup> Although this is not supported by the cross-sectional analyses, theoretically negative interdependence of the LL unit can also result in cognitive congruence where the HL unit aligns or integrates the needs of the LL unit due to the former's dependence. The HL unit can also "create" new dependencies for the LL unit in an attempt to maintain the legitimacy of its higher structural position. This was not reported in this chapter as this chapter only focuses on a static view of the antecedents in order to enable the establishment of the interrelationships among the different variables under study. Most cases were in continuous evolution and Chapter 7 focuses more on the dynamics of the vertical inter-unit relationship as it is devoted to the associated consequences of the different VIRQ perceptions.

mutual benefits can make them align their goals and frames, resulting in a favourable state of cognitive congruence.

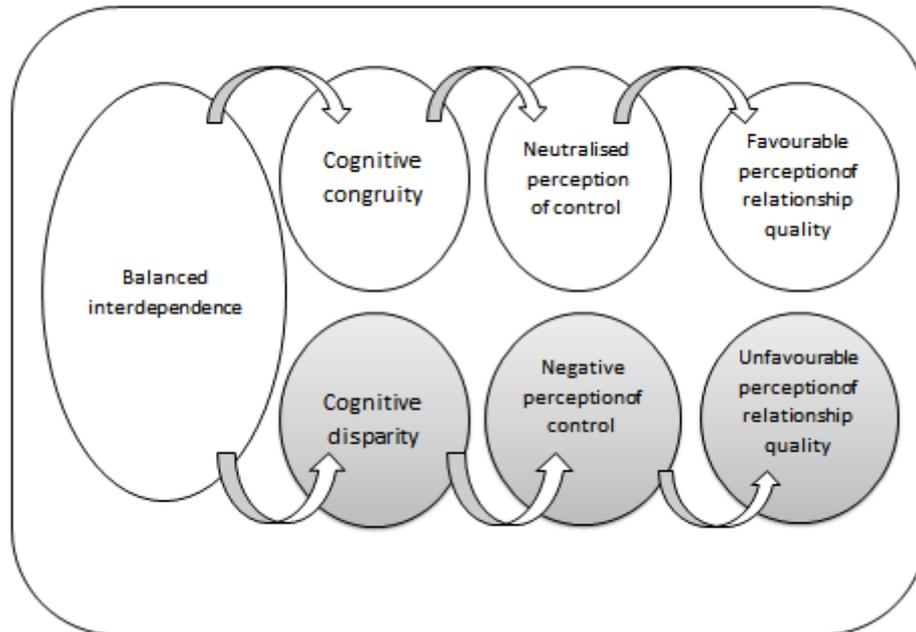
However, since they need each other equally, the relative strength of both parties can also stand in the way of alignment, at least temporarily. This summarises the position of the second group of balanced interdependent cases. The need for legitimacy in balanced interdependence is relatively less and therefore the latitude of choice is relatively greater. High bargaining power can be associated with choice rather than submission, and different choices, on the part of equally powerful units, can be sources of tension if not aligned. What aspects to prioritise and what aspects to compromise on are broad examples of what these tensions can involve.

Moreover, for balanced interdependent cases where the LL unit perceives the relationship as characterised by low cognitive congruence, the perception of control tends to be very negative. There are two main reasons behind this. First, not only does the state of cognitive disparity heighten the negative consequences of control, the relative power of the LL unit in this case also makes control much more uninvited. The control of the HL unit becomes unjustifiable and its authority becomes questionable as both parties become more or less equally powerful. Second, the HL unit, might consider that it needs to enforce further controls on this powerful LL unit before it becomes even more powerful. The HL needs this LL unit to be developed but, at the same, it *fears* its evolving power. This can result in a tightening of its grip on that LL unit. Unjustifiable control is thus joined sometimes by excessive control, harming the instinctive desire of the LL unit; empowerment from the HL<sup>101</sup>.

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<sup>101</sup> The scenario of excessive control could also be evident in cases where the LL is negatively interdependent.

**Figure 6.6: Summarising the Consequences Associated with Balanced Interdependence<sup>102</sup>**



#### 6.4.4 Summarising Propositions

- Positive interdependence of the LL unit is likely to have a positive impact on the perception of cognitive congruence, neutralise the perception of control, and have a positive impact on the perception of the VIRQ.
- The negative interdependence of the LL unit is likely to have a negative impact on the perception of cognitive congruence, the perception of control, and the perception of the VIRQ.
- Balanced interdependence is likely to be associated with a neutralised perception of control and a favourable perception of VIRQ if the perception of cognitive congruence is positive.

<sup>102</sup> The figure shows the possibility for two opposite scenarios based on the perception of the state of cognitive congruence.

- Balanced interdependence is likely to be associated with a negative perception of control and an unfavourable perception of VIRQ if the perception of cognitive congruence is negative.
- In all cases, a favourable perception of the state of cognitive congruence is likely to be associated with a favourable perception of VIRQ.

## Section IV

### 6.5 The Construction of the Meaning of VIRQ – Inferences based on the Perception of VIRQ

The previous analysis suggests that the perception of high cognitive congruence can mediate the impact of the balance of interdependence on the perception of the VIRQ. However, the state of cognitive congruence itself can be a function of the state of the balance of interdependence, which makes the latter *the* integral part of the vertical inter–unit relationship saga. The state of cognitive congruence, as discussed, is just a manifestation of the relative dependencies and legitimation manoeuvres embedded in vertical relationships.

The previous analysis also shows that the perceptions of all the vertical inter–unit relationship variables are calculative in their very essence. They are based on perceptual calculative processes guided mainly by the balance of interdependence. The perception of VIRQ itself is one of the results of such calculation processes, along with the congruency of choices and perceptions and the perception of control.

In all the cases studied, respondents referred to such calculation processes and explicitly or implicitly linked them to the perception of VIRQ. The calculation process tends to be strategic and pragmatic. The LL unit always “*wins some and loses some*”, but the balance should be of a net *empowering* benefit for the LL unit to be satisfactory.

*“My view is that we derive far more benefit than the cost associated with the arrangement being part of a major University with its knowledge base, its resources, its educational standing, that is of tremendous benefit to the BS and we hope not only grow but also to contribute to the rest of the University. So the benefit to us from that relationship far exceeds any issues or constraints associated with it.”*

Empowerment, as mentioned in Chapter 5, is seen as the corner stone in vertical relationships. Vertical relationships are initiated with the purpose of empowerment and sustained by ambition for further empowerment. Empowerment increases the potential for influence on one's destiny; the foundation upon which VIRQ is argued to be based.

Taking this line of thinking further, if the purpose of the LL unit in the vertical relationship is to maximise its influence on its own destiny, then what are its available options?<sup>103</sup> Sometimes maximising such influence entails that the LL unit submits to the HL unit; limiting its influence to the empowerment it receives from such submission. In this case, having more influence on one's destiny is being embedded in the vertical relationship with its current terms. In some other cases, having more influence may involve fighting for it. In other cases, having more influence on one's destiny requires controlling others (spreading the span of influence over others). This poses a series of questions: what is the ceiling of the influence aspired to? What seems to be a satisfactory level? And more importantly, what underlies the lines underlying satisfaction with influence?

These questions can only be answered looking at the overall perception of VIRQ along with considering its likely antecedents. It is suggested that answers revolve around the balance of interdependence. Neither empowerment nor influence are absolute; they are closely tied to the balance of interdependence.

Reflecting on the options mentioned in the above paragraph, submitting to the terms of the relationships is very likely in cases where the LL unit is positively interdependent. This can be argued not to constitute passive submission; rather, it is based on active calculations of

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<sup>103</sup> The ambition for empowerment and influence as well as the scenarios presented also applies to both the HL and the LL in the vertical relationship. However, this section is more concerned with the behaviour of the LL unit as having less structural power.

what is empowering and what is not. In this case, the positive interdependence draws the lines of satisfaction.

When the balance of interdependence swings in favour of the LL unit, the LL unit starts to have more power to demand further influence on its own destiny. This time influence on one's destiny in the vertical relationship can extend as far as leaving its mark on the terms of the relationship itself (affecting the terms of autonomy and control, and distribution of resources). Changing the terms of the relationship can inevitably influence the positions of the different parties, and hence intentionally or coincidentally affect the scope of control of others.

The positive swing in the balance of interdependence in the favour of the LL unit justifies its expectations and legitimises its ambitions for more influence, where the concept of *fairness* starts to colour the scene. How much influence is satisfactory is thus a function of the balance of interdependence between the vertical relationship parties. The analysis of the different cases indicates that the LL unit was satisfied with the relationship insofar as the relationship was generally empowering where the LL unit enjoyed what is perceived to be a fair level of *influence*.

Fairness in this context ties the balance of influence to the balance of interdependence<sup>104</sup>. A positive interdependence relationship, from the perspective of the LL unit, is an empowering one insofar as it receives more benefits than costs. The LL unit tends to be satisfied with the relationship, whatever its terms of control and its respective influence, as the balance of interdependence entails that control should be in the hands of the HL unit.

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<sup>104</sup> While this can be normatively expected in voluntary relationships, it could be less obvious in vertical relationships where the structural power of the HL unit can manipulate the settlement of the balances of interdependence and influence.

Balanced interdependence relationships can be more contentious as influence on the terms of the relationship starts to be a contested resource (particularly if the interests of the different parties to the relationship are not harmonious). The concept of fair influence entails that the LL unit should have a say in the terms of the relationship so that the balance of influence and the balance of interdependence reach a point of equilibrium.

Negative interdependence relationships are relationships where the LL unit needs greater influence on the terms of the relationship than its HL unit in order to perceive the relationship as satisfactory, or as a relationship of fair influence.

While the overall analysis supports this claim as discussed, the concept of fair influence was crystallised through direct quotes of 15 respondents representing 8 case studies. This is in addition to other quotations stressing the need for influence and fairness in the vertical relationship in general.

### **6.5.1 The Concept of Fair Influence**

According to the findings, cost and benefit calculations reflecting the balance of interdependence tended to shape what is acceptable and what is not acceptable, what is fair and what is not, what is empowering and what is not. This calculation tended to affect perceptions of all the relationship variables, and perceptions tended to shape behaviours and actions. Perceptual calculations tended to frame the extent to which the LL unit pushes for autonomy as well as when it stops pushing for it. To the LL unit, the balance of interdependence itself thus creates or frees up the relationship constraints.

In positively interdependent LL units, respondents preferred having “power-with” the HL unit to gaining autonomy. Whenever respondents from the LL unit perceived positive interdependence, quotations such as the following were common.

*“You have autonomy but somewhere you have a gate. You cannot just do it, to be honest, you [would] be mad anyway. This would be a case of the BS completely doing its own thing. It will be suicide to think that you could do that, certainly in this day and age...”*

*“I think, as the school, we were pushing hard for autonomy to start with, a little too hard to be honest... [...]...I think one of the advantages [here] is that we are part of a large historic traditional University. I think it is advantageous to us, it is attracting the students and all the rest of it. ..[.]. Again there is an idealistic viewpoint and there is the realistic viewpoint. In an ideal world, the school would be a budget centre and we would be solely in control of the revenue that we earn [and] the income we generate. That would be complete autonomy. But as I say realistically we are part of a larger University....[.]. but back in the real world, we are constrained, we have to live with it, acknowledging the benefit of being part of large University...”*

The commonality of mentioning control and autonomy symbolises the desired influence which is constrained by positive interdependence. However, such constraints are fair given the positive interdependence, since it conveys valuable relationship benefits that would not have been obtained otherwise. Focusing on the balance of interdependence made respondents perceive VIRQ positively via reshaping their expectations for the LL unit. Whether or not the overall satisfaction reported in positively interdependent LL cases can be seen as one of the coping mechanisms to deal with restricted choices is perhaps an interesting question.<sup>105</sup>

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<sup>105</sup> In some cases, satisfaction with the balance of influence in positive interdependence relationships was not even intended by the HL unit, it was a by-product of an overall process of change; yet it seemed satisfactory.

For balanced or negatively interdependent cases, what tended to be perceived as a satisfactory relationship differed with the variation in what constitutes fair influence. The shift in the balance of interdependence in the favour of the LL unit made the latter more ambitious in terms of aspiration for influence. Balanced or the negative interdependence shaped different expectations for the LL unit and these expectations tended to frame what was deemed satisfactory and what was not.

Some LL respondents tended to emphasise that what they get in terms of influence is what they deserve, and therefore they were satisfied about the fairness of the balance of influence.

*”... but basically it has taken nearly X years to repair the relationship and therefore to get more of the resources that I think we both deserve but also we need ...[..]. I am not in dispute with the University. There is nothing I want that I have not either got or is coming ...”*

Some other units were less satisfied as based on their balance of interdependence; they said that they deserved more influence on their destiny; and subsequently on the terms of the relationship. Such LL units tended to emphasise their contribution and their strength in the vertical relationship, unlike the positively interdependent cases which tended to emphasise the power of the HL unit or the benefits they receive from the HL.

*“No [I am not satisfied with the relationship with the University] I would say, there is too much control from the University as a whole of the BS and too much exploitation of its resources ..[..]. We have increased our contributions over the last X years to the University from X million to 2X million, we’ve increased our revenue by about XX% over that time...[..]. , that places huge strains on the BS in terms of its ability to*

*continue to operate and offer quality educational experience, and yes those have been sources of strain, I would say.”*

This is one example of the many quotes which stress the need for further influence (by demanding an increase in the scope of autonomy), but this demanded influence is justified by the contribution the LL unit brings to the vertical relationship. It is the balance of interdependence that entail that these demands are fair or legitimate. More importantly, satisfaction was reported in a number of cases when the relationship started to reflect fairness in the balance of influence associated with the respective balance of interdependence.

### **6.5.2 The Meaning of VIRQ: a Summary**

Chapter 5 attempted to construct the meaning of VIRQ. However, it ended with two unanswered questions. If VIRQ means influence, what kind of influence is required (i.e. influence on what); and to what extent is that influence required (i.e. what is the degree of influence that will be satisfactory to the LL)?

this chapter indicates that the LL units wish to influence their own destiny and desire to maximise their scope of influence. For the vertical relationship to be perceived satisfactorily, it should be generally be an empowering one, allowing the LL unit to increase its scope of influence on its own destiny by the virtue of the relationship.

However, in ensuring influence over its own destiny, the LL unit might choose to conform to some or all of the terms of the vertical relationships terms, resulting in a constraint on its

choices. Equally, in ensuring influence, the LL unit might need to be able to influence the terms of the vertical relationship and/or the HL unit itself<sup>106</sup>.

The second question posed at the end of Chapter 5 can be answered in the terms of the balance of interdependence between the parties to the vertical relationship. The concept of fair influence was introduced to reflect that the quality of the vertical inter-unit relationships is favourably perceived when the balance of influence is fairly tied to the balance of interdependence. From the perspective of the LL unit, the meaning of VIRQ thus becomes an overall empowering relationship where there is a general perception of a fair balance of influence between the parties to the relationship. It is the perception of the balance of interdependence that determines the perception of influence fairness.

Fairness of influence focuses mainly on the relative power and dependence dynamics in the vertical relationship. Vertical relationships are full of pull and push dynamics that lead perceptions of interdependencies, influence, and fairness to be in continuous flux. Moreover, being “perceived” makes the settlement of any relationship less straight forward. The consequences of VIRQ, and how these consequences can lead to shifts in the balance of influence, and sometimes in the balance of interdependence, is the concern of Chapter 7.

### **6.5.3 A Summarising Proposition**

- The different VIRQ attributes are likely to boil down to one underlying meaning; achieving a satisfactory/fair balance of influence between the HL and the LL .

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<sup>106</sup> The vertical relationship draws the boundaries of this study; however, in practice, the vertical relationship does not limit the influence ambitions, as the desire for influence might extend to resources or entities beyond that relationship.

## **6.6 Summary**

The purpose of this chapter was to report the different antecedents that were likely to predict the perception of VIRQ and to complete the meaning construction of the latter. Five different antecedents were suggested based on thorough cross–case and within–case analyses. This chapter initially focused on providing a comprehensive description of the likely antecedents. The inter–linkages among the different antecedents were also discussed and the pivotal role of the balance of interdependence was pinpointed. The chapter suggests a number of propositions related to the antecedents of the perception of VIRQ. This chapter also attempted to complete the meaning construction associated with VIRQ by introducing the concept of fair influence.

## **CHAPTER 7: QUALITATIVE FINDINGS (3)**

### **What are the Consequences and Concomitants that are Likely to be Associated with the Perception of VIRQ?**

#### **7.1 Introduction**

The importance of understanding the concept of VIRQ lies in comprehending the potential consequences of its perception. In this sense, VIRQ is seen as a social resource that is exchanged between the two levels of the relationship. Research on relationship quality in different contexts has strongly emphasized this premise (see for example Crosby et al., 1990; Eisenberger, et al., 2001; Maslyn, and Uhl-Bien, 2001). Therefore, a reciprocation process will take place based on perception of the nature of this social resource.

This chapter builds primarily on the reciprocation of the LL units based on the way they perceive the quality of their vertical inter-unit relationship. LL reciprocation is the main concern of this chapter as it is the structurally weaker party in the vertical relationship. Therefore, the way it reciprocates, it is suggested, sheds light on novel areas, as LL reciprocation generally has less latitude compared to the HL unit. This chapter, therefore, builds on the opinion of the boundary spanners representing the LL unit.

The case study evidence suggested that reciprocation expresses the potential power of the LL unit (embedded capacity). Yet, the way in which such potential power is manifested is found to be associated with the state of the balance of interdependence in the vertical relationship. The findings suggest that reciprocation mainly follows a calculative process based on rational cost and benefit analyses. Thus three distinct modes are likely to emerge; positive, negative, and tactful reciprocation; although there is no contradiction with the commonly used modes of reciprocity in the general organisational literature (direct, indirect, and generalised). While positive and sometimes negative reciprocity tend to be more common in organisational

research,<sup>107</sup> to the best of my knowledge, tactful reciprocation has not been discussed in the existing literature on organisations.

The identified modes of reciprocation are, however, not mutually exclusive; they tend to reflect general tendencies rather than dichotomous choices. In many cases, some overlap between tactful and negative reciprocity was observed, yet there was a general tendency that tended to dominate in most cases which made categorisation possible.

Furthermore, this chapter goes beyond the identification of the different modes of reciprocation to examine the potential impact of the different reciprocation modes on the stability of the power distribution structure (who influences what decisions) in the vertical relationship (for simplicity's sake referred to as structural stability). The findings indicate that the different modes of reciprocation can result in structural stability, structural refinement, or structural instability. Each of these depends on how the LL's boundary spanners and staff choose to manifest their potential power through reciprocation. This in turn is based on the way they perceive their empowerment and their scope of influence (VIRQ). Changes or stability in the structure of power distribution thus reflect the power dynamics between the parties to the vertical relationship. Yet, structural changes or stability are not necessarily related to changes in the formal organisational structure; the structure of power distribution can be changed either formally or informally simply by stabilising, gaining, or losing the desired scope of influence from a given vertical relationship.

Based on the findings, positive reciprocation was usually associated with structural stability where the distribution of power in the vertical relationship is stable (in the short /medium term) as the parties to the relationship satisfactorily empower each other. Tactful reciprocation

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<sup>107</sup> See, for example, the literature on perceived organisational support (e.g., Eisenberger et al., 2001).

is a choice that reflects the strategic aspirations of the LL unit for a refinement of the power distribution in the vertical relationship. It was thus usually associated with structural refinement, although not necessarily via changing formal organisational structure. Negative reciprocation was associated with dysfunctional relationships due to the dissatisfactory scope of influence perceived by the LL unit and therefore the distribution of power itself becomes unstable, resulting in structural instability. Structural change in tactful and negative reciprocation is referred to as structural refinement and structural instability respectively as the former refers to a structural change that occurs via the pursuit of LL legitimation, while the latter is a by-product of a dysfunctional relationship.

This chapter, therefore, sheds light on novel areas concerning the functionality of vertical inter-unit relations and provides fresh insights into the intra-organisational power dynamics reflected in the structural stability of the power distribution. Reciprocation based on the perception of VIRQ shows that the structural power of the HL in vertical relationships cannot be taken for granted as power is dynamic and reciprocal. However, the modes of reciprocation and the nature of the LL's potential power would vary.

## Section I

### 7.2 Positive Reciprocation

Positive reciprocation is when the LL unit responds to a positively perceived VIRQ in a positive way in order to maintain and maximise its already satisfactory scope of influence. This is described as reciprocation as the LL unit members use their potential power to reciprocate back to the HL. The LL's reciprocation is based on the LL's perception of VIRQ but also given the scope of the LL's potential power.

Positive reciprocation has been identified in a number of cases, but most notably in C4, C6, C8, C13, C14, and C15. The common features in these cases can be summarised as follows:

1. The boundary spanners interviewed in these cases expressed high satisfaction with most of the VIRQ aspects. This includes a satisfactory level of influence (in general) and a satisfactory assessment of the relationship attributes (trust, openness, fairness... etc). Therefore, the relationship was seen as one of a positive or a favourable quality.
2. These cases are the ones described to be in positive interdependence with their HL units (i.e., their need for the HL exceeds the HL's need for them).
3. These cases showed common features in terms of their reaction to the perception of favourable VIRQ. Such features can be summed up in using their potential power to show institutional legitimacy. The LL units showing positive reciprocation were, in effect, showing and maintaining their legitimacy within the vertical relationships. Legitimacy in positive reciprocation cases was seen by the LL respondents as a platform for achieving the desired influence and for being empowered. It was a rational choice given the positive perception associated with the VIRQ, but more importantly, given the positive interdependence of these LL units.

4. Such legitimacy was reflected on two overlapping levels. The first level was at the level of the boundary spanners of the LL unit and the second is the broader unit's level. Legitimation activities can also be categorised into two broad categories; compliance and active legitimacy. Compliance legitimation involved meeting role obligations while active legitimation entailed doing extra-role activities (See table 7.1).
5. Both categories of legitimation activities were meant to maintain and maximise the already satisfactory scope of influence that the LL unit enjoyed.

**Table 7.1: Patterns of Positive Reciprocation Manifested via Compliance and Active Legitimation Activities.**

<b>Legitimacy in positive reciprocation cases</b>		
	<b>The Boundary Spanner Level</b>	<b>The Unit Level</b>
<b>Compliance Legitimacy</b>	<ul style="list-style-type: none"> <li>▪ Dual identification</li> <li>▪ Meeting expectations</li> </ul>	<ul style="list-style-type: none"> <li>▪ LL unit integration and the unification of the vertical relationship levels.</li> <li>▪ LL unit meeting the HL's expectations.</li> <li>▪ LL unit adoption of the HL's agenda.</li> </ul>
<b>Active legitimacy</b>	<ul style="list-style-type: none"> <li>▪ Informal relationship building.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Extra-role activities to gain the trust of the HL.</li> </ul>

Compliance legitimation activities are activities expected within the role of both the LL boundary spanner and the LL unit itself. Therefore, in compliance legitimation, both the boundary spanners and the staff of the LL (as representing the LL unit) were performing their expected tasks. In active legitimation activities, however, both the boundary spanners and the other staff in the LL unit were doing extra tasks beyond what was expected of them (extra-role activities). The aim thereby was to maintain and maximise the pre-existing favourable vertical relationship.

Both categories of legitimation were seen in positive reciprocation since such activities were reported as a response to a positively perceived VIRQ. Both of the categories of legitimation activities reflect a rational choice made by the LL units to maintain the favourable relationship they have. These activities also reflect the potential capacity of the LL given their positive interdependence with their HL. Based on responses of the LL's interviewees, the compliance legitimation activities will be first highlighted. This will be followed by a brief discussion of the active legitimation activities.

### **7.2.1 Compliance Legitimation**

#### **7.2.1.1 Dual Identification of Boundary Spanner**

On the boundary spanners' level, the LL respondents who showed positive reciprocation expressed their identification with both the LL (the BS) and the HL units (the University). This is known as dual identification of the boundary spanners (cf: Richter et al., 2006). The duality of the identification of the key boundary spanners (usually the Dean/Head of the BS) was reported in all cases grouped under the positive reciprocation mode. It was seen by the respondents as a way of being legitimate within their vertical relationship so that they could maintain or increase their influence.

*“I [take] the corner of the BS but equally you are aware that ultimately you have got to be corporate. Because, again if you are constantly, like a broken record, every time you say well the BS is this and we do not need that, you will not have much of a voice to make decisions.”*

#### **7.2.1.2 The Unification of the Levels of the Vertical Relationship**

At the lower unit level, respondents suggested that because the relationship was favourably perceived, there was a sense of organisational integration whereby the different organizational

units, with their different vertical levels, were seen as a one entity; there was no “us and them” distinction.

*“We speak of the BS separate entity, it is not a separate entity, we are part of the University. It is not them and us; we are part of the institution. And there are compromises to be made really because there are limited resources. So you just got to make the most of what you’ve got.”*

*“ ....I don't act as an independent person who happens to have the privilege of working in the University. I am an integral part of the senior team and the direction of the University so I work closely with them all the time ... [..].. because I am an employee. That doesn't mean I'm overly differential, it just means that I understand what my role is ...[..]... Because you should be working in harmony with your University, you shouldn't be six or seven independent arms...”*

These previous quotations illustrate LL’s respondents who chose to position the vertical relationship as one characterised by unity and integration. Respondents in positive reciprocation cases actively sought legitimacy within their vertical relationship through integration.

Yet such legitimacy was not only emphasised in terms of organisational integration, but was also reflected in all the choices and the behaviour of the LL unit members; showing positive reciprocation. Working according to the HL’s agenda, supporting the HL’s position, and meeting the agreed upon obligations are only examples of maintaining and showing legitimacy. Showing legitimacy sometimes involved a relatively passive acceptance of the institutional obligations. “*I am an employee*” is a statement uttered by a respondent from the LL unit that conveys signs of high conformity.

More importantly, due to the LL's ability to generate revenue in the context of this research, the LL respondents emphasised that in order to be legitimate, they must be able to generate the resources their institution expected from them. Many respondents under the category of positive reciprocation saw this as the primary role of the LL unit.

*“I think fundamentally any BS or any faculty has to be financially strong, I think a lot of issues with the faculties emerge because, in effect, if you're not delivering the level of resources you need, then the University have to carry things out. Again through my experience in other places, if you are not making whatever level of return or surplus or however the University defines it, then I think you do come under pressure. So I think in terms of what the basis of a good relationship, I think it is all based on strong financial position as it would be in any business, a business that is not doing well comes under pressure in lots of different ways. You may argue that this is not academic or that but to be realistic, a strong financial position allows you to do and gives people confidence in your ability to deliver other things.”*

### **7.2.2 Active Legitimation**

Legitimation activities were not only confined to meeting role “obligations”, but it also involved extra-role activities at both the levels of the boundary spanners and of the LL unit as a whole.

### 7.2.2.1 Boundary Spanners' Informal Relationship Building<sup>108</sup>

At the boundary spanners' level, active legitimacy involved the use of the informal organisational route. The reliance on formal lines of communication can sometimes be less efficient due to the high bureaucratisation of the sector under study, and hence there tended to be informal organisational channels based on the boundary spanners' relationship building. Boundary spanners representing the LL units were actively building informal relationships and sometimes trust-based relationships to maintain their "personal" legitimacy. However, such "personal" legitimacy is not maintained for a personal reason, it is rather used to facilitate meeting their role expectations (in representing the LL unit).

*"I think [informal relationships] are usually important because as in most organisations, there is a kind of clear path laid down in procedures and structures which often take you around the woods not the tree you need. So if you know the tree you need, you can move to the tree straight sometimes informally by knowing the individuals or the groups that would be actually dealing with them and resolve the issues that you need to tackle."*

*"Usually there is a way around things if you know the right person ..."*

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<sup>108</sup> The boundaries between the boundary spanner's level and the unit's level tend to be very blurred as most of these legitimisation activities are made via boundary spanners or the other members of the LL unit. However, the distinction made in this chapter is based upon whether the legitimisation activity involves using the boundary spanner's specific resources and initiatives for maintaining legitimacy or such legitimacy is maintained through using the resources and initiatives of the unit as a whole. In other words, the distinction reflects whether the legitimisation activities and initiatives are shared by the LL unit members or just reflect individual, and therefore discrete and less sustainable, initiatives. This will typically differ from case to case and, therefore, this distinction is rather a broad one. It is just meant to show that active legitimisation can occur at both levels, rather than establishing two distinct categories.

### 7.2.2.2 Extra–Role Activities

At the level of the LL unit, active legitimation involved doing extra–role activities that would benefit the institution as a whole, even sometimes at the expense of the LL unit itself.

*“I think you would be mad not to support the University position and I think you've got to. I have gone across all sorts of opportunities not for us but for the University's sake, and I pass them on and they tell me I need to speak to X because you can do some good stuff. And there is a time that we are running events and most of the things will be linked to them [the University] and not to us and we paid for it for instance, but it is for the greater good.”*

Legitimation activities, in general, do not only represent positive reciprocation to a positively perceived VIRQ, but they are also part of achieving influence. An influence on the LL unit's destiny was perceived to be realised only via this legitimation. It is therefore suggested that the choice of positive reciprocation is a rational one as it seeks to increase the scope of influence of the LL unit and to maintain its already satisfactory scope of influence. Under the positive reciprocation mode, the way the LL units chose to manifest their potential capacity (potential power) was not only through showing their compliance to the HL unit, but also through showing also their credibility. In sum, positive perception of VIRQ with positive interdependence gave rise to positive reciprocation in the cases studied.

Taking this line of thinking further, positive reciprocation via maintaining legitimacy was associated with a well–functioning relationship for both of the two parties to the vertical relationship. One can argue that this process can be seen as a self–reinforcing circle where the positive perception of the VIRQ by the LL caused positive reciprocation via compliance and active legitimation activities from the LL. This in turn is reciprocated back by an empowering

relationship from the HL, which will be reciprocated by compliance and active legitimation activities made by the LL and so on.

### **7.2.3 Positive Reciprocation and Structural Stability**

Given the nature of positive reciprocation described, the power distribution structure of the vertical relationship was not disturbed by sudden or confrontational attempts at refinement initiated by the LL. To illustrate, the relationship was sufficiently satisfactory to its involved parties, and therefore there were less apparent contests for influence. Satisfactory influence was achieved given the established relationship power structure and the LL was empowered by maintaining legitimacy. Positive reciprocation relationships are therefore argued to be characterised by stability of the power distribution structure from the side of the LL, except in cases where the structural change was initiated by the HL in the vertical relationship. This is because the potential power of the LL is directed towards stabilising the relationship structure rather than towards changing it; and therefore, any possible structural refinement is not directly related to the power dynamics between the parties to the vertical relationship. Vertical relationships in the case of positive reciprocation are likely to be more stable in the short–medium term, until the state of the balance of interdependence shifts in favour of the LL unit.

The following table (7.2) summarises the features and the characteristics of the cases grouped under the positive reciprocation mode. This table shows manifestations of legitimacy and positive reciprocation in each case along with highlighting the LL’s influence and the short–medium term structural stability of power distribution in the vertical relationship.

**Table 7.2: Positive Reciprocation and Structural Stability of the Vertical Relationship based on Evidence from Cases Studied.**

	<b>Case Characteristics</b>	<b>Manifestations of Reciprocation Mode</b>	<b>LL's Influence</b>	<b>Structural Stability</b>
<b>C4</b>	<ul style="list-style-type: none"> <li>▪ Positive interdependence.</li> <li>▪ Positive perception of relationship quality.</li> <li>▪ Positive reciprocation.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Dual identification at the boundary spanners' level.</li> <li>▪ LL's boundary spanners and unit meeting the HL's expectations.</li> <li>▪ Unification and integration of the vertical relationship levels.</li> <li>▪ Informal relationship building.</li> <li>▪ Utilisation of informal channels.</li> <li>▪ Extra-role activities to gain the trust of the HL.</li> </ul>	Achieving the desired influence within the existing structure through legitimation and relying on informal relationships.	No mention of recent attempts of structural change initiated by the LL unit.
<p><b>Selected Illustrative Quote</b></p> <p><i>“I always found that if you work with people, you get virtually what you want, but you know part of that is working with people so they understand what you want. I think a number of issues around BSs stand from probably the stance of we bring in all these money ..[.]. and I [want to] control what X or Y person does. You don't need to control these people to do what you want if you work well with the whoever their line managers..[.]. There is a pragmatic approach here in a sense that if they can do these things, it is a win-win situation.”</i></p>				
<b>C6</b>	<ul style="list-style-type: none"> <li>▪ Positive interdependence.</li> <li>▪ Positive perception of relationship</li> </ul>	<ul style="list-style-type: none"> <li>▪ Dual identification at the boundary spanners' level.</li> <li>▪ LL's boundary</li> </ul>	Achieving the desired influence within the existing structure through	No mention of recent attempts at structural change initiated by the LL unit. However, the

	<p>quality.</p> <ul style="list-style-type: none"> <li>▪ Positive reciprocation.</li> </ul>	<p>spanners and unit meeting the HL’s expectations.</p> <ul style="list-style-type: none"> <li>▪ Unification and integration of the vertical relationship levels.</li> <li>▪ Informal relationship building.</li> <li>▪ Utilisation of informal channels.</li> </ul>	<p>legitimation.</p>	<p>HL amended the structure due to external pressures and a perceived economic necessity.</p>
<p>Selected Illustrative Quote</p> <p><i>“So we have a shared vision, it has made us a lot of money as a University because there is absolute unity in our thinking.[..]. So that has been a real added value to what we do.”</i></p>				
<b>C8</b>	<ul style="list-style-type: none"> <li>▪ Positive interdependence.</li> <li>▪ Positive perception of relationship quality.</li> <li>▪ Positive reciprocation.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Dual identification at the boundary spanners’ level.</li> <li>▪ LL’s boundary spanners and unit meeting the HL’s expectations.</li> <li>▪ Unification and integration of the vertical relationship levels.</li> </ul>	<p>Achieving the desired influence within the existing structure through legitimation.</p>	<p>No mention of recent attempts of structural change initiated by the LL unit.</p>
<b>C13</b>	<ul style="list-style-type: none"> <li>▪ Positive interdependence.</li> <li>▪ Positive perception of relationship quality.</li> <li>▪ Positive reciprocation.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Dual identification at the boundary spanners’ level.</li> <li>▪ LL’s boundary spanners and unit meeting the HL’s expectations.</li> <li>▪ Unification and integration of the</li> </ul>	<p>Achieving satisfactory influence within the existing structure through legitimation.</p>	<p>A structural refinement initiated by the HL due to the change of the HL’s leadership. The new leadership had a different managerial philosophy which entailed further</p>

		vertical relationship levels. <ul style="list-style-type: none"> <li>▪ Informal relationship building.</li> <li>▪ Utilisation of informal channels.</li> </ul>		empowerment to the LL units, although the LL did not push for such change.
<p><b>Selected Illustrative Quotes</b></p> <p>Understanding the position of the University: <i>“Inevitably, if you don't get exactly what you want; you feel, if you like, you have not won. But at the end of the day, I understand exactly why decisions have been made. And at the end of the day, if I was in the VC shoes, I would probably take the same decisions, even though from the BS perspective it would not necessarily work in our favour...”</i></p> <p><i>“One tries to develop relationships with the institution, because it impacts on what you do and how we do it, because it's normally easier to do things informally than rely on doing things through committees which is the normal way of doing things in universities. So, if you work with people informally you are more likely to get the outcome that you desire rather than waiting for, if you like, decisions almost to be made and reach committee stage where it is borne for ratification. So yes probably, you spend more time trying to develop relationships with people to try to influence what's brought forward...”</i></p>				
<b>C14</b>	<ul style="list-style-type: none"> <li>▪ Positive interdependence.</li> <li>▪ Positive perception of relationship quality.</li> <li>▪ Positive reciprocation.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Dual identification at the boundary spanners' level.</li> <li>▪ LL's boundary spanners and unit meeting the HL's expectations.</li> <li>▪ Unification of the vertical relationship levels.</li> <li>▪ Informal relationship building.</li> <li>▪ Utilisation of informal channels.</li> </ul>	Achieving the desired influence within the existing structure through legitimation.	No mention of recent attempts of structural change initiated by the LL unit.

C15	<ul style="list-style-type: none"> <li>▪ Positive interdependence.</li> <li>▪ Positive perception of relationship quality.</li> <li>▪ Positive reciprocation.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Dual identification at the boundary spanners' level.</li> <li>▪ LL's boundary spanners and unit meeting the HL's expectations.</li> <li>▪ Unification and integration of the vertical relationship levels.</li> <li>▪ Informal relationship building.</li> <li>▪ Utilisation of informal channels.</li> </ul>	Achieving the desired influence within the existing structure through legitimation.	No mention of recent attempts of structural change initiated by the LL unit.
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#### 7.2.4 Summarising Propositions

- Favourable perception of vertical inter-unit relationship is likely to be associated with positive reciprocation from the LL unit.
- In positive reciprocation cases, since the LL units are more dependent on the HL than vice versa, pushing for a structural refinement of the vertical relationship from the LL unit's side is less likely.
- Keeping other variables constant, relationships built on positive reciprocation are likely to be productive ones; meeting the expectations of the two parties of the vertical relationship.

## Section II

### 7.3 Tactful Reciprocation

Both positive and tactful reciprocation involve showing a positive reaction or response to the way the VIRQ is perceived. However, in case of tactful reciprocation, the positive reaction is not a reflection of the indebtedness of the LL to the HL as tactful reciprocation is likely when the vertical inter-unit relationship is not entirely positively perceived; i.e., moderately or negatively perceived. The positive reaction in tactful reciprocation mode is not meant to reward the HL for the moderate or the negative VIRQ that the parties to the relationship have. It rather reflects a calculative choice to reciprocate positively or to moderate a negatively perceived relationship. The aim is to increase the scope of influence which is regarded to be less than is deserved (i.e. not regarded as a fair influence by the LL unit given the perceived state of the balance of interdependence).

Tactful reciprocation is also characterised by noteworthy active legitimisation activities from the LL's side that go beyond a simple positive reaction to a positive relationship perception reported in the cases of positive reciprocation.

Tactful reciprocation was identified in cases C2, C5, C9, C10, C11 and C12. In C3 and C7<sup>109</sup>, tactful reciprocation was sometimes mixed with negative reciprocation, due to the very negative assessment of the VIRQ as seen by respondents in these two cases.

There were many features common to cases showing such tactful reciprocation; as follows:

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<sup>109</sup> C7 on the whole shows negative reciprocation but it also has many features of tactful reciprocation represented in the maintenance of legitimacy by many of the LL unit members. C3 had two distinguishable intra-groups which tended to have different perceptions on the VIRQ itself. C3 showed elements of both tactful and negative reciprocation reflecting the presence of two sub-groups.

1. The perception of VIRQ was *initially* moderate or negative, not positive; highlighting that the scope of influence of the LL had was not seen to be sufficiently satisfactory<sup>110</sup>.
2. The state of the balance of interdependence of the LL units with their direct HL (intermediate or ultimate) was either balanced or negative.
3. Tactful reciprocation is a deliberate and calculative choice based on a rational cost–benefit assessment of the options of the LL. It is also based, in many instances, on relationship learning. In C2, C3, C7 and C12, respondents stressed that they have learned to manage the vertical relationship tactfully after directly or indirectly experiencing negative consequences associated with negative reciprocation (this will be explained in further detail in Section III in this chapter).
4. Tactful reciprocation was motivated by the desire to *increase* the scope of influence of the LL, which was regarded as unsatisfactory.
5. However, tactful reciprocation is meant to increase the LL’s scope of influence while maintaining its legitimacy within the vertical institutional relationship. This can be explained in the light of the state of the balance of interdependence in cases showing tactful reciprocation. Six of the eight cases (C2, C3 group 1, C9, C10, C11, and C12) showing tactful reciprocation demonstrated a balanced interdependence with their HL. The other two cases (C5 and C7) showed negative interdependence in terms of their relationship with their direct (intermediate) HL but positive interdependence in terms of their relationship to the ultimate HL. This means that in the eight cases showing

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<sup>110</sup> The word *initially* is used to indicate that even if the relationship assessment is reported to be currently positive, it had not started as a positive one. Rather, it is due to the tactful reciprocation efforts that the relationship and its perception had improved from negative to positive. This is evident in C2, C3, and C12, and it was verified through adopting a relatively retrospective perspective on the vertical relationship. Respondents were asked to describe the vertical relationship retrospectively, depending on the scope of their knowledge. This provided some insight into the recent history of the relationship.

tactful reciprocation, the LL units not only needed to remain legitimate within their vertical relationship, but also needed to actively maintain such legitimation. This is because such LL units strongly needed the support and the empowerment they derive from their vertical relationship. The LL, therefore, used its potential capacity to increase its potential influence, yet legitimately.

6. As increasing the scope of influence of the LL unit was the key driver behind tactful reciprocation, respondents in these cases shed light on a myriad of upward influence techniques. Yet, all of these upward influence techniques were used within a framework of maintaining legitimacy.
7. As in positive reciprocation cases, legitimation was categorised into compliance (meeting expectations) and active (exceeding expectations) legitimation. However, in tactful reciprocation cases, exceeding expectations was more commonly mentioned. This was generally attributed to two broad reasons. The first is that these were cases of *direct* balanced or negative interdependence, which infer that the LL unit is not a weak one as the immediate HL depends on its contribution and, therefore, they are already meeting their basic expectations (legitimate). The second is that LL units in these cases perceived that the main way to increase the scope of their thus far dissatisfactory level of influence within the vertical relationship is to show they are legitimate or that they are “good citizens in the University”.
8. As in positive reciprocation cases, legitimation occurred at two levels; the level of the boundary spanner and the general unit level. However, the boundaries between the two levels were not clear due to the undeniable overlapping areas between them. Such overlapping is deemed to be appropriate as these boundary spanners are acting as agents for the organisational units they represent.

### 7.3.1 Compliance Legitimation

#### 7.3.1.1 Identification of Boundary Spanner

In tactful reciprocation cases, key boundary spanners (usually the dean or the head of the BS) generally suggested that “*they wear two hats*”. However, in some cases, some boundary spanners tended to prioritise the LL over the HL identification (particularly if they are not the key boundary spanners); and in other cases, respondents tended to prioritise the HL over the LL.

*“[I identify myself] with all of the University but I have responsibility for the BS”*

*“To me it is absolutely the same [identification with the school and identification with the University]. I think once one starts to make that distinction, [then that is not right]. My approach is that the strength of the BS is important because it makes the University stronger, and the University is important because it makes the BS stronger...”*

Boundary spanners’ identification was, thus, found to show inconsistent patterns in case of tactful reciprocation. One reason can be the moderate or negative perception of the VIRQ, which can make identification a conscious choice made by the boundary spanner rather than a taken for granted consequence of affective commitment or belonging to a given organisational context. The other reason could lie in the state of the balance of interdependence in the tactful reciprocation cases. The boundary spanners’ identification can vary based on the state of affective, social, and economic dependence on both levels; the LL boundary spanners and the whole unit’s level. This can make the process of understanding of the boundary spanner identification rather complicated.

The exact reason behind the inconsistency of the boundary spanners' identification is beyond the scope of this research, but could be worthy of further study. What seems to be important, however, is that the findings shed light on the nature of the boundary spanner's identification in tactful reciprocation. When VIRQ is moderately or negatively perceived, the boundary spanners' dual identification cannot be taken for granted.

### **7.3.1.2 The Unification of the Vertical Relationship Levels**

In all the tactful reciprocation cases, respondents stated that they see (or would like to see) the LL unit as part of a whole, stressing their desire to be integrated within their institution. This is seen as tactful reciprocation since the integration of the LL into its institutional context is not a consequence of a positively perceived VIRQ, but is rather a calculative choice to maximise the influence of the LL within such a relationship.

*“I think it is a bit like your family. Your brother can annoy you to high heaven, your dad can annoy you to heaven, but they are your family. So you have to put up with them [HUA], you've got to work with them. You know for me I am a pragmatist, they are there! So on the same way that sons and daughters manipulate the parents, so you have got to manipulate them, so you are a family. It might be a dysfunctional family sometimes, so we have got to manage them as well...”*

In one case, maintaining legitimacy had even involved a reshaping of the agenda of the LL to fit that of the HL.

*“... we shaped this investment plan twice now, and we are constantly reshaping it to fit their [the University] agenda. The same one but to fit their priorities...”*

More importantly, the conscious decision to integrate the LL with the other party(ies) of the vertical relationship was more obvious in quotes describing the process of reintegration after

an episode of disintegration. Disintegration, as will be highlighted in Section III in this chapter, is a common feature in negative reciprocation modes. Most tactful reciprocation initiatives took place after a wave of negative reciprocation. However, by showing negative reciprocation, the LL did not attain its desired influence (due to the very nature of negative reciprocation which does not seek increased influence, but just manifests frustration), and therefore it started to adopt tactful reciprocation. The adoption of tactful reciprocation is thus seen as calculative and based on relationship learning. In C2, C3, C9, C11, and C12, respondents highlighted that the initiatives of reintegrating the LL with its HL unit(s) were consciously made based on the negative outcomes or the missed opportunities that were associated with the separation of the LL from its wider organisational context.

*“I think where the school .... has missed out in terms of its profile, it hasn't recognised it is part of an extremely large and potentially very powerful University and so I think that the school needs to be central to the University so I see my role is to make sure that the school is central but also that the school engages with the University much more than perhaps it did over the last 15 years. And there are lots of reasons why it is sensible for the school to do that. So that puts me in a situation where, yes, if you like, I am looking upwards to the [faculty] and all the University in terms of raising the profile of the school, which I think we have done, and making the school part of the [University].”*

*“[the relationship before I took the role] was poor, very poor. And the other half of reassuring the University that we are with them, having me telling the staff that we are with the University. And we are getting resources and that if we [want to] continue having resources we have got to change our attitude toward the University. By leading that by actually setting up committees with other faculties, sending people from here*

*to go to committee saying that the University committee is not something you don't go to...[.]. So I have been working on it trying to get to realise that whatever the past was, it is not it now, and I think it has made a difference.”*

*“I have been only been Dean since X year only..[.]., and my impression was that prior to me becoming Dean, the BS had tried to separate from the University. My strategy is to take it back, to be integrated with the University. The BS was probably identifying itself with its own brand, not utilising central services strongly, not collaborating strongly.... [.]. So I am here and saying we are part of the University, so branding is certainly one issue. In terms of utilising the central services again..[.]. And thirdly in terms of collaboration with other groups or other departments...[.]. We are paying the central servers a big percent of tax anyway, so why would you want to pay the tax and also pay for your HR [human resources] department. So it didn't strike me as a good idea really, besides thinking of the BS is a subsidiary of the big company, you will use your company services as much as possible to reduce the cost. It doesn't make a lot of business sense to me, because it aligns us more with the University ...”*

The previous quotes not only stress the idea of relationship learning, but also highlight that tactful reciprocation is used as a way of maintaining legitimacy aimed at increasing the scope of the LL influence.

### **7.3.2 Active Legitimation**

What seems interesting in tactful reciprocation is the intensity and the extent of the use of active legitimation techniques. These techniques can be seen in essence as upward influence techniques, although within a framework of maintaining legitimacy. More precisely, they aim

to maximise the boundary spanners' and the LL unit's legitimacy in the eyes of the HL people so that the LL unit can increase its scope of influence<sup>111</sup>.

### **7.3.2.1 Active Legitimation Techniques**

Based on the findings, these techniques have involved a number of inter-related initiatives including trust building techniques, building social relationships, building common understandings, utilising informal channels of communication, lobbying, persuasion and other techniques besides (cf: Lyles and Reger, 1993).

#### ***7.3.2.1.1 Active Trust Development***

##### **7.3.2.1.1.1 Trust Building Mechanisms at the Boundary Spanner's Level**

Respondents from all cases grouped under the category of tactful reciprocation have explicitly mentioned that they engage in active trust development (see also: Child and Mollering, 2003) in order to maximise the scope of potential influence of the units they represent<sup>112</sup>.

Active trust building was evident at both the boundary spanner's personal level (stressing the boundary spanner's personal achievements) and at the whole unit's level (stressing the unit's deliverables). Trust building was seen as an important upward influence technique since the perceived dissatisfactory scope of influence at the LL's end was attributed to the HL's lack of trust in its LL. Therefore, active trust building is seen as a mechanism to maximise legitimation, and hence influence, by reversing the conditions that attributed to HL's undesirable control.

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<sup>111</sup> As mentioned, the line between the boundary spanner and its unit in active legitimation cannot be clearly defined.

<sup>112</sup> This is not to point to the fact that boundary spanners in positive reciprocation cases were not actively building trust, but rather to highlight that the mention of trust building was remarkably stressed in cases of tactful reciprocation.

*“If you are restrained, you’ve got to roll with the ball to a certain extent; you can't win everything straightaway, it is an on-going relationship ...[.].... If you're thinking you're not making any headway, all you can do is to operate in a professional manner and try to articulate your case the best way you can to get the support of your colleagues, so you win different people to try to send the same message and signals and also to try and to be credible, you have got to be credible. If I can say, one of the ways in which I am credible is in terms of my own output ...[.]... I have remained research active, so within that context I can hold my head up high. And in terms of the REF, I am into top end. Therefore, I can speak to my colleagues in the faculty as leading professor as well as the Dean ...[.]..., so that is within this context gives me a lot of credibility I think. Because credibility then, maybe, gives me a greater ability to have my voice heard. I think it would be very difficult in this kind of University if I wasn't research credible in terms of what I am seeking to pursue for the school.”*

In explaining how trust can be built after it has been partially lost, one respondent discussed:

*“[You have to]: 1. View the school from the view of the University. 2. Look at how it got back like that, what did the school do that made them [the University] feel like that. 3. Set about trying to reverse as many of those perceptions and the causes of those perceptions as it could be at multiple levels but very obviously starting with the VC but also with other deans...”*

Many respondents also highlighted that trust building was associated with achieving the desired influence; even if that desired influence just meant avoiding unnecessary bureaucracy.

*“... I appointed X new professors ... in the last year, and the University kind of trusted me to do this. I have not provided them with the detailed business plan of*

*exactly how they are going to bring in money, what courses they will teach. They have trusted me to be able to do that. And the quality of people I have hired, they are outstanding world-class individuals. But that did not sort of force me to go through bureaucratic hoops in order to be able to do that. They trust my judgement on this...”*

#### 7.3.2.1.1.2 Building a Credible Profile at the Unit Level

At the unit level, trust building was undertaken by raising the profile and emphasising the deliverables of the unit as a whole. This can increase the unit’s influence by showing that it is a well-functioning unit and thus it does not need excessive control from its HL.

*“I am well aware and I always tell [the HL’s person] that we are number X for [ranking]. It depends on which ranking you are looking at, but in general we are on the top X of everything including our MBA. And the [HL’s person] is very keen on ranking. He knows that he has got something very important, he also knows that, he is very close to business, he is very keen on business...”*

In many instances, the aim of trust building was to build a common understanding as the lack of common understanding (cognitive disparity) was identified as one of the key reasons behind the lack of the desired latitude. This can also involve networking to communicate this credible profile to the people concerned.

*“With us, it is historical, we nearly doubled our income within three years, [and] we are rapidly growing. Traditionally, we were a very small BS relative to others, but we are rapidly expanding, and earning a greater and greater share of the University's income. Traditionally we were not in the same perceived quality in research terms as the rest of the University, which meant that the starting point was a lack of trust, and then we made a lot of appointments, brought in more staff, and what we have been trying to do over the*

*last five years or so. It developed that trust with the University. By networking upwards continuously, so just try to establish trust with them and show them that we are a different organisation to what we were in the past. Five or ten years ago, if you mentioned the BS, people just laugh, it's a joke you know, these people are hopeless and incompetent, you know ...[.]. but then you know is there trust ...[.]. ....I think trust is developing, it is not just trust, it is understanding as well...”*

#### **7.3.2.1.2 Development of Shared Understanding**

Building or developing a shared understanding was also emphasised as the key upward influence technique in a number of cases adopting tactful reciprocation. In these cases, as cognitive disparity was the key source of contention, the LL was engaged in activities to foster shared understandings. The previous quote shows that building common understandings emerged as a by-product of active trust development. However, there were other examples that stressed the building of shared understandings as an end in itself.

##### **7.3.2.1.2.1 Building an Understanding at the Boundary Spanner's Level**

In one case, the different boundary spanners in the unit recognised the need to build common understandings upwards, and therefore there were initiatives at both the boundary spanners' level and at the whole unit's level to build such shared understandings. Respondents in this case explicitly suggested that building common understanding was one of the key ways towards generating more influence.

On the boundary spanners' level, building shared understandings was initiated by nurturing favourable personal relationships with the people concerned, or sometimes through utilising other available modes of organisational communication.

*“It is necessary to have a good relationship with the [HL person] for him to understand the BS because he is not from the BS; he is from a different area, a different discipline within social science. And one of the things that we understand or increasingly understand that ...[...]... what we seek to do is often very different from other conventional social science departments are seeking to do, and we try to operate in a different kind of way, so to interface with somebody who is not from that background, who doesn't have any previous connection with a BS, who doesn't really understand the BS, there is a learning curve for that individual. So it is necessary to nurture that relationship, so that we can try and convey to him the difference and convey to him how perhaps things should be operated somehow differently here.”*

The different boundary spanners utilise every possible opportunity towards building this shared understanding.

*“... in the faculty research committee, a couple of weeks ago, each department does a presentation in the faculty on the progress etc.... So I thought I would use this as an opportunity to educate them. So first we presented our strategy and show them how we use incentive systems rather than sticks to encourage staff to do things. It is just a minor thing ... [...]... We were having this conversation as part of the educational process. There is a total lack of understanding of what the BS is, the market, the difficulty of attracting and retaining staff, and it is our fault for not educating them in the past, but the educational process has now started and you cannot hope to get what you want from the University unless you engage them in an educational process and that is one of the things which I think we didn't do in the past.”*

#### 7.3.2.1.2.2 Building Understanding as a Unit wide Initiative

Because the members in this case were using every available opportunity to educate the HL about the nature of their unit, building shared understandings in this case also took place on the wider unit level whenever an opportunity arose. Building shared understandings in this case was adopted as an implicit or an informal policy by the different members. It was their way of reciprocating the perceived lack of sufficient influence by showing their potential power, yet tactfully. However, the boundaries between building trust and common understandings were not clear as each of them supports and feeds back into the other.

*“.. a lot of it is personal, it is about personal relationships. So a lot of the trust building we have been doing is about developing personal relationships on project by project basis. So we are developing relationships and therefore partly understanding. Because there are not formal channels with the VC and the University, so it is not formal, so we do it on an opportunistic basis so lots of business staff are working on projects with PVC. So for example..[..].. when the PVC sees us, it is an opportunity to partly develop an understanding of the BS and what it needs..[...]. The formal channels are there, so what you have to do is to develop the informal networks and it is normally based around projects and then use those opportunities, use these temporary project teams which are put together to do individual things. Use this situation as other context in which you improve their understanding what you really are ...[...].it is not even explicit. So we have not sat down as an executive team of the BS in setting our strategy and then talked about it, it is just called seizing the opportunity when they are just available.”*

Regardless of how it is approached, building shared understandings was suggested to result in satisfactory outcomes in a number of cases, giving it more validity as one of the key tactful reciprocation mechanisms.

*“I think the breakthrough was to take [people from the HL] to [a top BS] for a day to see it. None of these has seen a proper BS and we said come and see a proper BS and see what we want to be like if you want really proper BS and that that was helpful.”*

#### **7.3.2.1.3 Utilising Informal Channels**

Since the LL boundary spanners relied heavily on active trust building and the active development of shared understanding, the high dependence on the informal institutional channels in tactful reciprocation was not surprising. In seven of the eight cases of tactful reciprocation, the LL respondents stressed their reliance on informal channels in order to circumvent the rigidity of the formal structure or to maximise their scope of influence via building trust, developing shared understandings, and clarifying potential misunderstandings common to bureaucratic settings.

*“... and I have been doing it by having drinks with the deans. I gave a drink and some nibbles, and I told them how I see the world, and then I got them to tell me about any issues they see and if these issues are not facts I correct them. So I have been working on it trying to get to realise that whatever the past was, it is not now, and I think it has made a difference...”*

Informal communication channels were also used in lobbying to get the desired outcome. Many respondents highlighted the importance of informal “chats” before important meetings, so that LL boundary spanners can get the support of their seniors or their colleagues. Actively

building good informal relationships with people who hold decision making powers was thus seen by many respondents as a way of facilitating their job.

*“And I think you have to build those relationships and the University is very very large organisation and inevitably, large organisations are difficult to work within. So you have got to identify fairly quickly who are the key people, who do you want to get on your side and it may be not the same key people for different particular initiatives...”*

Based on the analyses of the interviewees’ responses, other upward influence techniques included internal (with internal organisational members whether they are colleagues or seniors) and external lobbying (with external bodies such as advisory board), persuasion (sometimes by stressing potential mutual benefits) and reliance on rational arguments when suggesting a certain proposal. The following table summarises techniques used in tactful reciprocation.

**Table 7.3: Patterns of Tactful Reciprocity Manifested via Compliance and Active Legitimation Activities Aiming to Maximise the LL’s Upward Influence**

Legitimacy in tactful reciprocation cases		
	The Boundary Spanner Level	The Unit Level
<b>Compliance legitimacy</b>	<ul style="list-style-type: none"> <li>▪ Inconsistent identification patterns.</li> <li>▪ Meeting expectations.</li> </ul>	<ul style="list-style-type: none"> <li>▪ LL unit integration and the unification of the vertical relationship levels.</li> <li>▪ LL unit meeting the HL’s expectations.</li> </ul>
<b>Active legitimacy</b>	<ul style="list-style-type: none"> <li>▪ Active trust development.</li> <li>▪ Development of common understanding.</li> <li>▪ Informal relationship building.</li> <li>▪ Utilisation of informal channels.</li> <li>▪ Other upward influence techniques including lobbying, persuasion, and rationality.</li> </ul>	

### 7.3.3 Tactful Reciprocation and the LL's Legitimation

As mentioned, all of these upward influence techniques were used within a framework of legitimacy. The LL boundary spanners in the case of tactful reciprocation were actively attempting to maximise their unsatisfactory scope of influence by maintaining and sometimes maximising their own and their unit's legitimacy. Quotes stressing the importance of maintaining and maximising legitimacy while attempting to increase the scope of influence were remarkably common in all the tactful reciprocation cases. Maintaining and maximising legitimacy were seen as rational choices based on cost–benefit analysis. Tactful reciprocation is mainly used because the HL possesses a higher structural power in the vertical relationship. This can also be seen in the light of the balance of interdependence of these eight cases as previously highlighted.

There are more elements of dependence in addition to the inter–unit interdependence; the boundary spanners themselves can be dependent on the positions they occupy. However, this can be a difficult issue to analyse given the complications associated with delving into the personal motivations and aspirations of the different boundary spanners involved. Nevertheless, the following quote summarises why both the boundary spanners' and the unit's legitimacy are seen to be significant.

*“We have got to conform to it, we have got to conform to the vertical relationship, we cannot deviate from it. I think if I simply ignored it, they will get rid of me and get somebody else, so it is very critical to conform to that and to play the game within the set of rules and do the best you can. That means that you need to gain the respect to those who are further up in the hierarchy, they have got to see this as a viable unit which is performing well at the research level, which has got good teaching, which is generating income, which is being led in an appropriate way. If this was not the case*

*that; either they would ignore us, and we wouldn't prosper at all or they would probably see to get somebody else to do it; to conform with what they were expecting.”*

A key observation in tactful reciprocation is that the boundary spanners were working on some of the predictors of the quality of the vertical inter–unit relationship in order to improve it. The previous analysis shows that respondents were consciously working on cognitive disparity by developing common understanding and they were working on autonomy through active trust building initiatives and the utilisation of informal channels. In addition, the analysis shows that the boundary spanners were directly or indirectly working on the balance of interdependence as by maintaining legitimacy the LL units were gaining more empowerment from the HL, which could be then reflected on more dependence from the HL on the LL, and hence altering the balance of interdependence in the long–term.

#### **7.3.4 Tactful Reciprocation and the Structural Stability of Power Distribution in the Vertical Relationship**

In tactful reciprocation cases, and unlike positive reciprocation cases, the vertical relationship structural refinement (as initiated by the LL) tended to be more common. The reason can be obvious, that the very essence of tactful reciprocation is to maximise the scope of influence of the LL. In more than half of the tactful reciprocation cases (C2, C3, C5, C11 and C12), respondents explicitly mentioned that the autonomy of the LL was increased or the LL managed to influence a certain decision or to realise a desired outcome as a result of tactful reciprocation techniques. This is why the reported current<sup>113</sup> perception of VIRQ in C2, C3 group 1, and C12 were moderate or positive after previously having been negatively

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<sup>113</sup> Based on the time the interviews were conducted.

perceived. However, the process of influence was sometimes described as “*work in progress*”.

The following table summarises the features and the characteristics of the cases grouped under the tactful reciprocation mode. This table shows manifestations of legitimacy and tactful reciprocation in each case along with highlighting the LL’s desired influence and the structural refinement in the power distribution achieved by the LL unit.

**Table 7.4: Tactful Reciprocation and Structural Refinement of the Vertical Relationship based on Evidence from Cases Studied**

	<b>Case Characteristics</b>	<b>Manifestations of the Reciprocation Mode</b>	<b>LL’s Influence</b>	<b>Structural Stability</b>
<b>C2</b>	<ul style="list-style-type: none"> <li>▪ Balanced interdependence</li> <li>▪ An evolution from a previous negative perception of relationship quality to a current positive perception.</li> <li>▪ Tactful reciprocation.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Dual identification at the boundary spanners’ level.</li> <li>▪ LL’s boundary spanners and unit meeting the HL’s expectations.</li> <li>▪ Reunification of the vertical relationship levels.</li> <li>▪ Active trust building at the boundary spanner’s level.</li> <li>▪ Credible profile building at the unit’s level.</li> <li>▪ Development of common understandings.</li> <li>▪ Informal relationship building.</li> <li>▪ Utilisation of informal channels.</li> </ul>	<p>The LL previously lacked sufficient financial autonomy, particularly with regards to promotion and recruitment. This case had manifested some features of negative reciprocation including organisational disintegration and voluntary turnover. However, with tactful reciprocation, the LL’s respondents expressed their satisfaction with the latitude they currently have, although there was no change in the formal structure. Respondents expressed they can</p>	<p>The formal structure was not changed but influence was achieved through utilising informal organisational channels. The structural refinement was achieved by strengthening the informal channels where the formal structure became less constraining.</p>

		<ul style="list-style-type: none"> <li>▪ Extra–role activities to gain the trust of the HL.</li> </ul>	<p>achieve the desired influence based on the trust and the understanding they have built in their relationship with the power holders in the HL.</p>	
<p>Selected Illustrative Quote</p> <p><i>“... essentially when I took over I used to go to meetings and everyone would say OK, I suppose [the BS] would not wanna help us to do this, and I say why not. And I kept doing it and I kept persuading people that we are part of the University and this has taken me [X] years. And there is about 6 months, I suddenly started to get things from the VC that I have been denied before and we have now got [X number of posts] more than the school have ever had at one go, [X] and [X] as well and the University has been on a campaign to in fact cut staff not to actually increase them and we have [X staff to be hired], so we had a release of resources and it has not been referred to as any change but it is obvious that the [the HL] now believes that I, therefore the school, is on [their] side and that we are part of the University.”</i></p>				
<p><b>C3</b> <b>Gp 1</b></p>	<ul style="list-style-type: none"> <li>▪ Balanced interdependence with the intermediate HL.</li> <li>▪ Positive interdependence with the ultimate HL.</li> <li>▪ An evolution from a previous negative perception of VIRQ to a current moderately positive</li> </ul>	<ul style="list-style-type: none"> <li>▪ Dual identification at the boundary spanners’ level.</li> <li>▪ Boundary spanners and unit meeting the HL’s expectations.</li> <li>▪ Active trust building at the boundary spanner’s level.</li> <li>▪ Credible profile building at the unit’s level.</li> <li>▪ Development of common understanding.</li> <li>▪ Informal relationship building.</li> <li>▪ Utilisation of informal</li> </ul>	<p>The LL previously lacked latitude on decision making and consequently the allocation of resources. This case had manifested many features of negative reciprocation including organisational disintegration, general organisational “paralysis”, and voluntary turnover. However, some boundary spanner’s in this case had adopted tactful reciprocation via strengthening the informal</p>	<p>The formal structure was not changed but influence was achieved through renegotiating the financial arrangement which was propelled by the LL. The structural refinement was achieved by attempting to strengthen the informal channels and building common understanding where the formal structure</p>

	<p>perception.</p> <ul style="list-style-type: none"> <li>Tactful reciprocation.</li> </ul>	<p>channels.</p> <ul style="list-style-type: none"> <li>Extra–role activities to gain the trust of the HL.</li> </ul>	<p>relationships, building trust and common understanding which had led to renegotiating the financial arrangements.</p>	<p>became relatively less constraining, although not yet highly satisfactory.</p>
<b>C5</b>	<ul style="list-style-type: none"> <li>Negative interdependence with the intermediate HL.</li> <li>Positive interdependence with the ultimate HL.</li> <li>An overall negative relationship as the benefits of the revised financial arrangement have not been fully realised yet.</li> <li>Tactful reciprocation.</li> </ul>	<ul style="list-style-type: none"> <li>LL’s boundary spanners and unit meeting the HL’s expectations.</li> <li>Development of common understanding.</li> <li>External lobbying.</li> </ul>	<p>The LL previously lacked financial autonomy. However, through building common understandings and lobbying with external bodies, the LL could manage to change the financial arrangement in which the LL became its own budget holder.</p>	<p>The formal structure was not changed but influence was achieved through renegotiating the financial arrangement; a process propelled by the LL. The structural refinement was achieved by building common understandings which resulted in more latitude for the LL.</p>
<p>Selected Illustrative Quote</p> <p><i>“This year we have started negotiating a different financial arrangement. We spent [X] years really negotiating a financial regime with the University that gives us much more financial autonomy and we had and that is based largely on [X BS]. We took some senior people from the University down to [X BS] [X] years ago and because basically up until that point, we were in the same budgeting system as the rest of the University which was within say our gross income, we are given an operating budget, it was not a random budget, it was somewhat proportionate to income but there WAS quite a big fudge factor in there, it was clear we are making more than most of the schools. So we negotiated a financial regime whereby the gross revenue comes to us and we pay the centre some per capita charges per staff member per student and we are the only school that actually does that ...[...]. Things that we have been doing over the last few years, it is a bit like privatisation. I</i></p>				

	<p><i>mean legally is not because we are still part of the University but that comes down to a kind of dynamic moving from essentially a state funded organisation where you get your money from the state and there are essentially some set of rules to those funds to administer that. If you don't spend that money, it is taken back and you make a big big premium on making sure you spend these funds as transparently and fairly as possible, that is quite different from [our case] .... [...]...yes there is this [person in the HL] who is on the whole supportive but from time to time he refers to the BS exceptionalism, and fair enough I think sometimes we are an exception. We are also quite an exception in regards to what we do. I think it was a complete revelation to some colleagues in other schools to know, but I think some of the practices we are having is now spreading. People are being financially more aware; the circumstances are compelling people..."</i></p>			
<p><b>C7</b></p>	<ul style="list-style-type: none"> <li>▪ Negative interdependence with the intermediate HL.</li> <li>▪ Positive interdependence with the ultimate HL.</li> <li>▪ An overall negative relationship.</li> <li>▪ Signs of both tactful and negative reciprocation (as manifested by different boundary spanners).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Dual identification of some boundary spanners' level.</li> <li>▪ Boundary spanners and unit meeting and exceeding the HL's expectations.</li> <li>▪ Active trust building at the boundary spanner's level.</li> <li>▪ Credible profile building at the unit's level.</li> <li>▪ Development of common understanding.</li> <li>▪ Informal relationship building.</li> <li>▪ Utilisation of informal channels.</li> </ul>	<p>The LL was pushing for a structural change that aimed at achieving more autonomy. Such structural change was instigated after the LL's deliberate legitimation and active legitimation activities. However, the LL could not attain the required influence and therefore signs of both tactful and negative reciprocation were going hand in hand at the time of data collection.</p>	<p>A structural refinement was pushed for by the LL, yet it was not attained as the HL held a higher structural power in the relationship. Signs of negative reciprocation started to come to surface as will be explained in Section III.</p>
	<p>Selected Illustrative Quote</p> <p><i>"When I started, I have been here for X years, the BS has running in a pretty sizeable deficit, so that was an irrelevant question ...[.]. Within less than [X] years we turned that around, so we now generating a considerable surplus ... [.]. you have to play within the rules of the game.."</i></p>			
<p><b>C9</b></p>	<ul style="list-style-type: none"> <li>▪ Balanced</li> </ul>	<ul style="list-style-type: none"> <li>▪ LL's boundary spanners</li> </ul>	<p>Due to the remarkable</p>	<p>The formal structure</p>

	<p>interdependence with the intermediate HL.</p> <ul style="list-style-type: none"> <li>▪ Positive interdependence with the ultimate HL.</li> <li>▪ An overall moderately positive relationship evolving from a negatively perceived relationship.</li> <li>▪ Tactful reciprocation.</li> </ul>	<p>and unit meeting and exceeding the HL's expectations.</p> <ul style="list-style-type: none"> <li>▪ Active trust building at the boundary spanner's level.</li> <li>▪ Credible profile building at the unit's level.</li> <li>▪ Development of common understandings.</li> <li>▪ Informal relationship building.</li> <li>▪ Utilisation of informal channels.</li> <li>▪ Internal lobbying (with other LL units).</li> </ul>	<p>initiatives of building common understandings, the LL could influence many of the HL's decisions and gain influence and autonomy on a number of areas as desired. The influence gained halted many signs of negative reciprocation that were starting to permeate the LL's unit.</p>	<p>was not changed but influence was achieved through renegotiating the financial arrangement and achieving influence on a number of areas which significantly increased the latitude of the LL. The structural refinement was achieved by building common understanding.</p>
<p>Selected Illustrative Quotes</p> <p><i>“Well it is very difficult to take action, obviously a lot of morale might suffer. You know, why should I bother, why should I do this. I am faced with so many students, therefore if I have to do this, just how much time I can do on research etc... There is a kind of just collapse in morale and general decrease in terms of the enthusiasm towards things that should be done and a general reduction in performance so therefore they have got to be able to manage that. The more income we earn, the more we can keep at the margin because it is just coming in, but if there is this feeling that we are simply being exploited, it would be very damaging. But because we've had the kind of support that we have had ...[..]. And if we are able to get most of the posts replaced as people leave, then there is that kind of support is witnessed. So therefore, the morale could be sustained... [...]...Because there is a greater faith and confidence in the ability of the BS to deliver. That was not there before. And there was a kind of a seen change in the REF...[..]... Given these improvements, there was more confidence in the University and the faculty in terms of the school to deliver and that it has changed the performance and they [the HLs] have seen the importance. They have also seen just how far behind this place [is] compared to [the other] schools in terms of size, in terms of position etc..., and they recognised we can grow, we can get better, so they are prepared now to back that...”</i></p>				

	<p><i>“The University quite quickly understood that and after us using our informal networks to lobby and try to find a solution and they offered us [XXX] ...[.]. Now, this was in time of recession and they offered us £X million ...[.]. The University has been understanding of what our needs are, because we did educate them on them. So that is one which has worked...[.]. The informal educational mechanisms with some lobbying from other departments ... [.]. within the University ...”</i></p>			
<b>C10</b>	<ul style="list-style-type: none"> <li>▪ Balanced interdependence.</li> <li>▪ Moderately positive perception of relationship quality.</li> <li>▪ Tactful reciprocation</li> </ul>	<p>Tactful reciprocation</p> <ul style="list-style-type: none"> <li>▪ Boundary spanners and unit meeting and even exceeding expectations of the HL.</li> <li>▪ Reunification of the vertical relationship levels.</li> <li>▪ Credible profile building at the unit’s level.</li> <li>▪ Development of common understanding.</li> <li>▪ Utilisation of informal channels.</li> <li>▪ Extra–role activities to gain the trust of the HL.</li> <li>▪ Using negotiated exchange (emphasising mutual benefits while negotiating).</li> <li>▪ Using rationality.</li> </ul>	<p>Although it is a case of balanced interdependence, the LL highly recognises the importance of the HL, and therefore the LL maintains a noteworthy legitimacy. The structural refinement came from the HL and it was relatively satisfactory for the LL unit as it meant devolving further autonomy to the LL in strategic areas.</p>	<p>The HL initiated the structural refinement which was seen relatively favourable the LL as it met many of its influence expectations.</p>
	<p>Selected Illustrative Quote</p> <p><i>“So one of the expectations of the University of the BS is that we should recover our previous prestigious position, because we were regarded as quite a prestigious BS and we lost a lot of that for various reasons.”</i></p>			
<b>C11</b>	<ul style="list-style-type: none"> <li>▪ Balanced interdependence</li> </ul>	<ul style="list-style-type: none"> <li>▪ Boundary spanners and unit meeting and</li> </ul>	<p>The LL unit in this case has managed to initiate a</p>	<p>The LL initiated the structural refinement</p>

	<ul style="list-style-type: none"> <li>▪ Negative perception of relationship quality evolving to a moderately positive perception.</li> <li>▪ Tactful reciprocation.</li> </ul>	<p>exceeding the HL's expectations.</p> <ul style="list-style-type: none"> <li>▪ Unification of the vertical relationship levels.</li> <li>▪ Active trust building at the boundary spanner's level.</li> <li>▪ Credible profile building at the unit's level.</li> <li>▪ Development of common understanding.</li> <li>▪ Informal relationship building.</li> <li>▪ Utilisation of informal channels.</li> <li>▪ Extra-role activities to gain the trust of the HL.</li> <li>▪ Internal and external lobbying.</li> </ul>	<p>recent organisational structural change, reflecting a change in the power distribution structure, after a wave of negative reciprocation. The lower managed to rearrange the financial agreement to have more autonomy. However, the boundary spanners in this case described the situation as "work in progress", highlighting that the desired influence was yet to be fully achieved. The boundary spanners also highlighted that if the desired influence was not fully realised, negative consequences would start to surface; or as they described the situation, "<i>it can blow us up</i>".</p>	<p>with the support of some external bodies.</p>
<p>Selected Illustrative Quotes</p> <p><i>"... and there is something that [is happening] over time on the academic front. I think it [the school] is beginning to get more respect around the University, I think we do things in the school that people in other schools do not expect the BS to do. And over time, I think that might alter our positions in terms of the school being perceived to be critical for its subject matter, so moving away from the cash cow...."</i></p> <p><i>"[if the desired influence is not achieved], it can blow us up. It is a barrier as far as you are rooted in a really wrong understanding of the business. It will end up with the morale going to the floor,</i></p>				

*and good folk would just say enough. I had discussions with a number of people outside and inside the school on exactly this point and I can point the folk in the school, one who could go for a breakdown and one of who is just absolutely vent. There will be a volcano, and both of them could leave. But the route cause for them all is this barrier; meaning the difficulty from our point of view not feeling that we are understood in terms of our business...[.]. . . But it will blow it up...”*

<p><b>C12</b></p>	<ul style="list-style-type: none"> <li>▪ Balanced interdependence</li> <li>▪ An evolution from a negative perception of relationship quality to an overall positive one.</li> <li>▪ Tactful reciprocation.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Dual identification at the boundary spanners’ level.</li> <li>▪ Boundary spanners and unit meeting the HL’s expectations.</li> <li>▪ Active trust building at the boundary spanner’s level.</li> <li>▪ Credible profile building at the unit’s level.</li> <li>▪ Development of common understandings.</li> <li>▪ Informal relationship building.</li> <li>▪ Utilisation of informal channels.</li> <li>▪ Extra–role activities to gain the trust of the HL.</li> <li>▪ Lobbying</li> <li>▪ Relying on rationality while negotiating.</li> </ul>	<p>Through tactful reciprocation in general, and trust and informality in particular, boundary spanners from the LL could attain satisfactory influence. The informal organisation in this case was playing a key role where the formal organisational structure was less relevant.</p>	<p>The formal structure was not changed but influence was achieved through strengthening the informal organisational channels. The structural refinement was achieved by active trust development and building common understanding which resulted in more latitude for the LL.</p>
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### **7.3.5 Summarising Propositions**

- Moderate or negatively perceived VIRQ is reciprocated by either tactful reciprocation or negative reciprocation.
- Structural refinement in tactful reciprocation situations tends to be more likely, as tactful reciprocation is usually motivated by the desire to increase the LL's scope of influence.
- If tactful reciprocation fails to realise the desired influence, negative reciprocation is likely to follow.

## Section III

### 7.4 Negative Reciprocation

If positive reciprocation forms one end of a continuum, negative reciprocation constitutes the other end. In negative reciprocation, the motives and responses of the LL boundary spanners are exactly the opposite of those in positive reciprocation.

Negative reciprocation was identified in C1, C3 group 2, and C7. In addition, there were some aspects of negative reciprocation in other cases (mostly emerging while discussing the history of the case). The following are common features in these cases.

1. Cases which showed negative reciprocation perceived the quality of the vertical inter-unit relationship negatively, i.e. the boundary spanners interviewed did not regard the scope of influence they had as satisfactory or fair.
2. These were cases which showed negative interdependence in general or negative interdependence in terms of their relationships with their intermediate HL. C1 was a case of general negative interdependence. In C3 and C7, the negative interdependence was with the intermediate HL, although these two cases were in a positive interdependence with the ultimate HL.
3. Negative reciprocation was seen as a response to the dissatisfactory scope of influence that the LL had, given its balance of interdependence with its HL (i.e. unfair influence). Therefore the LL units under this mode used their potential power to express such dissatisfaction.
4. Conformity and more generally legitimation were not key considerations in cases of negative reciprocation, unlike positive and tactful reciprocation. In negative

reciprocation, there was a form of “retaliation” due to the perceived unjust vertical relationship.

5. Many organisational aspects in the negative reciprocation cases were seen as dysfunctional. Generally, the work environment in these cases was described by respondents as lacking innovation, and characterised by low levels of staff morale and inefficiency. Negative reciprocation was thus not seen as a direct way of increasing the scope of influence, but rather as an expression of frustration.
6. Negative reciprocity was manifested both at the boundary spanners’ level and at the whole unit’s level, however, the former tended to be more common.
7. In most cases, negative reciprocation was mixed with signs of tactful reciprocation and vice versa. In many cases (C2, C3, C11 and C12), negative reciprocation preceded tactful reciprocation. However, the case study evidence also suggests that tactful reciprocation can be also followed by negative reciprocation if tactful reciprocation fails to bring about the desired influence.

#### **7.4.1 The Boundary Spanners Level**

##### **7.4.1.1 Boundary Spanner’s Identification**

As mentioned, negative reciprocation was manifested at the boundary spanner’s level as well as at the whole unit level, although the latter is less common. At the boundary spanners’ level, negative reciprocation was manifested in the singular identification of some of the boundary spanners, that is, only with their LL.

*“I have always tried in my role as [a head of the BS] for the University to be my principal source of identification, with the BS second and identification with the management team of the University first and the BS management team second. I have to say that, you know, having made the decision to stand down, and to move on*

*because it has been very difficult to maintain that orientation, and just it is psychologically difficult to do; to maintain that superordinate loyalty if you like.”*

#### **7.4.1.2 Loss of the Relationship Embedded Assets**

As articulated in the previous quote, in negative reciprocation cases, the key boundary spanners tended to leave the LL unit itself due to the perceived lack of influence. This aspect of negative reciprocation is deemed to be a very detrimental one as it means that some of the key relationship assets are lost. In the sector under study, individuals (academics) are seen as very valuable assets. When key boundary spanners decide to leave voluntarily, it means that the LL unit as well as the HL unit will lose the boundary spanner's (or more generally the organisational member's) output, knowledge base, and networks and relationships. It also sends a negative message about the HL to the other members in the LL unit, which can negatively affect general morale.

Voluntary turnover (a decision to leave) was reported in C1 and C3. This has been also identified in C11 and C2.

*“... I left because of extra hierarchy, bureaucracy...”*

#### **7.4.2 The Unit Level**

##### **7.4.2.1 Loss of Relationship Embedded Assets**

On the unit level, and due to the negative relationship, morale in the LL unit as a whole tended to be negatively affected. In extreme cases, negative morale would not only affect the productivity, creativity and innovation of the different organisational members, but can also propel them to leave the LL unit and search for a better alternative. This is particularly true with good or high potential members as they can find better alternatives elsewhere. However,

this can be a bitter loss to both the LL and the HL units, and therefore will make the vertical relationship less effective.

*“[Due to the high control], people were leaving, and a lot of entrepreneurial people have left, whether they are very active professors or program directors. People who can be different types of leaders in all parts of the organisation, and very good leaders have left, I think that has affected morale...”*

#### **7.4.2.2 Low Morale**

On the unit level, respondents in negative reciprocation cases also stressed that the morale of the different LL staff members can be negatively affected due to the lack of desired influence.

*“I think the staff are working so much harder and there is no benefit. They get no benefit and to be honest it just really annoys them. I pick up a lot of flak from my staff when they say all you've done is taking on more X students ...[.]. I may take zero benefit, I don't get more money, I get less research time, all you're doing is sweating the assets of the BS and have no benefit. ...[.]. We, the leadership of the BS, we decided we are going to turn this place and we have and I have been part of that, but the question is what my staff think; they will say let's go back to the time when we have made a loss, life was more easier for them, they taught less, they had more time for research.”*

Consequently, there was a sense of separation between the HL and LL units in negative reciprocation relationships, or sometimes an “us and them” attitude.

*“Are people in the BS enthusiastic about achieving the same vision and mission? No, I don't think they are...”*

This is in addition to the various dysfunctionalities identified in Chapters 5 and 6 that are likely to occur when the LL has a dissatisfactory scope of autonomy. The following table summarises the consequences associated with negative reciprocation.

**Table 7.5: Patterns of Negative Reciprocity based on the Case Study Evidence.**

Legitimacy in negative reciprocation cases		
	The Boundary Spanner Level	The Unit Level
<b>(Delegitimation)</b>	<ul style="list-style-type: none"> <li>▪ Single identification.</li> <li>▪ Loss of relationship embedded assets (voluntary turnover).</li> <li>▪ Low morale.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Organisational disintegration</li> <li>▪ Loss of relationship embedded assets (voluntary turnover)</li> <li>▪ Low morale</li> <li>▪ Decreased motivation, innovation, and creativity</li> <li>▪ Various organisational dysfunctionalities.</li> <li>▪ Organisational “paralysis”.</li> </ul>

#### **7.4.3 Negative Reciprocation and the Structural Instability of Power Distribution in the Vertical Relationship**

More importantly, relationships based on negative reciprocation are suggested to be unstable ones due to the different dysfunctionalities associated with them and the likely loss of key human assets that is associated with the lack of fair or satisfactory influence. Negative reciprocation is an expression of frustration that shows the potential power of the LL unit. Therefore, it can propel structural instability as it sends a message to the HL notifying them that corrective actions should be taken. Negative reciprocation was generally identified in cases where negative perception of relationship quality was expressed to be high. It was seen in cases where respondents emphasised that they wanted to increase the scope of their

influence, but failed to do so due to a perceived use of unjustified control by the HL, and therefore low morale was wide-spread among the different members of the LL unit. Negative reciprocation was generally followed by a structural refinement or by tactful reciprocation, yet the latter tended to occur sometime after costly organisational experiences.

The following table summarises the features and characteristics of the cases grouped under the negative reciprocation mode. This table highlights the LL's influence and the push and pull factors that can trigger structural instability in the vertical relationship.

**Table 7.6: Negative Reciprocation and Structural Instability of the Vertical Relationship based on Evidence from Cases Studied.**

	<b>Case Characteristics</b>	<b>Manifestations of Reciprocation Mode</b>	<b>LL's Influence</b>	<b>Structural Stability</b>
<b>C1</b>	<ul style="list-style-type: none"> <li>▪ Negative interdependence</li> <li>▪ Negative perception of relationship quality.</li> <li>▪ Negative reciprocation.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The negative reciprocation in C1 was limited in scope at the time of the data collection.</li> <li>▪ Singular identification of some boundary spanners.</li> <li>▪ Voluntary turnover of a key boundary spanner was reported (loss of relationship key assets).</li> <li>▪ Potential low morale was highlighted by two of the key boundary spanners.</li> <li>▪ Organisational</li> </ul>	<p>The LL unit's boundary spanners were attempting to increase the autonomy of the LL unit to achieve what they perceive as fair influence. Key areas of contention were related to the financial autonomy of the LL. Due to a dissatisfactory level of influence, one of the key boundary spanners exercised his personal power to leave the relationship (an exit strategy according to Hirschman Typology (1970)). Signs of low</p>	<p>Only some boundary spanners started to exercise their personal power by leaving the relationship or manifesting low morale. Some relationship dysfunctionalities were also reported due to the lack of satisfactory influence. Signs of negative reciprocation can send signals to the HL to take a corrective action by investigating and addressing its causes (the lack of fair influence). This means</p>

		<p>disintegration.</p> <ul style="list-style-type: none"> <li>▪ However, there were also some boundary spanners who referred to some manifestations of tactful reciprocation; attempting to alter the dissatisfactory relationship (mainly by relying on utilising informal channels to build common understandings).</li> </ul>	<p>morale were starting to permeate the LL unit, yet only at the level of some boundary spanners (it was not a unit wide phenomenon at the time of data collection).</p>	<p>that the distribution of power in the relationship can be potentially revised; reflecting a possible structural instability.</p>
<p>Selected Illustrative Quote</p> <p><i>“...and I think that one of the key things that I see happening is that when we try to initiate changes, we try to innovate, now as a result of the reduction in autonomy, what often happens is that we are prevented from innovating and told that actually what we should be doing is combining with the rest of the University in implementing innovations. The consequences of that are that it slows down the ability to introduce innovation and it also introduces a kind of lowest common denominator approach to change. So instead of saying OK this will be a brilliant way to do this, and we are doing it, let’s say based on the research evidence, what we end up doing is how to compromise dramatically on the kind of processes that we would use and it also takes enormously longer. You know for a BS operating in highly competitive environment, we can’t afford not to be adaptive and agile and innovative in the way we do things, so it is a concern...[...]. My perception is that we increasingly had to compromise rather than [integrate decisions] ...[...]. there is a much higher degree of top down command and control, which is inhibiting the integration of decision making so there is not an openness of discussion, and exploration of positions, and exploration of context in order that we can then come to collective decisions about the most effective and innovative way forward..[.]... What that is leading to is a great deal of compromise and I think low quality decision making as well....”</i></p>				
<b>C3 Gp 2</b>	<ul style="list-style-type: none"> <li>• Negative interdependence with the intermediate HL.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Single identification of the boundary spanners representing group 2.</li> <li>▪ Voluntary turnover</li> </ul>	<p>The LL unit’s boundary spanners were attempting to increase their autonomy to reach what</p>	<p>Many of the key boundary spanners and other key LL unit’s members started to</p>

	<ul style="list-style-type: none"> <li>• Positive interdependence with the ultimate HL.</li> <li>• An overall negative perception of relationship quality.</li> <li>• Negative reciprocation.</li> </ul>	<p>spreading among the boundary spanners as well as the other members of the LL unit.</p> <ul style="list-style-type: none"> <li>▪ Remarkably low morale was reported among the LL unit members and boundary spanners.</li> <li>▪ Organisational disintegration.</li> <li>▪ Various organisational dysfunctionalities.</li> <li>▪ Decreased creativity and innovation.</li> </ul>	<p>they perceive as a fair level of influence. Key areas of contention were related to the financial autonomy of the LL. Due to the dissatisfactory influence, many boundary spanners and other key organisational members exercised their personal power by leaving the relationship (an exit strategy). Low morale wide-spread across the members of LL unit, perhaps unintentionally sending a message to the HL that corrective actions should be taken.</p>	<p>exercise their personal power by leaving the relationship or demonstrating low morale. Many relationship dysfunctionalities were also reported due to the lack of satisfactory influence. This included what resembled a case of organisational “paralysis” where the whole of the LL unit was not moving forward towards achieving its goals.</p>
<p>Selected Illustrative Quote</p> <p><i>“Well, expansion in introduction of new programs became much more difficult because now you have [lost part of your latitude], so I think the introduction of new programs literally stopped, I don’t think they have introduced any new programs in the BS [we became more constrained]”.</i></p>				
<p><b>C7</b></p>	<ul style="list-style-type: none"> <li>▪ Negative interdependence with the intermediate HL.</li> <li>▪ Positive / balanced interdependence with the ultimate HL.</li> <li>▪ An overall</li> </ul>	<ul style="list-style-type: none"> <li>▪ Single identification of some boundary spanners.</li> <li>▪ Organisational disintegration.</li> <li>▪ Negative morale amongst the staff of the LL unit.</li> </ul>	<p>Failure to achieve what was seen to be fair influence through structural change made some staff members perceive the HL negatively. In this case, tactful reciprocation preceded the negative reciprocation as the LL</p>	<p>Many of the key boundary spanners and other key LL members started to exercise their personal power via showing low morale as they started to lose the incentive behind their legitimising efforts.</p>

	<p>negative perception of relationship quality.</p> <ul style="list-style-type: none"> <li>▪ Negative reciprocation.</li> </ul>		<p>unit was re-legitimising its position via notable credible profile building. Some of the LL staff members exercised their power by showing negative morale and distancing themselves from their HL to express their frustration as their efforts at tactful reciprocation had failed. However, both negative reciprocation and tactful reciprocation were seen to be going hand in hand in this case.</p>	<p>Some relationship dysfunctionalities were also reported due to the lack of satisfactory influence.</p>
<b>Cases which have showed a history of negative reciprocation</b>				
<b>C2</b>	<ul style="list-style-type: none"> <li>▪ Balanced interdependence.</li> <li>▪ A history of negative reciprocation.</li> </ul>	<p>According to the findings, due to the lack of satisfactory influence, this case showed a history of negative reciprocation manifested in:</p> <ul style="list-style-type: none"> <li>▪ Low morale wide-spread across the LL unit's members.</li> <li>▪ Organisational disintegration.</li> <li>▪ Voluntary turnover.</li> <li>▪ Consequently, relationship dysfunctionalities emerged.</li> </ul>		<p>With the change of the leadership of the LL unit, tactful reciprocation followed negative reciprocation building on relationship learning.</p>
<b>C11</b>	<ul style="list-style-type: none"> <li>▪ Balanced interdependence.</li> <li>▪ A history of negative reciprocation.</li> </ul>	<p>According to the interview findings, due to the lack of satisfactory influence, this case showed a history of negative reciprocation manifested in:</p> <ul style="list-style-type: none"> <li>▪ Low morale spreading across the LL unit's members.</li> <li>▪ Voluntary turnover of some of the boundary spanners and</li> </ul>		<p>Negative reciprocation along with tactful reciprocation propelled structural change; particularly with the change of the leadership of the LL unit.</p>

		<p>other members of the LL unit.</p> <ul style="list-style-type: none"> <li>▪ Consequently, relationship dysfunctionalities emerged.</li> </ul>	
<b>C12</b>	<ul style="list-style-type: none"> <li>▪ Balanced interdependence.</li> <li>▪ A history of negative reciprocation.</li> </ul>	<p>According to the interview findings, due to the lack of satisfactory influence, this case showed a history of negative reciprocation manifested in:</p> <ul style="list-style-type: none"> <li>▪ Organisational disintegration.</li> <li>▪ Consequently, some relationship dysfunctionalities emerged.</li> </ul>	<p>With the change of the leadership of the LL unit, tactful reciprocation followed negative reciprocation building on relationship learning.</p>

#### 7.4.4 Summarising Propositions

- Negatively perceived VIRQ can incite negative reciprocation by the LL unit, if tactful reciprocation was attempted but failed to achieve the desired influence, or if there is a perception of excessive or unjustifiable lack of influence on the part of the LL.
- Negative reciprocation can potentially give rise to structural instability or tactful reciprocation as the vertical relationship becomes dysfunctional (i.e vertical relationships built on negative reciprocation are not sustainable).

#### 7.5 Summary of the Qualitative Findings

Qualitative data analyses reported in Chapters 5, 6, and 7 was directed towards addressing the three questions that motivated this research enquiry regarding the meaning and attributes, the antecedents, and the different concomitants that are likely to be associated with the perception of VIRQ.

The meaning and attributes of VIRQ were approached from the perspective of both parties to the vertical relationship; the higher and the lower level. The higher level respondents tended

to personify the vertical relationship in terms of their relationship with their contact people in the lower level unit and therefore the relationship has an inherent social dimension. The higher level respondents tended to view mutual trust, openness and open communication, fairness, collaboration, and satisfaction as attributes that compose favourable relationships with their lower level units. From the higher level's perspective, the meaning of having favourable relationships with its lower level unit tended to revolve around maintaining effective control on that unit so that it works according to the higher level's agenda.

Similar to the higher level, the lower level respondents also tended to view mutual trust, mutual openness, fairness, support, and satisfaction as the key intrinsic social characteristics that make up for a favourable vertical relationship. These social dimensions tended to reflect the power distribution in the vertical relationship which was then manifested in a constraining or an empowering vertical relationship to the lower level unit. The meaning of a favourable relationship from the lower level perspective tended to revolve around realising a satisfactory or a fair balance of influence on the terms of the vertical relationship. Fairness of influence is seen in the light of the state of the balance of interdependence between the two levels of the vertical relationship.

For the antecedents and the consequences of the perception of VIRQ, only the lower level's perspective was considered. Five different antecedents were identified. These are: the state of the balance of interdependence, the lower level's orientation, the lower level's autonomy, the state of cognitive congruence between the two levels, and the inter-personal relationship quality between the concerned boundary spanners. The qualitative evidence suggests that all these antecedents tend to be inter-related, with the state of the balance of interdependence playing the key role in shaping the perception of the rest of the antecedents and the perception of VIRQ.

For the consequences of the perception of VIRQ, three different reciprocation modes were identified. The first is positive reciprocation, which tends to occur in cases where the perception of VIRQ was favourable. These cases tended to be more dependent on their higher level than vice versa and therefore they viewed their balance of influence as satisfactory or fair. In their reciprocation to their higher level, they tended to comply with the higher level's agenda (both at the boundary spanner's level and at the whole unit's level) by meeting and sometimes exceeding the higher level's expectations (by involving in extra-role activities and utilising the informal organisational channels). Due to the positive reciprocation, the balance of influence in the vertical relationship tended to be stabilised in the short/medium term.

The second mode of reciprocation was tactful reciprocation. The lower level under this mode was responding to a negatively or a moderately negative perceived relationship quality, yet, their reciprocation was positive. Cases under this category were also complying with the higher level's agenda. However, their engagement in active legitimation activities (active trust development, development of common understanding, informal relationship building, and utilisation of informal organisational channels) was noteworthy. Tactful reciprocation resulted in a structural refinement of the terms of the vertical relationship whereby the lower level unit could gain more influence on the terms of the relationship in the medium-term.

The third mode of reciprocation was negative reciprocation, where the lower level unit was responding negatively to a negatively perceived vertical relationship quality (i.e. the lower level under this category did not perceive the balance of influence as being fair). Cases under this mode of reciprocation were less concerned about legitimising their position in their institutions. Boundary spanners showed evidence of single identification only with their unit and low morale. Across the whole unit, low morale, decreased motivation, innovation, and creativity, increased levels of voluntary turnover, and organisational disintegration ("us"

versus “them” attitude) were also evident. Negative reciprocation tended to result in structural instability as it can characterise dysfunctional vertical relationships.

These findings were summarised in a number of propositions. For the sake of providing further support for these propositions and with having the lower level perspective as the key focus in this study, propositions concerning the lower level’s perspective will be transferred into hypotheses, when possible, to be tested in the wider population of UK University-based Business Schools. These hypotheses are shown in table 8.1 in the following chapter. The first set of hypotheses focuses on the attributes and the meaning of VIRQ. In particular, they test whether the identified social attributes (trust, openness, fairness, support, and satisfaction) make up for a measure representing VIRQ. They are also verifying the underlying meaning of VIRQ (from the lower level perspective) by looking at the correlation between the identified social attributes and the perception of power distribution in the vertical relationship.

The second set of hypotheses focus on testing the identified antecedents that could cause variation in the perception of VIRQ and the inter-relationships among these antecedents.

The third set of hypotheses focus on the concomitants of the perception of VIRQ. As the concomitants of the perception of VIRQ were manifested in a reciprocation process, testing this process quantitatively was not possible. However, only some facets of this reciprocation process were tested. These were represented in the relationship between the perception of VIRQ on one hand and subjective performance, affective commitment, and boundary spanners’ intent to leave on the other hand.

## CHAPTER 8: QUANTITATIVE ANALYSIS

### 8.1 Introduction

Based on the previously discussed analyses of the qualitative findings in Chapters 5, 6, and 7, a number of propositions have been suggested. With the aim of testing the suggested propositions further, an additional data set drawn from the wider population of UK UBBS (University-based Business Schools) was used. The additional dataset collection was administered through an online survey which targeted all the UK UBBS population (114 at the time of data collection). 50 responses were obtained and each response is assumed to represent a different school. The response rate was approximately 44% of the population which is considered to offer good representation. Three responses were excluded due to problems of missing data. With 47 responses, a response rate of approximately 41% was obtained, which was still considered to be reasonably high. Given the sample and typically quantitative data; this chapter primarily focuses on hypothesis testing. Hypotheses are derived from the suggested propositions. Not all propositions were translated into testable hypotheses as some referred to process dynamics that were difficult to access through a questionnaire<sup>114</sup>. This was particularly true of the propositions suggested in Chapter 7 concerning the modes of reciprocation. The following table highlights the study propositions and their corresponding hypotheses that were tested.

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<sup>114</sup> All the constructs used in the quantitative investigation along with their constituting items, operationalisations, and sources are presented in Appendix I. These were the constructs and the items which were used in the on-line survey. During the process of data analysis, some items were revised to enhance their reliability. The final items used to derive the analysis reported in this chapter are presented in Appendix III.

**Table 8.1: Suggested Propositions and the Derived Testable Hypotheses**

Propositions	Testable Hypotheses
<b>First: Propositions related to the attributes and meaning of VIRQ</b>	
<p>P1: VIRQ is a higher order construct that is composed of multiple, yet interrelated five dimensions; trust, openness, fairness, support, and satisfaction. Trust, openness, fairness, support, and satisfaction are likely to be the key intrinsic social attributes that make up for VIRQ.</p> <p>P2: From the LL perspective, the perception of the relationship instrumentalities (being empowered or constrained) is dependent on the perception of the power distribution in the vertical relationship. The perception of the power distribution in the vertical relationship is likely to reflect the perception of vertical inter-unit relationship social intrinsic attributes.</p> <p>P3: The different VIRQ attributes are likely to boil down to one underlying meaning; achieving a satisfactory/fair balance of influence between the HL and the LL.</p>	<p>H1: Perceived trust, openness, fairness, support, and satisfaction are the key social attributes of perceived VIRQ.</p> <p>H2: there is a strong positive correlation between the perception of the key social attributes of VIRQ and the perception of the power distribution in the vertical relationship.</p>
<b>Second: Propositions related to the antecedents of VIRQ</b> <b>The balance of interdependence</b>	
<p>P4: In general, the balance of interdependence is likely to influence the perception of VIRQ by the LL unit, such that if the LL unit is positively interdependent on its HL unit, the former is more likely to perceive the VIRQ favourably in comparison to if the LL is negatively or equally interdependent on its HL.</p>	<p>H3: There is a positive correlation between the perception of net dependence of the LL on the higher level and the perception of VIRQ.</p>

<b>The lower level's orientation</b>	
<p>P5: In general, the LL unit's orientation, whether it to be towards the vertical intra–University institutional relationship or the wider institutional sector, is likely to affect the perception of VIRQ.</p> <p>P6: The neutralisation of the institutional duality via alignment is likely to positively influence the perception of VIRQ and vice versa.</p>	<p>H4: The perception of shared understandings and views strengthens the relationship between the LL's orientation towards the wider sector and the perception of VIRQ.</p>
<b>Cognitive congruence (further sub–divided into shared understandings and shared vision)</b>	
<p>P7: Cognitive congruence is based on a satisfactory alignment of broad visions, means, frames of references, and perceptions.</p> <p>P8: In general, the balance of interdependence can affect the state of cognitive congruence between the higher and the lower level units of the vertical relationship; such that the more the LL is dependent on its HL unit, the higher the perception of cognitive congruity between them.</p> <p>P9: In general, the state of cognitive congruence or disparity is likely to affect the perception of VIRQ, such that lower cognitive congruence across the organisational levels will be associated with lower perception of VIRQ.</p> <p>P10: Balanced interdependence is likely to be associated with a negative perception of control and an unfavourable perception of VIRQ if the perception of cognitive congruence was negative.</p> <p>P11: In all cases, a favourable perception of the state of cognitive congruence is likely to be</p>	<p>H5: There is a positive correlation between the perception of positive net dependence and the perception of shared vision.</p> <p>H6: There is a positive correlation between the perception of positive net dependence and the perception of shared understandings and views.</p> <p>H7: There is a positive correlation between the perception of shared vision and the perception of VIRQ.</p> <p>H8: There is a positive correlation between the perception of shared understandings and views and the perception of VIRQ.</p>

<p>associated with a favourable perception of VIRQ.</p>	
<b>Autonomy</b>	
<p>P12: The general perception of control (as acceptable or excessive) is likely to have an impact on the perception of the VIRQ by the LL unit.</p> <p>P13: Acceptable (neutralised) control is likely to be associated with a favourable perception of VIRQ.</p> <p>P14: Excessive (negative) control is likely to be associated with an unfavourable perception of VIRQ.</p>	<p>H9: There is a positive correlation between the perception of autonomy and the perception of VIRQ.</p> <p>H10: the perception of shared understanding and views strengthens the positive relationship between the perception of autonomy and the perception of VIRQ.</p> <p>H11: the perception of shared understanding and views strengthens the positive relationship between the perception of autonomy and the perception of VIRQ.</p>
<b>Inter-personal relationship quality</b>	
<p>P15: Personal qualities, personal and background similarities, and personal loyalties can affect the perception of the inter-personal relationship between the key boundary spanners in the vertical inter unit relationship.</p> <p>P16: The more favourable the perception of the inter-personal relationship (represented in inter-personal trust and satisfaction) between the key boundary spanners in the vertical inter-unit relationship, the higher the VIRQ.</p> <p>P17: Friendly formal or informal relationships are more likely to be associated with a favourable perception of the VIRQ compared to strictly formal relationships.</p>	<p>H12: there is a positive correlation between the perception the interpersonal relationship quality between the boundary spanners and the perception of VIRQ.</p>

**Interrelationships among variables focusing on the balance of interdependence**

P18: The perception of the balance of interdependence, coupled with the LL's level of maturity, is likely to be associated with the neutralisation of the institutional duality as seen by the LL unit in the vertical relationship.

P19: The perception of the balance of interdependence is likely to influence the perception of cognitive congruence/disparity between the HL and the LL units in the vertical relationship as seen by the LL unit in the vertical relationship. The more the LL is dependent on the HL, the higher the level of cognitive congruence between them.

P20: The perception of the balance of interdependence is likely to influence the perception of autonomy as seen by the LL unit in the vertical relationship. The more the LL is dependent on the HL, the more likely the HL's control will be favourably perceived (neutralised) by the LL unit.

P21: The perception of the balance of interdependence is likely to have bearing on the perception of the inter-personal relationships between the key boundary spanners in the vertical inter-unit relationship as seen by the LL unit. The more the LL is dependent on the HL, the more likely the inter-personal relationships between the key boundary spanners concerned will be favourable.

H13: there is a positive correlation between the perception of positive net dependence and the perception of autonomy.

H14: there is a positive correlation between the perception of positive net dependence and the perception of the quality of the inter-personal relationship between the boundary spanners.

<b>Interrelationships among variables focusing on autonomy</b>	
<p>P22: The perception of interpersonal relationship quality is likely to have a bearing on the perception of autonomy from the perspective of the LL unit. The higher the perceived interpersonal relationship quality, the higher the autonomy perceived by the LL unit.</p> <p>P23: The state of cognitive congruence is likely to have bearing on the perception of autonomy from the perspective of the LL unit. Cognitive congruence is more likely to neutralise the perception of control compared to cognitive disparity. The higher the perceived cognitive congruity by the LL unit, the higher it perceives autonomy.</p>	<p>H15: There is a positive correlation between the perception of shared vision and the perception of autonomy.</p> <p>H16: There is a positive correlation between the perception of shared understandings and views and the perception of autonomy.</p>
<b>Overall propositions</b>	
<p>P24: Positive interdependence of the LL unit is likely to have a positive impact on the perception of cognitive congruence, to neutralise the perception of control, and to have a positive impact on the perception of the VIRQ.</p> <p>P25: The negative interdependence of the LL unit is likely to have a negative impact on the perception of cognitive congruence, the perception of control, and the perception of the VIRQ.</p> <p>P26: Balanced interdependence is likely to be associated with a neutralised perception of control and a favourable perception of VIRQ if the perception of cognitive congruence is positive.</p>	<p>H17: Perceived net dependence, perceived autonomy, perceived shared vision, perceived shared understandings and views, and perceived inter–personal relationship quality between the boundary spanners are the key predictors of VIRQ.</p> <p>H18: The perception of net dependence affects the perception of perceived autonomy, perceived shared vision, perceived shared understandings and views, perceived inter–personal relationship quality between the boundary spanners, and perceived VIRQ.</p>

<p>P27: Balanced interdependence is likely to be associated with a negative perception of control and an unfavourable perception of VIRQ if the perception of cognitive congruence is negative.</p> <p>P28: In all cases, a favourable perception of the state of cognitive congruence is likely to be associated with a favourable perception of VIRQ.</p>	
<p><b>Third: Propositions related to the Concomitants of VIRQ</b></p> <p><b>Modes of reciprocation</b></p>	
<p><u>Positive reciprocation</u></p> <p>P29: Favourable perception of vertical inter-unit relationship is likely to be associated with positive reciprocation from the LL unit.</p> <p>P30: In positive reciprocation cases, since the LL units are more dependent on the HL than vice versa, pushing for a structural refinement of the vertical relationship from the LL unit's side is less likely.</p> <p>P31: Keeping other variables constant, relationships built on positive reciprocation are likely to be productive ones; meeting the expectations of the two parties of the vertical relationship.</p> <p><u>Tactful reciprocation</u></p> <p>P32: Moderate or negatively perceived VIRQ can be reciprocated by either tactful reciprocation or negative reciprocation.</p> <p>P33: Structural refinement in tactful reciprocation situations tends to be more likely, as tactful</p>	<p>H19: There is appositve correlation between the perception of VIRQ and the perception of subjective performance.</p> <p>H20: There is a positive correlation between the perception of VIRQ and the perception of affective commitment.</p> <p>H21: There is a negative correlation between the perception of VIRQ and the intent to leave.</p> <p>H22: The higher the VIRQ, the higher the subjective performance of the LL unit, the affective commitment, and the lower the boundary spanners' intent to leave.</p>

<p>reciprocation is usually motivated by increasing the LL's scope of influence.</p> <p>P34: If tactful reciprocation failed to realise the desired influence, negative reciprocation is likely to follow.</p> <p><u>Negative reciprocation</u></p> <p>P35: Negatively perceived VIRQ can stir negative reciprocation by the LL, if tactful reciprocation was attempted but failed to achieve the desired influence or when there is a perception of excessive or unjustifiable lack of influence from the LL's side.</p> <p>P36: Negative reciprocation could potentially give rise to structural instability or tactful reciprocation as the vertical relationship becomes dysfunctional; (i.e, vertical relationships built on negative reciprocation are not sustainable).</p>	
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## 8.2 Quantitative Data Analysis

### 8.2.1 Missing Data

Data were analysed using SPSS Version 19. Reverse coded responses were considered during data entry. However, before proceeding to hypothesis testing and as missing data points were noticed, 3 cases were deleted from the data set reducing the number of cases from 50 to 47. These three cases had more missing than completed data points and therefore imputing missing data for these cases would provide arbitrary results. Yet, before their deletion, Little's MCAR (Missing Completely at Random) test was performed and the results showed that missing data were missing completely at random (Chi-Square= 74.509, DF= 94, Sig. =

0.931), supporting the decision of their deletion as this would not cause a significant bias (see Hair, Anderson, Tatham, and Black, 1998). However, very sparse missing data points could be still noticed in the remaining 47 cases, this led to the decision to “treat” such missing data points in order to enhance the power of further statistical tests.

Missing data fell into two categories based on the nature of the question; some missing data were categorical data (nominal scale) and others were scale data. For categorical data, no statistical techniques were used to replace the missing data at random, rather, due effort was made to identify the actual category to which each school belonged. This was enabled by looking into the other data points provided by the same respondent<sup>115</sup>.

For missing scale data, Little’s MCAR test was used again (after the deletion of the 3 cases) to test whether the missing data points are not biased and therefore are due to chance. MCAR test verifies whether the missingness is related to the values of variables in the data set or not (Little, 1988). The test results were significant (Chi-Square = 240.093, DF=294, Sig. = 0.991), supporting the alternative hypothesis that the missing data are random; while bearing in mind that these results are suggestive rather than definitive as noted by Little (1988).

To estimate the missing data points, mean imputation was avoided as it was suggested to affect the distribution of variables, underestimate their standard deviation, and affect the relationships between variables (cf: Hair et al., 1998). Other missing data imputation methods

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<sup>115</sup> Most missing categorical data points (8 missing data points) were related to question (1); perhaps due to the questionnaire layout. The first question was concerned with the type of the immediate higher University level; whether it is a faculty/college level or the University management board. Responses for the final question in the questionnaire were used in order to derive the missing data points for the first question. Through the final question, the name of the school was recognised and therefore the nature of the school’s organizational structure and the type of its immediate higher level was identified. This was deemed to provide more accurate results particularly with some categorical data. Other missing categorical data were very sparse and were not easily derived from other responses. For other missing categorical data, missing data were not imputed, putting them under a distinct category so as to avoid bias.

that can affect the quality of the data or cause a presumed significant bias were also avoided (such as regression methods which can result in unconstrained solutions, i.e., might go beyond the scale used) (cf: Hair et al., 1998; Roth, 1994). Since most measures were multi-item measures reflecting on a latent variable, and since all respondents provided information about all the latent variables under study where the missing data points were only coincidental and very sparse; the Expectation Maximisation Method was chosen to impute those sparse missing data points. The choice was supported by the percent of the missing data points which is very low<sup>116</sup>, the availability of data points for each latent variable in each case<sup>117</sup>, and the need to perform an exploratory factor and regression analyses at latter points in the analysis (cf: Gold and Bentler, 2000).

While this study relies on a number of different developed and adapted constructs, there is a core construct that is central to this research investigation; VIRQ. The latter construct is suggested to be a new construct to the general organisational literature. Since it is the core construct in the study and with little quantitative evidence that such developed construct actually reflects the desired attribute (VIRQ), a special focus is given to this construct, the procedures used in the process of developing it, its reliability, and its validity before proceeding to testing the rest of the study hypotheses. The remaining analysis section, therefore, is divided into two main sections. Steps towards VIRQ scale development and the relevant issues involved in that are discussed in Section I. The rest of the hypotheses will be tested and results will be interpreted in Section II.

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<sup>116</sup> Missing data were very sparse not exceeding 4% (2 data points) for any given variable and most variables had no missing data points; perhaps due to the nature of the respondents who come from an academic background.

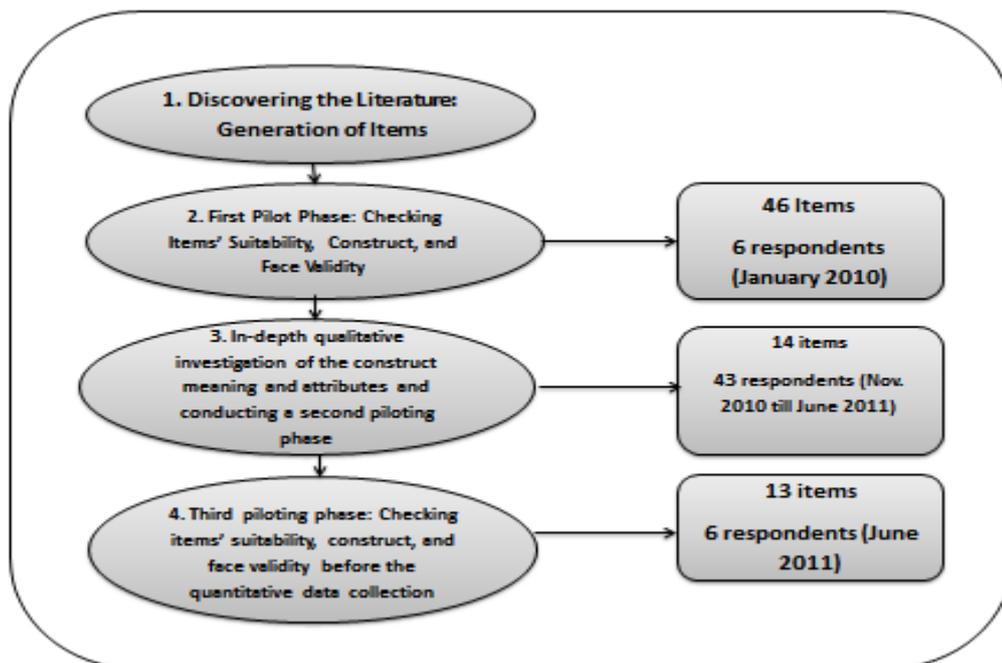
<sup>117</sup> There was no missing data imputed for single-item measures or categorical data.

## Section I

### 8.2.2 VIRQ: Towards a Scale Development

With the overall objective of developing a quantitative scale to measure VIRQ, both the literature (prior to any data collection) and qualitative data collection and analysis in three different phases were considered. The following figure shows a visual representation of the process.

**Figure 8.1: The Process of Generating and Validating the Scale Items before the Quantitative Data Collection (Survey Distribution)**



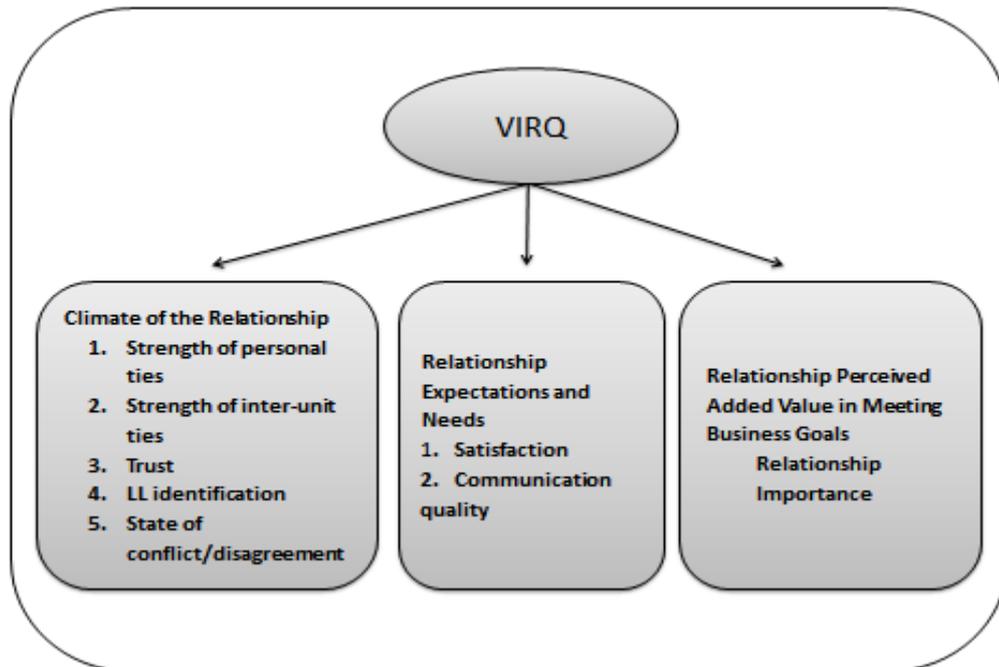
#### 8.2.2.1 Discovering the Literature

As VIRQ is seen as a new construct, due effort was made prior to any data collection to explore the literature for relevant terms. In the marketing literature, relationship quality was

broadly defined as a set of favourable perceived attributes that facilitate the achievement of relationship goals (see Lages, Lages, and Lages, 2005). Based on previous definitions of relationship quality in other contexts, relationship quality in vertical inter-unit relationships was broadly conceptualised as the overall assessment of the "climate" of the relationship, the extent to which it meets the needs and expectations of its parties based on a history of successful or unsuccessful transactions, as well as how the relationship serves the achievement and improvement of the business goals. Assessment of the "climate" of the relationship was primarily addressed through some intrinsic characteristics that members in the relationship perceive as important factors in characterising a good or bad relationship. Assessment of whether the relationship addressed the expectations and needs of the parties to the relationship was manifested by the parties' satisfaction with aspects of the relationship and communication quality. Assessment of whether the relationship helps the achievement and/or the improvement of the business goals was addressed through relationship perceived importance or added value. This was in line with previous studies in the marketing field that conceptualised relationship quality as a higher order construct made of many different, however, inter-related dimensions.

Based on this apriori approach of developing a primary idea about the construct based on other literatures, VIRQ was seen to include numerous sub-dimensions.

**Figure 8.2: Apriori Constructs as Derived From the Literature Review**



The literature was then used to look for the relevant measures in contexts perceived to be similar to this study context (mainly the headquarter–subsidiary literature and the broad organisation literature) (see Figure 8.2). Such measures were used to construct a primary questionnaire. The questionnaire included 43 items and was then used as the key focus in 6 pilot, yet in–depth face to face, interviews with key boundary spanners representing the LL unit<sup>118</sup>. This was in January 2010 prior to any case study investigation. The aim of such in–depth interviews was two–fold:

- To provide a better understanding of the vertical inter–unit relationship context and dynamics in UK UBBS.

<sup>118</sup> The 43 items included in the first pilot questionnaire are shown in the Appendix II along with their operationalization’s and sources.

- To verify the sufficiency and the appropriateness of the apriori measure derived from the literature and whether it reflects the intended construct or not.

An apriori pilot questionnaire representing the suggested dimensions was shown to the interviewees. The interviewees, who were all academics, were also shown the model representing the VIRQ, dimensions included in it, and the items included under each dimension. The objective of the study was explained thoroughly to them stressing the objective of a scale development. The interviewees were asked to reflect on the dimensions as well as the individual items. Based on thorough discussions with the boundary spanners on the nature of the research context and the appropriateness and the number of the items to be included in the scale, the items were reduced to 14 questions only where many dimensions were removed and others were added. For instance, the strength of the personal ties, the strength of the inter-unit ties, subsidiary identification, conflict resolution, communication quality, and relationship importance were seen either as less relevant dimensions or dimensions that are related to but not representing the construct under investigation. The remaining 14 items were found to reflect two main dimensions; trust and satisfaction.

#### **8.2.2.2 Collecting Qualitative Data**

The second stage of the scale development took place while conducting the qualitative data analysis. As described in Chapter 5, 43 in-depth open-ended interviews were conducted with the key boundary spanners representing the LL in 15 different BSs. Respondents were asked to express the attributes they attach to a favourable vertical inter-unit relationship and to reflect on their experiences of what they see most satisfactory and least satisfactory, to give examples and to tell stories based on their own experiences. Such attributes were mainly guided by the respondents' answers with no intervention from the interviewer at this stage. Towards the end of the interview, respondents were shown the 14 items generated from the

literature and asked to reflect on them. Respondents were asked to assess whether the items included in the questionnaire are good reflectors of VIRQ based on their experiences, whether any attributes or items need to be added or removed, and whether the scale is a good representative of the construct under developed (whether it shows face and construct validity).

Based on the answers of 43 respondents and the thorough analyses of the qualitative findings, the scale had 13 items keeping most items reflecting inter-unit trust and satisfaction with some modifications; and adding extra items to reflect on fairness, openness, and transparency.

### **8.2.2.3 Piloting the Suggested Scale**

These 13 items (shown in table 8.2) were used in the final questionnaire after being extensively tested in 3 stages; the pilot stage in January 2010, the case study investigation stage from November 2010 till June 2011, then another pilot study before the final quantitative data collection in June 2011. The final pilot stage involved piloting the whole questionnaire in its final format prior to its distribution. 6 boundary spanners representing one LL unit participated in the final pilot stage.

**Table 8.2: Suggested Scale Items In Order (VIRQ)**

1. The higher level's cooperation with the Business School is satisfactory.
2. The balance of influence between the higher level and the Business School is satisfactory
3. The communication process between the Business School and the higher level is satisfactory.
4. In general, the Business School's relationship with the higher level is satisfactory.
5. The higher level management meets its agreed upon obligations to the Business School.
6. The higher level management acts in the Business School's best interest.
7. The higher level management usually keeps its word.
8. The higher level management is transparent in dealing with the Business School.
9. The higher level management discusses issues with the Business School openly.
10. The higher level management does not mislead the Business School.
11. The higher level management discusses joint expectations fairly.

- 12. The Business school can share information openly with staff at the higher level because they do not take advantage of this by acting against the Business School interests.
- 13. The higher level’s management at times must make decisions which seem to be against the interests of the Business School. When this happens, we are confident that the Business School's current sacrifice will be justified by the higher level’s future support for the Business School.

**8.2.2.4 Suggested Scale Reliability**

Following Churchill’s (1979) steps for scale development, the first step after the collection of the quantitative data was to test the reliability of the scale. Cronbach Alpha for the intended scale was 0.95, which shows very high reliability<sup>119</sup>. The following tables show the reliability test results including the inter–item correlation matrix and the item–total statistics.

**Table 8.3: Cronbach Alpha for VIRQ**

	Cronbach's Alpha Based on Standardized Items	N of Items
Cronbach's Alpha	.956	13

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<sup>119</sup> While item number (13) was found to have the lowest corrected item-total correlation and its removal would have slightly improved the reliability score, the decision was to keep it for the exploratory factor analysis as the increase in Cronbach Alpha score was minimal and keeping it would mean that the (0.5) criteria suggested by scholars such as Netemeyer, Boles, and McMurrian (1996) would be still met.

**Table 8.4: Inter-Item Correlation Matrix for the Items Composing VIRQ**

	1	2	3	4	5	6	7	8	9	10	11	12	13
1	1.000												
2	.765	1.000											
3	.659	.678	1.000										
4	.794	.745	.773	1.000									
5	.727	.699	.502	.633	1.000								
6	.715	.751	.763	.684	.664	1.000							
7	.537	.648	.578	.556	.730	.679	1.000						
8	.660	.773	.693	.628	.762	.687	.828	1.000					
9	.605	.702	.720	.600	.618	.671	.727	.875	1.000				
10	.398	.570	.624	.487	.533	.686	.654	.675	.688	1.000			
11	.517	.713	.697	.630	.535	.618	.638	.696	.668	.736	1.000		
12	.446	.572	.680	.557	.586	.671	.719	.788	.766	.745	.652	1.000	
13	.414	.423	.298	.303	.589	.430	.500	.496	.443	.306	.312	.504	1.000

**Table 8.5: Item Total Statistics for the Items Composing VIRQ**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
1	60.1219	222.022	.748	.808	.952
2	60.5899	221.327	.834	.804	.949
3	59.7389	229.602	.786	.802	.951
4	59.8027	230.610	.764	.793	.951
5	59.7417	227.038	.788	.781	.950
6	60.3985	226.585	.829	.804	.949
7	59.3559	228.133	.802	.758	.950
8	59.9729	222.333	.891	.903	.948
9	59.6751	224.704	.833	.811	.949
10	59.1857	238.183	.718	.741	.952
11	59.4836	237.067	.755	.723	.952
12	59.6325	228.440	.783	.790	.951
13	60.6993	238.604	.508	.462	.958

### **8.2.2.5 Exploratory Factor Analysis**

The second step in the scale development was to perform an Exploratory Factor Analysis (EFA) to test whether the items in the scale reflect the same construct or not. EFA is argued to be a significant step in latent scale development as it tests the dimensionality of the scale. As noted by Jung and Lee (2011: 701), “[EFA] is used for the analysis of interdependencies among observed variables and underlying theoretical constructs, often called factors, so that the underlying structure of observed variables can be discovered.”

While many behavioural science researchers use EFA and Principal Component Analysis (PCA) interchangeably, many others highlight the difference in the theoretical and computational rationale between them, although both of them often yield similar solutions (Stewart et al., 2001). EFA primarily examines the structure of data, while PCA is primarily interested in data reduction; which is a by-product of factor analysis (Stewart et al., 2001). While Stewart et al. (2001) prefer the use of Principal Factor Analysis (PFA) to PCA in behavioural research as the former accounts for measurement error, PFA has more assumptions related to the sample size than the PCA, making the use of the PCA more convenient in cases where the sample size is small. The following section discusses the different assumptions for EFA and PCA as well as the considerations taken into account while performing them.

#### **8.2.2.5.1. Assumptions of Exploratory Factor Analysis**

##### **8.2.2.5.1.1 Data Distribution**

According to Hair, Black, Babin, Anderson, and Tatham (2006), assumptions of EFA tend to be more conceptual; primarily focusing on an underlying structure in a set of selected

variables (items) found in a homogenous sample. Hair et al. (2006) inferred that normality of the variables is of less importance if the significance of specific factors is marginal to the analysis.

Although according to the Shapiro–Wilk Test of Normality, items were not normally distributed. Shapiro–Wilk test can be suitable for a sample below 50 cases but it does not inform on how much the data are deviating from normality (Field, 2009). Histograms describing the data distribution and the Q–Q plots were therefore checked and it was observed that while the data are not normally distributed, they are approaching normality<sup>120</sup>.

In order to investigate further the deviation of the data from normal distribution, a comparison between a parametric and non–parametric test results was made. More specifically the results of inter–items correlations based on Pearson and Spearman rho correlation tests were compared. The results were very similar to each other which helped in providing some confidence in the observation that the data were approaching normality. The two test results along with the items are shown in Tables 8.6 and 8.7.

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<sup>120</sup> Data for individual items are not expected to be normally distributed as they are based on a 7-point Likert scale (see Nunally, 1978; Malthouse, 2001).

**Table 8.6: Inter-Item Pearson Correlation Matrix**

	1	2	3	4	5	6	7	8	9	10	11	12	13
1	1.000												
2	.765	1.000											
3	.659	.678	1.000										
4	.794	.745	.773	1.000									
5	.727	.699	.502	.633	1.000								
6	.715	.751	.763	.684	.664	1.000							
7	.537	.648	.578	.556	.730	.679	1.000						
8	.660	.773	.693	.628	.762	.687	.828	1.000					
9	.605	.702	.720	.600	.618	.671	.727	.875	1.000				
10	.398	.570	.624	.487	.533	.686	.654	.675	.688	1.000			
11	.517	.713	.697	.630	.535	.618	.638	.696	.668	.736	1.000		
12	.446	.572	.680	.557	.586	.671	.719	.788	.766	.745	.652	1.000	
13	.414	.423	.298	.303	.589	.430	.500	.496	.443	.306	.312	.504	1.000

**Table 8.7: Inter-Item correlation based on Spearman rho**

	1	2	3	4	5	6	7	8	9	10	11	12	13
1	1.000												
2	.766**	1.000											
3	.679**	.674**	1.000										
4	.799**	.760**	.811**	1.000									
5	.705**	.731**	.567**	.699**	1.000								
6	.760**	.779**	.741**	.718**	.716**	1.000							
7	.597**	.718**	.603**	.639**	.750**	.718**	1.000						
8	.684**	.795**	.736**	.711**	.804**	.729**	.848**	1.000					
9	.638**	.697**	.733**	.662**	.686**	.692**	.726**	.881**	1.000				
10	.432**	.581**	.646**	.581**	.576**	.647**	.655**	.687**	.696**	1.000			
11	.540**	.721**	.703**	.706**	.605**	.638**	.703**	.763**	.685**	.772**	1.000		
12	.486**	.604**	.690**	.624**	.685**	.665**	.777**	.860**	.821**	.745**	.734**	1.000	
13	.438**	.457**	.319*	.342*	.589**	.473**	.591**	.546**	.528**	.310*	.348*	.535**	1.000

While the data can be assumed to approach normality, PCA (which is a less sensitive test to the shape of the data distribution) was first used and the results were compared to principal axis factoring. The results were found to be not only consistent but also very similar.

#### **8.2.2.5.1.2 Sample Size**

One of the main criteria for factor analysis is the sample size. It is commonly suggested to have between 5 – 10 participants per each item (variable) for a sample size up to 300 (Kass and Tinsley, 1979). Different authors offer different ratios ranging from 3:1 till 201: 1 (see de Winter, Dodou and Weiringa, 2009). Other authors focus on the absolute sample size, suggesting sometime 50 and other times 200 or 300 cases as the minimum sample size to perform factor analysis (see Tabachnick and Fidell, 2007; Comrey and Lee, 1992; Field, 2009; de Winter et al., 2009; Jung and Lee, 2011). Yet, these remain as “rough” criteria (Jung and Lee, 2011:701).

More recently, based on simulation studies, neither the participant-to-variable ratio nor the absolute sample size remain the key determinants (Field, 2009; de Winter et al., 2009). Arrindell and van der Ende (1985) conclude that changes to the participant-to-variable ratio does not affect the stability of the factor solutions. According to de Winter et al. (2009:148) *“there are no absolute thresholds: minimum sample size varies depending on the level of communalities, loadings, number of variables per factor, and the number of factors.”*

Stevens (2002) argues that with 30 or more items and communalities higher than 0.7, the results tend to be similar. Field (2009: 647) highlights Gaudagnoli and Velicer (1988) argument that “if a factor has four or more loadings greater than 0.6, it is reliable regardless of the sample size”. Mundfrom, Shaw, and Ke (2005) recent study based on Monte Carlo simulations also demonstrates that even for a sample size below than 50, if communalities are

high and the number of factors is small, the factor analysis can be still reliable. In a similar line, Costello and Osborne (2005:4) argue that the sample size criteria for factor analysis has “*mostly disappeared*” as it now depends more on the strength of data.

“*Strong data*” means to them the consistency of obtaining high communalities without cross loadings, while having more than three variables loading strongly on each factor. Based on these rough criteria, a sample of 47 cases was seen appropriate given that only one factor was extracted, the number of items exceeded 3 (8 items) all of which loaded strongly on the one extracted factor, and the communalities were 0.7 approximately or more (as will be shown in the EFA tables).

#### **8.2.2.5.1.3. Overall Measures of Inter–correlations**

According to Hair et al. (2006), all items must be inter–correlated for factor analysis to be valid; inter–correlations should exceed 0.3 and partial correlations should be below 0.7. Based on the correlation matrixes presented above, item (13) was removed to enhance the inter–items correlations while retaining the other 12 for further analysis. The anti–image correlation matrix also showed that the negatives of the partial correlation among the remaining 12 items were very low (below 0.3).

Other criteria to judge the appropriateness of running a factor analysis are suggested to be through an examination of the entire correlation matrix (Hair et al., 2006). This can be done via looking to the results of Bartlett Test of Sphericity which should yield significant results (P value of less than .05); denoting that the correlation matrix differs significantly from an identity matrix (Field, 2009). This can be also done via checking the measure of sampling adequacy (Kaiser–Meyer–Olkin Measure of Sample Adequacy – KMO) which increases with the increase of the sample size, the average correlations and the number of factors; and

decreases with the increase of the number of factors Hair et al., 2006). Ranging from 0 to 1; with less than 0.5 as unacceptable and 0.8 or more as meritorious (Hair et al., 2006), Table 8.8 shows that the data for the 12 items hypothesised to form the scale of VIRQ meet the criteria for factor analysis meritoriously.

**Table 8.8: KMO and Bartlett's Test for the Items Composing VIRQ**

Kaiser–Meyer–Olkin Measure of Sampling Adequacy.		.898
Bartlett's Test of Sphericity	Approx. Chi–Square	547.255
	df	66
	Sig.	.000

However, to meet the criteria of the items having a communality of 0.7 or more, four further items were removed to enhance the reliability of the factor analysis. The 4 items were removed after considering their theoretical significance.

The decision of their removal was also supported by the detection of some problematic items in the resulting pattern matrix as few items were showing loadings of higher than 1. The decision was taken to retain 8 theoretically important items that reflect the construct as suggested by the qualitative analyses and the pilot studies. All the dimensions that were suggested to be part of the latent construct based on the qualitative analyses were still reflected in the remaining items. Retaining the 8 items yielded very satisfactory results as they could explain 73.8% of the variance. All the items loaded on one factor based on the Scree plot and Eigen values; based on Kaiser criteria of Eigen values more than 1 (Field, 2009). In addition, the reproduced correlation and residual matrixes showed satisfactory results. Oblique Rotation (Promax) was used instead of Orthogonal Rotation as the items are suggested to be theoretically inter–correlated (Stewart et al., 2001; Field, 2009). Tables 8.9 and 8.10 show the items' communalities and the total variance explained based on PCA.

**Table 8.9: Items' Communalities (VIRQ)**

	Initial	Extraction
1	1.000	.693
2	1.000	.700
3	1.000	.738
4	1.000	.853
5	1.000	.793
6	1.000	.689
7	1.000	.743
8	1.000	.698

Extraction Method: Principal Component Analysis.

**Table 8.10: Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.906	73.824	73.824	5.906	73.824	73.824
2	.525	6.558	80.382			
3	.483	6.041	86.422			
4	.378	4.726	91.148			
5	.285	3.560	94.708			
6	.201	2.507	97.215			
7	.143	1.785	98.999			
8	.080	1.001	100.000			

Extraction Method: Principal Component Analysis.

Very similar results were obtained when using Principal Axis Factoring instead of Principal Component Analysis. Only one factor solution was obtained. The communalities table showed very minor differences<sup>121</sup> and the extracted factor accounted for 70.1% of the variance instead of 73%. Results from both methods are seen to be consistent. Based on the results of the EFA, the following 8 items were used to represent the latent variable of VIRQ (Table 8.11).

<sup>121</sup> The very way of determining communalities in both methods is different (see Stewart et al., 2001).

**Table 8.11: Suggested Scale Items In Order after Running EFA (VIRQ)**

1. The balance of influence between the higher level and the Business School is satisfactory
2. The higher level management acts in the Business School's best interest.
3. The higher level management usually keeps its word.
4. The higher level management is transparent in dealing with the Business School.
5. The higher level management discusses issues with the Business School openly.
6. The higher level management does not mislead the Business School.
7. The higher level management discusses joint expectations fairly.
8. The Business school can share information openly with staff at the higher level because they do not take advantage of this by acting against the Business School interests.

#### **8.2.2.6 Scale Reliability**

The next step was to calculate the reliability of the 8 items again. Using Cronbach Alpha, the reliability for the 8 items was 0.94 which is seen to be high reliability.

#### **8.2.2.7 Scale Validity**

While the results obtained seem very satisfactory, an ideal further step towards scale development is to perform Confirmatory Factor Analysis (CFA) to test whether the a priori structure obtained from the EFA is “*consistent with the structure obtained in a particular set of measures*” (Stewart, Barnes, Cote, Cudeck, and Malthouse, 2001: 76). However, performing this step has not been possible due to the sample size limitation (47 cases in total); as well as the small size of the whole population (only 114 cases). CFA requires larger data sets for the results to be reliable. Results of simulation studies for CFA suggest that conclusions drawn from small samples (less than 100) can be “*dangerous*” (Boomsma, 1982; de Winter et al., 2009: 149).

Although conducting CFA was not possible due to the limitation of the sample size, testing the validity of the scale under development was not ignored. Face and construct validity were verified through the previous stages of extensive qualitative investigation and pilot studies. Face validity is concerned with the relationship of the items to the latent construct they intend to measure, while construct validity is related to the adequacy of the items to reflect the intended construct. The latter was maintained by comparing the construct items to the dimensions derived from the qualitative investigation and ensuring that each dimension is covered by at least one item, while the former is verified through recruiting the opinions of the interviewees on the construct's face validity.

To test convergent validity (see Churchill 1979; Netemeyer, Bearden, and Sharma, 2003), the construct of VIRQ was compared to another reflection of relationship quality that is concerned with the perception of the power distribution in the vertical inter-unit relationship. According to the qualitative analysis, both constructs (VIRQ and the perception of power distribution in the vertical relationship) are different manifestations to the same characteristics; perceiving a (dis)satisfactory influence.

The perception of power distribution items were tested using PCA after considering the previously discussed criteria. The results suggest that the three items of the perception of power distribution construct were attributed to one factor (Table 8.12).

**Table 8.12: Suggested Scale Items for the Perception of Power distribution Construct (listed orderly)**

<ol style="list-style-type: none"><li>1. The relationship between the higher level and the Business School is characterised by a great deal of support and cooperation.</li><li>2. The relationship between the higher level and the Business School is characterised by a great deal of control and dominance.</li><li>3. The relationship with the higher level is constraining for the Business School.</li></ol>
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With the perception of the power distribution construct showing reliability with a Cronbach Alpha of 0.826 and with its 3 items loading on one factor based on PCA where the three items accounted for 74.8% of the variance, the Pearson correlation of the composite measures of the VIRQ scale and the perception of power distribution was significant:  $r(45) = 0.770$  ( $P < 0.01$ ). This indicates that the two constructs are likely to share the same underlying meaning in consistence with the qualitative propositions and supporting the convergent validity of the hypothesized construct<sup>122</sup>.

In order to test the discriminant validity, the correlation between the VIRQ and another construct that is distinct from it should not be very high. The construct reflecting BS orientation towards the wider BS's sector was correlated to the VIRQ construct using spearman correlation<sup>123</sup> and the correlation was low and not significant  $r(45) = 0.192$  ( $P < 0.01$ ); showing discriminant validity.

In order to test nomological validity (see Netemeyer et al., 2003), theoretically related constructs were correlated to the hypothesised scale. Using the composite scores for the

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<sup>122</sup> Pearson correlation was used as the composite measures of the two constructs were normally distributed.

<sup>123</sup> As the composite score for BS orientation was not normally distributed. Data descriptive along with the data distribution and the reliability of the study constructs are presented in Appendix III.

shared vision, shared understandings and views, and affective commitment; the correlation was positive and significant as suggested theoretically: ( $r(45) = 0.667, 0.333, 0.418 (P < 0.01)$  respectively). A negative, yet an insignificant, correlation was obtained with the boundary spanners' intention to leave as suggested by the qualitative propositions: ( $r(45) = -0.199 (P < 0.01)$ )<sup>124</sup>. Consistency with the suggested theory shows that the hypothesised scale is valid nomologically.

While due effort was made in order to develop a scale for measuring VIRQ, and while the obtained results support the reliability and the validity of the scale under development, these are seen only as steps towards a scale development. The suggested construct is used in further quantitative analyses while acknowledging the limitations involved in the process of its validation, mainly due to the sample size limitations and the unsuitability of using CFA.

However, with the results of the scale validity accepted for this study, the previous analyses support H1 and H2.

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<sup>124</sup> The composite scores for shared vision and shared understandings and views were normally distributed and therefore Pearson correlation was used. For the boundary spanners' intent to leave and affective commitment, the data distribution was not normal and therefore spearman correlation was used.

## Section II

### 8.2.3 Vertical Inter–unit Relationship Quality Predictors and Outcomes

#### 8.2.3.1 Predictors Correlated to VIRQ<sup>125</sup>

For testing H3, H7, H9, and H12 (correlations of the hypothesised predictors with VIRQ) and H5, H6, H13, H14, H15, and H16 (inter–correlations between the predictors); the following correlation matrices were performed. The matrices focus on the correlations of the suggested predictors with the outcome variable (VIRQ) as well as the inter–correlations among the predictors themselves. For the first matrix (Table 8.13), as the composite scores of inter–unit relationship quality, perceived autonomy, perceived shared understandings and views, and perceived shared vision were normally distributed; Pearson correlation was used. For the second matrix (Table 8.14), as the perceived net dependence, the perceived orientation, and the inter–personal relationship quality data were not normally distributed, Spearman correlation was used. However, the results obtained from both types of correlation did not vary strongly.

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<sup>125</sup> The possibility of common method bias was examined by applying the Harman Factor Test which resulted in three factors each with eigenvalues of over 1.0 and with the first factor accounting for less than 50% of total variance. These results do not suggest a high level of common method bias.



and views (H6) on one hand, and autonomy (H13) on the other hand. Third, inter-personal relationship quality, shared understandings and views, perceived autonomy, perceived net dependence, and shared vision were respectively positively correlated with VIRQ (H3, H7, H9, and H12). Fourth, except for the correlation with the BS orientation, all correlations with VIRQ were significant, yet inter-personal relationship quality showed the highest correlation. Fifth, H15 and H16 were supported as the correlation between autonomy and shared vision, as well as between autonomy and shared understandings and views were significant.

#### **8.2.3.1.1 Examining the Moderating Effects**

For testing H4, H10, and H11, the moderating impacts of both shared vision and shared understandings and views on the relationship between autonomy and VIRQ on one hand and on the relationship between BS's orientation and VIRQ on the other hand were considered. To do that, the centred values for all the respective values were calculated and the product of multiplication of the centred values was used in further analysis in an attempt to minimise multicollinearity.

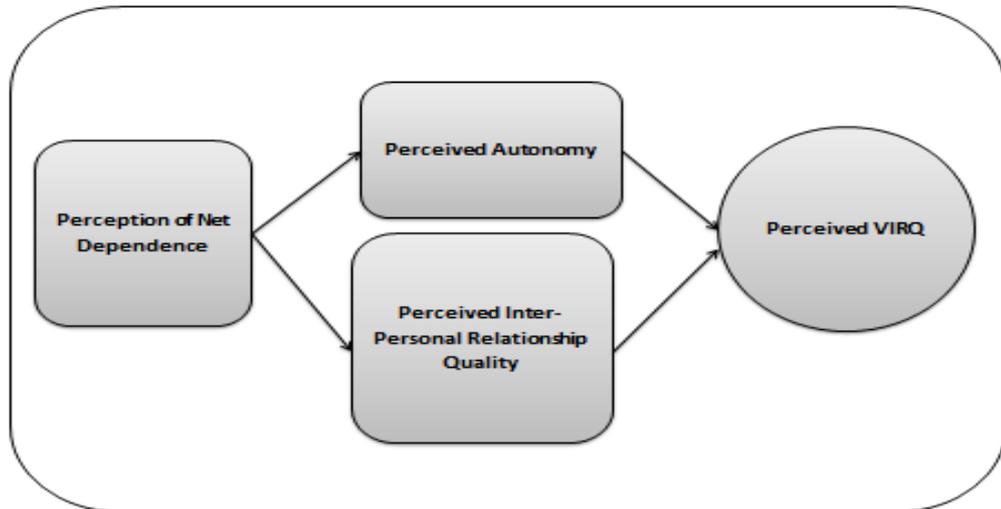
These three hypotheses were statistically rejected as the impact of the moderating effect was not significant. The hierarchical regression models did not show significant improvement in the prediction of the outcome variable (VIRQ) when the moderating variables were added to the regression equation. Yet, there are theoretical reasons to believe they can have some validity (as discussed in Chapter 6).

#### **8.2.3.2 VIRQ Key Predictors: The Regression Model**

While the previously presented correlations suggest that all the proposed predictors were correlated to VIRQ, in order to highlight the power of the individual predictors in predicting this outcome variable, multiple hierarchical regression analysis was performed. Taking into

account the general rule of thumb of 10 cases for each predictor (Field, 2009) and with no significant correlations between the outcome variable and the BS's orientation; only inter-personal relationship quality, perceived autonomy, shared vision, shared understandings and views, and perceived net dependence were entered into the analysis. The latter construct was entered in the first model, while the other predictors were entered in the second model. With all of the theoretical predictors entered into the hierarchical regression analysis, an adjusted R Square of 0.723 ( $F(4, 41) = 22.205, P < 0.01$ ) was obtained for the second model. However, the Beta coefficients for shared vision and shared understandings and views were only marginally significant (0.091 and 0.051 respectively in the second model). The results provide support for H17 where perceived net dependence affects the perception of autonomy and the perception of inter-personal relationships between boundary spanners which in turn could predict the perception of VIRQ. The concept of shared vision was perhaps too broad to affect the prediction of VIRQ significantly (see Chapter 6) and shared understandings and views was found to affect the perception of the interpersonal relationship quality (the regression model will be shown later in this chapter), hence the interpersonal relationship quality along with autonomy were more direct predictors. Figure 8.3 summarizes the results of the regression analysis and Tables (8.15 and 8.16) show the results of the hierarchical regression model.

**Figure 8.3: Key Predictors of VIRQ based on Hierarchical Regression Model Analysis**



**Table 8.15: Model Summary (VIRQ)**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.468 <sup>a</sup>	.219	.202	1.16002	.219	12.650	1	45	.001	
2	.868 <sup>b</sup>	.753	.723	.68297	.534	22.205	4	41	.000	1.595

a. Predictors: (Constant), perceived of net dependence

b. Predictors: (Constant), perceived net dependence, Shared und. & views, Shared vision, autonomy, inter-personal relationship quality.

c. Dependent Variable: VIRQ

**Table 8.16: Beta Coefficients(VIRQ)**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	3.213	.551		5.828	.000					
perceived net dependence	.507	.143	.468	3.557	.001	.468	.468	.468	1.000	1.000
2 (Constant)	.121	.526		.230	.819					
P. Net Dependence	.333	.093	.308	3.59	.001	.468	.490	.279	.821	1.218
Autonomy	.289	.103	.269	2.80	.008	.664	.401	.218	.651	1.535
Inter-personal relationship quality	.413	.130	.413	3.18	.003	.756	.445	.247	.357	2.797
Shared und. & views	.284	.141	.256	2.01	.051	.667	.300	.156	.372	2.691
Shared vision	-.165	.096	-.158	-1.71	.094	.333	-.259	-.133	.708	1.413

a. Dependent Variable: VIRQ

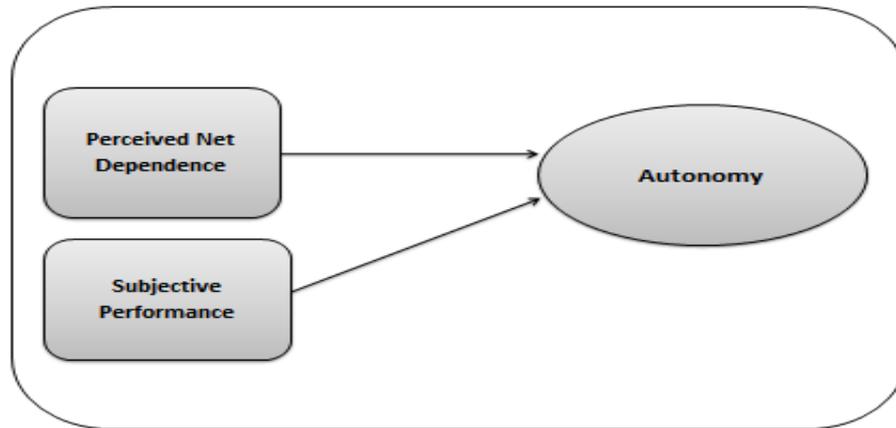
### 8.2.3.3 Inter-Relationships among the Proposed Predictors

#### 8.2.3.3.1 Autonomy

While autonomy is positively correlated to the perception of net dependence, shared vision, shared understanding and views, and inter-personal relationship quality; performance and the perception of net dependence were found to be the most significant predictors of autonomy with an adjusted R square = 33.1%. This provides partial support for H18; where the perception of net dependence<sup>127</sup> is suggested to affect the other predictors of VIRQ. Figure 8.4 summarizes the results of the regression analysis and Tables (8.17 and 8.18) show the results of the hierarchical regression model.

<sup>127</sup> High perception of net dependence refers to the LL positive interdependence on the HL (the need of the LL to the HL is greater than vice versa). Low perception of net dependence refers to the LL negative interdependence.

**Figure 8.4: Key Predictors of Autonomy based on Hierarchical Regression Model Analysis**



**Table 8.17: Model Summary (Autonomy)**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.600 <sup>a</sup>	.360	.331	.98929	.360	12.395	2	44	.000	2.021

a. Predictors: (Constant), Perception of net dependence, subjective performance

b. Dependent Variable: autonomy

**Table 8.18: Beta Coefficients (Autonomy)**

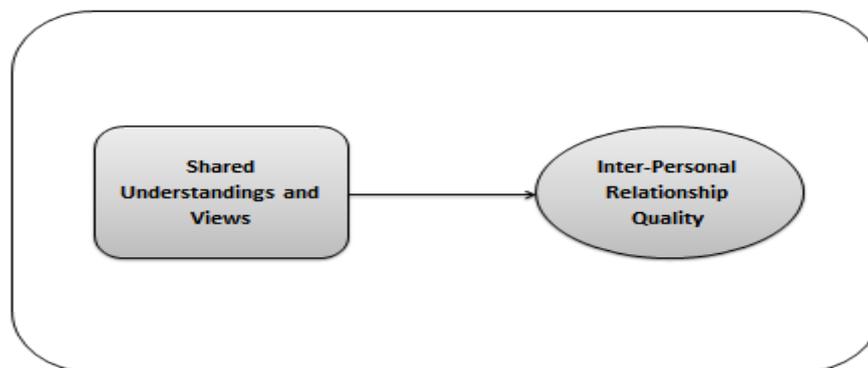
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-1.697	1.021		-1.662	.104					
	Subjective performance	.673	.156	.540	4.311	.000	.419	.545	.520	.927	1.079
	Perception of net dependence	.450	.126	.446	3.564	.001	.300	.473	.430	.927	1.079

a. Dependent Variable: autonomy

### 8.2.3.3.2 Inter–Personal Relationship Quality

While inter–personal relationship quality was found to be significantly correlated to orientation, perceived autonomy, shared understandings and views, and shared vision; the key predicting variable of inter–personal relationship quality was shared understandings and views, where an adjusted R square of 58% was obtained ( $F(1,45)= 64.43, P<0.01$ ). This provides partial support to H17, where shared understandings and views is suggested to affect inter–personal relationship quality which is a key predictor to VIRQ. Figure 8.5 summarizes the results of the regression analysis and Tables (8.19 and 8.20) show the results of the hierarchical regression model.

**Figure 8.5: Key Predictor of Inter–Personal Relationship Quality based on Hierarchical Regression Model Analysis**



**Table 8.19: Model Summary (Inter–Personal Relationship Quality)**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin–Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.767 <sup>a</sup>	.589	.580	.84212	.589	64.437	1	45	.000	2.399

a. Predictors: (Constant), shared understandings and views

b. Dependent Variable: inter–personal relationship quality

**Table 8.20: Beta Coefficient (Inter–Personal Relationship Quality)**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero–order	Partial	Part	Tolerance	VIF
1	(Constant)	.989	.535		1.849	.071					
	Shared und. & views	.851	.106	.767	8.027	.000	.767	.767	.767	1.000	1.000

a. . Dependent Variable: inter–personal relationship quality

### 8.2.3.4 VIRQ: the Correlated Outcomes

In order to test H19, H20, and H21 which focus on the correlation between VIRQ as a proposed predictor on one hand and the LL unit’s subjective performance, affective commitment of the key boundary spanners of the LL unit, and the LL boundary spanners’ intent to leave, on the other hand. The following correlation matrices (Tables 8.21 and 8.22) show that both subjective performance and affective commitment are positively and significantly correlated to VIRQ, however the relationship with the boundary spanners intent to leave was insignificant, although it is negative. This provides support for H19, H20, and H21.

One of the interesting results that appeared as a by–product of the correlation matrices is that the perception of net dependence is negatively correlated to subjective performance, although

the magnitude of the correlation relationship is very weak ( $r(45) = -.089$ ). This could be seen as indicating that when the LL's performance increases, their perception of their reliance on the HL slightly decreases.

**Table 8.21: VIRQ and the Correlated Outcomes**

			Inter unit V RQ	Subjective performance	Affective commitment	Intent to leave
Spearman's rho	VIRQ	Correlation Coefficient	1.000			
	Subjective performance	Correlation Coefficient	.345*	1.000		
	Affective commitment	Correlation Coefficient	.418**	.407**	1.000	
	Intent to leave	Correlation Coefficient	-.199	-.281	-.519**	1.000

**Table 8.22: Correlations among the Study Constructs**

		Prec..of net depend.	Orientati on	Inter- person al RQ	Autono my	Shared Und	Shared Vision	Sub Perfor mance	Affecti ve Commi t	Intentio n to Leave
Spearman 's rho	Perceived net dependence	1.000								
	Orientation	.063	1.000							
	Inter-personal RQ	.363*	.261	1.000						
	Autonomy	.341*	.223	.548**	1.000					
	Shared Und. & views	.152	.302*	.804**	.523**	1.000				
	Shared Vision	.332*	.142	.505**	.339*	.553**	1.000			
	Sub. Performance	-.089	.524**	.493**	.442**	.647**	.519**	1.000		
	Affective Commit.	.263	.195	.480**	.553**	.380**	.428**	.407**	1.000	
	Intention to Leave	.114	-.309*	-.237	-.494**	-.299	-.121	-.281	-.519**	1.000

\*. Correlation is significant at the 0.05 level (2-tailed).

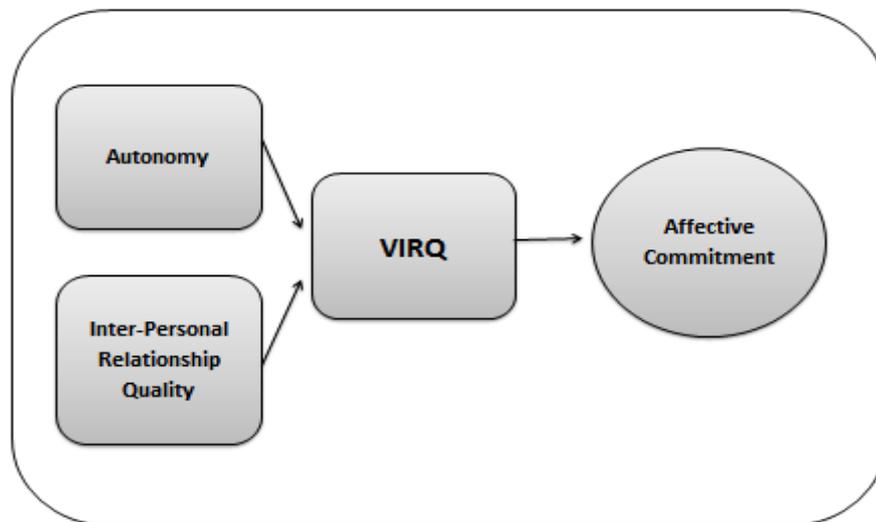
\*\*. Correlation is significant at the 0.01 level (2-tailed).

### 8.2.3.5 VIRQ Outcomes: the Regression Models

#### 8.2.3.5.1 Affective Commitment

Depending on a hierarchical regression model, VIRQ contributed significantly to the prediction of affective commitment along with autonomy and inter-personal relationship quality. These three predictors could predict 44.1% ( $F(1, 43) = 13.078, P < 0.05$ ) of the variance in affective commitment. This provides partial support for H22. Figure 8.6 summarizes the results of the regression analysis and Tables 8.23 and 8.24 show results of the hierarchical regression model.

**Figure 8.6: Key Predictors of Affective Commitment based on Hierarchical Regression Model Analysis**



**Table 8.23: Model Summary (Affective Commitment)**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.636 <sup>a</sup>	.404	.377	1.25584	.404	14.930	2	44	.000	
2	.691 <sup>b</sup>	.477	.441	1.19019	.073	5.988	1	43	.019	1.607

- a. Predictors: (Constant), inter-personal RQ, autonomy.
- b. Predictors: (Constant), Inter-personal RQ, autonomy, VIRQ
- c. Dependent Variable: affective commitment

**Table 8.24: Beta Coefficients (Affective Commitment)**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	1.239	.770		1.608	.115					
	autonomy	.454	.182	.345	2.494	.016	.550	.352	.290	.706	1.416
	Inter-personal RQ	.464	.170	.379	2.736	.009	.566	.381	.318	.706	1.416
2	(Constant)	1.748	.759		2.303	.026					
	Autonomy	.674	.195	.512	3.464	.001	.550	.467	.382	.556	1.799
	Inter-personal RQ	.784	.207	.640	3.783	.000	.566	.500	.417	.425	2.353
	VIRQ	-.570	.233	-.465	-2.447	.019	.359	-.350	-.270	.337	2.971

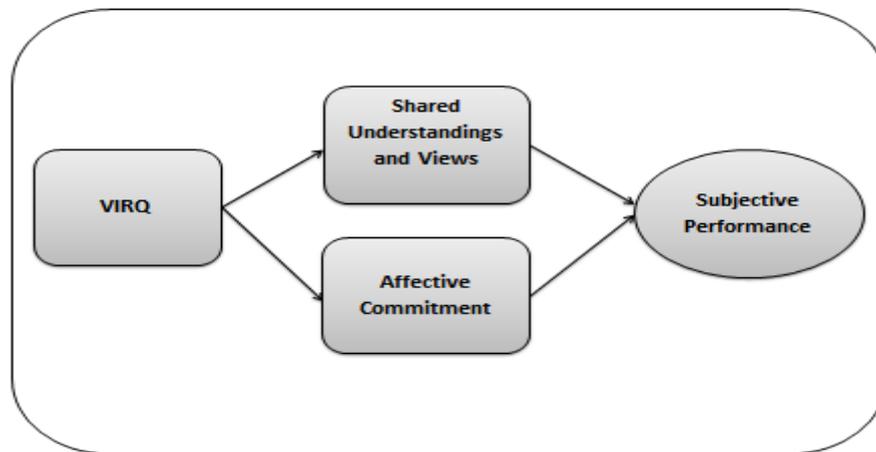
- a. Dependent Variable: Affective Commitment

**8.2.3.5.2 Subjective Performance**

VIRQ also predicted variance in subjective performance along with two other study variables; these are perceived autonomy, shared understandings and views, and affective commitment. Both shared understandings and views and affective commitment were seen as mediating variables between the perception of VIRQ and subjective performance. The three variables

used in the hierarchical equation model accounted for 47% of the variance in subjective performance. This provides partial support for H22. Figure 8.7 summarizes the results of the regression analysis and Tables 8.25 and 8.26 show results of the hierarchical regression model.

**Figure 8.7: Key Predictors of Subjective Performance based on Hierarchical Regression Model Analysis**



**Table 8.25: Model Summary (Subjective Performance)**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.256 <sup>a</sup>	.066	.045	.94895	.066	3.167	1	45	.082	
2	.710 <sup>b</sup>	.504	.470	.70705	.439	19.029	2	43	.000	1.863

a. Predictors: (Constant), VIRQ

b. Predictors: (Constant), VIRQ, affective commitment, shared understandings and views.

c. Dependent Variable: Subjective performance

**Table 8.26: Beta Coefficients (Subjective Performance)**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	4.026	.565		7.131	.000					
VIRQ	.192	.108	.256	1.780	.082	.256	.256	.256	1.000	1.000
2 (Constant)	2.329	.504		4.625	.000					
VIRQ	-.246	.109	-.329	-2.25	.029	.256	-.325	-.242	.540	1.850
Shr. Und. & Views	.565	.122	.682	4.646	.000	.597	.578	.499	.535	1.868
Affective commitment	.222	.071	.365	3.113	.003	.499	.429	.334	.840	1.190

a. Dependent Variable: Subjective performance

### 8.2.3.5.3 Boundary Spanners' Intent to Leave

The boundary spanners intent to leave correlated significantly with perceived autonomy, orientation towards the BS's sector, and affective commitment. All correlations were negative in value and there was no direct significant correlation with VIRQ. However, only affective commitment was found to predict 30.4% of the variation in the boundary spanners intention to leave. Therefore, it could be deduced that the relationship between VIRQ and the intention to leave is mediated by the boundary spanners' affective commitment, and hence it is statistically an indirect relationship. This provides partial support to H22. Tables 8.27 and 8.28 show results of the regression model.

**Table 8.27: Model Summary (Intention to Leave)**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.567 <sup>a</sup>	.321	.304	1.49100	.321	18.479	1	39	.000	2.307

a. Predictors: (Constant), affective commitment.

b. Dependent Variable: Boundary spanners' intention to leave.

**Table 8.28: Beta Coefficient (Intention to Leave)**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics		
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF	
1	(Constant)	6.170	.757		8.150	.000						
	Affective commitment	-.619	.144	-.567	-4.299	.000	-.567	-.567	-.567	1.000	1.000	

a. Dependent Variable: Boundary spanners' intention to leave.

For all the regression models presented, the criteria of running regression analysis were considered and met (cf: Field, 2009). All the predictor variables were quantitative, continuous and unbounded; and they had a positive variance value. Multicollinearity was not an issue as most of the predictor variables for any given analysis were not highly correlated. The theoretical foundation of the hypotheses (the qualitative analyses) suggest that most of the relevant variables were accounted for in designing the quantitative survey and therefore the predictors are uncorrelated with an external third variable. The graphs of the residuals variance were also checked to ensure their homoscedasticity. Durbin-Watson values were checked to maintain the criteria of independent errors (uncorrelated residual terms) where the general rule of thumb of acceptable values between (1.5 and 2.5) was considered. The error terms (residuals) were approaching normality, the outcomes variable values were

independent; and the graphs showed linear relationships among the predictors and the outcome variable.

### **8.2.3 Cluster Analysis**

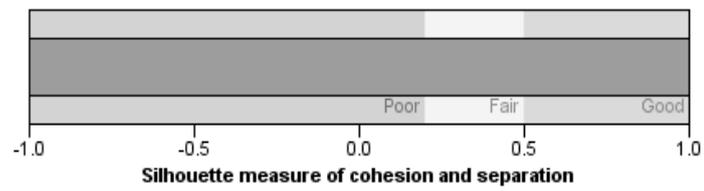
Finally, a two-step cluster analysis was performed to provide an overview on the patterns of data that are likely to emerge. A two-step cluster analysis was chosen as it is the only cluster analysis in SPSS that allows clustering based on categorical and continuous variables (Mooi and Sarstedt, 2011). Two different clustering analyses were performed. The first was based on the type of the HL (intermediate faculty/college level or a direct University management level) where two groups were obtained. The first group (26 cases) which had the Central University Management (CUM) as its higher hierarchical level generally showed a more positive perception of all the study variables except the boundary spanners' intent to leave. The other group, which had the Faculty/College as its immediate HL (20 cases as one case was not identifiable), showed comparatively less positive perception of all the study variables except for the intention to leave. While acknowledging that the results are only indicative, they can be used to provide some insights into the relationship between the number of hierarchical layers and VIRQ. The results also support the findings of the qualitative analyses. Figure 8.8 shows that the cluster quality is "good". Table 8.29 shows the average composite scores for each cluster.

**Figure 8.8: Model Summary and Cluster Quality**

**Model Summary**

<b>Algorithm</b>	TwoStep
<b>Inputs</b>	1
<b>Clusters</b>	2

**Cluster Quality**



**Table 8.29: Average Composite Scores for Each Cluster (Two-Cluster Solution)**

**Clusters**

Input (Predictor) Importance  
 ■ 1.0 ■ 0.8 ■ 0.6 ■ 0.4 ■ 0.2 ■ 0.0

Cluster	1	2
<b>Label</b>		
<b>Description</b>		
<b>Size</b>	56.5% (26)	43.5% (20)
<b>Inputs</b>	Immediate higher level with which the BS interacts The University (100.0%)	Immediate higher level with which the BS interacts A Faculty/College (100.0%)
<b>Evaluation Fields</b>	measure of net dependence 3.92	measure of net dependence 3.40
	Autonomy 3.77	Autonomy 2.70
	InterunitVRQ 5.48	InterunitVRQ 4.61
	ShrdUnd 5.27	ShrdUnd 4.42
	ShrdVision 4.90	ShrdVision 4.12
	Orientation 5.42	Orientation 5.10
	SubPerformance 5.18	SubPerformance 4.71
	PowerDistribution 4.49	PowerDistribution 3.43
	InterpersonalRQ 5.65	InterpersonalRQ 4.55
	AffectiveCommit 5.73	AffectiveCommit 4.44
	IntentiontoLeave 2.61	IntentiontoLeave 3.82

For the second cluster analysis, the type of the HL (whether an intermediate faculty level or a direct CUM) as well as the perception of net dependence were used to obtain 5 distinct groups<sup>128</sup>.

The first group showed a tendency towards balanced interdependence and had a direct vertical relationship with the CUM. The 18 schools at this cluster showed a relatively high perception of VIRQ, relatively high perception of autonomy, shared vision, shared understanding and views, orientation towards the BS's sector, and performance. This group has also showed the highest inter-personal relationship quality between the boundary spanners, the highest affective commitment, and relatively very low intent to leave. Perhaps this emphasises the point in qualitative analysis that when the LL unit has a direct link with the University, the perception of VIRQ becomes more favourable as the LL boundary spanners engage in building bridges of trust and shared understanding (inter-personal relationship quality) with the direct seniors and this makes them perceive they have a satisfactory influence in the vertical relationship.

The second group showed some tendency towards negative interdependence (where the LL depends less on the HL than vice versa) and their immediate HL was the CUM. The seven schools in this group showed a relatively low perception of VIRQ, relatively very low perception of autonomy, low shared vision, shared understanding and views, orientation

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<sup>128</sup> The number of the groups was given to SPSS software. Such number was based on the need to reflect three different perception of net dependence (balanced, positive, and negative) in combination with the two different types of the HL (University Management Board or Faculty/College level). Using 6 clusters was not found to be useful as the groups became very small. Having 5 clusters, the cohesion and separation between the different groups was exceeding 0.5 which was considered as "good".

towards the BS's sector, and average performance. This group has also showed the relatively high inter-personal relationship quality between the boundary spanners, high affective commitment, and the lowest intent to leave. This is also consistent with the qualitative findings as the perception of negative interdependence can spread a sense of unfairness or unsatisfactory unbalanced relationships. This in turn reflects on the relatively low perception of VIRQ and perception of low autonomy. These schools had also shown a relative low orientation towards the BS's sector which indicates that they are not top-tier schools rather their strength comes from the income they generate. The relatively high inter-personal relationship quality could indicate that the LL boundary spanners were engaging in active trust building in order to enhance their scope of influence through inter-personal relationships this has also been reflected on the high affective commitment and the low intent to leave.

The third group showed a tendency towards balanced interdependence, yet their immediate HL was a faculty or a college intermediate level. The 14 schools at this group showed average perception of autonomy, average shared vision, the lowest shared understanding and views, the lowest orientation towards the BS's sector, and low performance. This group has also showed relatively low inter-personal relationship quality between the boundary spanners, average affective commitment, and average intent to leave. With the presence of an intermediate HL (a faculty level) between the LL unit and the ultimate HL, and with a perception of balanced interdependence; a perception of an average VIRQ was reported.

The fourth group showed a tendency towards negative interdependence, yet their immediate HL was a faculty or a college intermediate level. The 5 schools at this cluster showed the lowest perception of VIRQ, the lowest perception of autonomy, lowest shared vision, a relatively low shared understanding and views, relatively high orientation towards the BS's

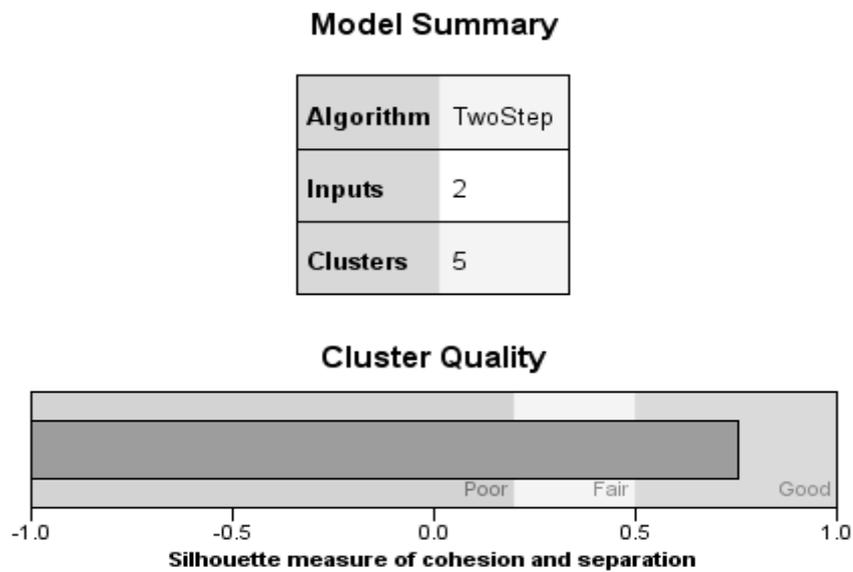
sector, and surprisingly the highest subjective performance. This group has also showed the lowest inter–personal relationship quality between the boundary spanners, low affective commitment, and high intent to leave. This also strongly supports the qualitative findings as the presence of an intermediate level with a perception of negative interdependence (less reliance of the BS on the University than vice versa) would result in the lowest perception of VIRQ, autonomy, and shared vision. The highest subjective performance along with the relatively high orientation of these schools towards the BS sector indicate that it is the strength of the performance of such schools that make the boundary spanners perceive the relationship as one of negative interdependence; and hence a perception of lack of satisfactory influence.

The fifth group showed a tendency towards positive interdependence (where the BS depends on its HL more than vice versa), and their immediate HL was the CUM with no intermediate layers. The two schools at this cluster showed the highest perception of VIRQ, average perception of autonomy, the highest shared vision, the highest shared understanding and views, the highest orientation towards the business school sector, and surprisingly the lowest subjective performance. This group has also showed relatively high inter–personal relationship quality between the boundary spanners, the lowest affective commitment, and the highest intent to leave. Although the number of schools in this category is very small, positive interdependence along with the absence of intermediate HL resulted in the highest perception of VIRQ. The lowest subjective performance reported by these two schools supports their perception of positive interdependence (where the BS depends more on the University than vice versa). However, perhaps because these two BS were performing poorly and very dependent on their universities, the boundary spanners were not committed and had the

highest intent to leave. However, due to the small number of cases in this group, the results are only indicative.

While the results obtained from the cluster analysis are only indicative; they provide a general, yet a strong support to the qualitative analysis and shed light on conditions which affect the perception of VIRQ. Figure 8.9 shows that the cluster quality is “good”. Table 8.30 shows the average composite scores for each cluster.

**Figure 8.9: Model Summary and Cluster Quality**



**Table 8.30: Average Composite Scores for Each Cluster (Five-Cluster Solution)**

**Clusters**

Input (Predictor) Importance  
 ■ 1.0 ■ 0.8 ■ 0.6 ■ 0.4 ■ 0.2 ■ 0.0

Cluster	1	2	3	4	5
<b>Label</b>					
<b>Description</b>					
<b>Size</b>	39.1% (18)	15.2% (7)	30.4% (14)	10.9% (5)	4.3% (2)
<b>Inputs</b>	measure of net dependence 4.22	measure of net dependence 2.71	measure of net dependence 3.79	measure of net dependence 1.60	measure of net dependence 7.00
	Immediate higher level with which the BS interacts The University (100.0%)	Immediate higher level with which the BS interacts The University (100.0%)	Immediate higher level with which the BS interacts A Faculty/College (100.0%)	Immediate higher level with which the BS interacts A Faculty/College (100.0%)	Immediate higher level with which the BS interacts The University (50.0%)
<b>Evaluation Fields</b>	Autonomy 4.12	Autonomy 2.77	Autonomy 2.90	Autonomy 2.28	Autonomy 3.20
	InterunitVRQ 5.84	InterunitVRQ 4.34	InterunitVRQ 4.67	InterunitVRQ 4.20	InterunitVRQ 6.44
	ShrdUnd 5.36	ShrdUnd 4.79	ShrdUnd 4.36	ShrdUnd 4.70	ShrdUnd 5.50
	ShrdVision 5.00	ShrdVision 4.43	ShrdVision 4.25	ShrdVision 3.80	ShrdVision 5.25
	Orientation 5.44	Orientation 5.36	Orientation 4.82	Orientation 5.50	Orientation 6.25
	SubPerformance 5.25	SubPerformance 5.04	SubPerformance 4.66	SubPerformance 5.50	SubPerformance 3.25
	PowerDistribution 4.72	PowerDistribution 3.81	PowerDistribution 3.55	PowerDistribution 2.67	PowerDistribution 5.33
	InterpersonalRQ 5.83	InterpersonalRQ 5.00	InterpersonalRQ 4.68	InterpersonalRQ 4.50	InterpersonalRQ 5.00
	AffectiveCommit 5.93	AffectiveCommit 5.14	AffectiveCommit 4.85	AffectiveCommit 3.99	AffectiveCommit 3.67
	IntentiontoLeave 2.62	IntentiontoLeave 2.08	IntentiontoLeave 3.17	IntentiontoLeave 5.00	IntentiontoLeave 6.25

### **8.3 Summary**

This chapter reported data analysis of the qualitative findings. The qualitative analyses conducted in Chapters 5, 6, and 7 resulted in suggesting a number of propositions; many of these propositions were used to generate testable hypotheses. Such hypotheses were tested and all of them were confirmed or partially supported except H4, H10 and H11. These hypotheses dealt with the moderating effects of shared vision and shared understandings and views on VIRQ. While the statistical results did not support these three hypotheses, it is still believed that there are some theoretical grounds that could support their moderating effect as suggested in the qualitative analyses (see Chapter 6).

## CHAPTER 9: DISCUSSION

### 9.1 Introduction

This chapter summarises and discusses the key empirical findings based on both the qualitative and the quantitative data analyses presented in Chapters 5, 6, 7, and 8. It starts by addressing the research questions posed in Chapter 1. It then discusses the key theoretical and practical implications of the reported findings.

### 9.2 Key Findings

- What are the meanings and the attributes associated with the concept of vertical inter-unit relationship quality [VIRQ]?
- What are the antecedents that are likely to cause variations in the perception of VIRQ?
- And what are the consequences and other concomitants that are likely to follow the perception of VIRQ?

These were the three key questions that motivated this study. To answer these questions, both qualitative and quantitative studies were undertaken, with the qualitative study being the principal mode of investigation. The qualitative investigation preceded the quantitative one and resulted in a number of propositions. The quantitative investigation then focused on the lower level side by testing its relevant propositions for validity on the wider population of UK University-based Business Schools.

In answering the first question and based on the case study data, both the higher and the lower level tended to attach similar attributes to VIRQ. Mutual trust, openness, and satisfaction were the important common attributes. Fairness was a particularly central attribute for the lower level. The findings, while they have some commonalities with those found in the relationship

marketing literature, are also significantly different. While satisfaction, mutual trust, and possibly openness (as an attribute related to trust) are common in both contexts, commitment is a significant attribute in relationship marketing but it is not an important attribute in vertical inter-unit relationships. Fairness, on the other hand, is not an important attribute in relationship marketing but it is significant in vertical inter-unit relationships, particularly from the perspective of the lower level. The reason is that vertical relationships are not entirely voluntary compared to market ones in which the customer can normally switch to another seller. Rather, it is a relationship that involves a higher level of investment from the higher and the lower level. Fairness is also a significant attribute in this context because of the higher level's structural power over the lower level which can make many aspects of the relationship seen to be unfair in the eyes of the less powerful party.

More interestingly, the meaning that both parties to the relationship attached to VIRQ focused on a desire to maximise the influence of each party. While the meaning they attach tends to be similar, in essence it indicates the presence of incompatible needs. The higher level desires to maximise its influence through maintaining control while the lower level desires to maximise its influence through gaining empowerment and autonomy (while acknowledging its constraints). This could potentially lead to contests for influence between the two levels of the vertical relationship. However, these contests are not evident in all vertical relationships; it greatly depends on the perception of VIRQ by the lower level.

The lower level perceives the vertical relationship favourably when it can achieve a fair or a satisfactory influence. A satisfactory or fair influence is based on a calculative process that primarily reflects the perception of the balance of interdependence between the parties to the vertical relationship. If the lower level perceives that it is more dependent on the higher level

than vice versa (positive interdependence), it tends to accept the higher level's control with minimal influence contests as it is this acceptance that empowers the lower level to function. The influence of the lower level in this case is derived from legitimation within the vertical relationship by accepting the terms and the conditions stipulated by the higher level. Positive relationship quality thus tends to characterise situations of the lower level's positive interdependence. Such positive interdependence relationships tend to be stable and functional due to the favourable perception of relationship quality.

Nonetheless, the lower level sometimes perceives that it and the higher level are equally dependent on each other (balanced interdependence) or that the lower level is less dependent on the higher level than vice versa (negative interdependence); this is due to the development and evolving power of the lower level. The lower level in such cases tended to make a significant contribution to the income of the higher level; this was the factor which shifted the balance of interdependence in the favour of the lower level. In cases of balanced or negative interdependence, contests for influence were more evident, particularly in cases of negative interdependence. In such cases, the lower level expectation of influence is higher than in positive interdependence cases; this expectation leads it to demand more influence through pushing for more autonomy from the higher level's control. These demands are seen as legitimate or fair in view of the state of the balance of interdependence, giving rise to the concept of fair influence. If these demands are not sufficiently addressed by the higher level (which possesses a higher structural power that the lower level unit lacks), contests for influence start to arise, although the style of the contest can vary (tactful or negative reciprocation).

Based on the lower level's perspective, the quantitative analysis gave further support to the attributes and the meaning attached to VIRQ. The quantitative analysis gave support to the two hypotheses that: perceived trust, openness, fairness, support, and satisfaction are the key social attributes of perceived VIRQ (H1) and that there is a strong positive correlation between the perception of the key social attributes of VIRQ and the perception of the power distribution in the vertical relationship (H2); highlighting that the two concepts are likely to have the same underlying meaning. Although due effort has been made to ensure the validity of the quantitative results, the insufficiency of the sample size as well as the population size were the key limitations as Confirmatory Factor Analysis (CFA) could not be performed. Validity was examined through other techniques, yet they are less statistically powerful than CFA. Having laid the foundation of the VIRQ attributes and meaning, further research on the quantitative validity of attributes and meaning represents a promising research area where larger data sets are available.

In answering the second question, the qualitative findings indicated that antecedents of VIRQ from the lower level perspective were the perceived state of the balance of interdependence, the lower level's orientation, the perceived state of cognitive congruence (shared vision and shared views and understandings), perceived autonomy, and the perceived state of interpersonal relationship quality between the concerned boundary spanners. The latter antecedent is the only one that is based on individual-level analysis while the rest are based on unit-level analysis. However, all antecedents tended to be mutually associated. There are some qualitative associations and significant quantitative correlations among the antecedents themselves as well as between the different antecedents and VIRQ.

The balance of interdependence emerged as the most significant antecedent as it affects all the others. The balance of interdependence affects the lower level's orientation through determining the latter's latitude of choice, which in turn can affect its prioritised choice between, and extent of legitimation to, the dual institutions it confronts (the vertical relationship with its host university and the wider sector of business schools). The balance of interdependence also affects the state of cognitive congruence between the lower level and the higher level. More dependent lower level units showed higher perceptions of cognitive congruence than their less dependent counterparts. More importantly, the balance of interdependence determines the lower level perception of control or autonomy. The lower level legitimises the higher level's control if the former is more dependent on the latter; and hence the perception of control is neutralised and control becomes legitimate and acceptable. If the lower level is highly dependent on the higher level, its survival as a business unit is more important than its autonomy.

The balance of interdependence can also affect the inter-personal relationship between the boundary spanners representing the vertical levels through relationship building or human resources (HR) control. Moreover, interpersonal relationship quality and cognitive congruence tend to affect the perception of the higher level's control as favourable interpersonal relationships are conducive to building better mutual understanding between the two levels, and hence the higher level's control will be more appropriate to the needs of the lower level and more favourably perceived.

Positive interdependence (where the lower level is more dependent on the higher level than vice versa) tended to be associated with a positive perception of relationship quality. The benefits derived through positive interdependence tended to colour the lower level's

perception of cognitive congruence and control. When the lower level unit is more dependent on the higher level, it tends to choose to be seen as a legitimate unit in the higher level's eyes, as it can derive more benefits through such legitimation. It is the motive of legitimacy that affects the perception of choices, cognitive congruence and control, and hence relationship quality.

The opposite is likely to happen if there is a negative interdependence between the lower and the higher level (where the lower level is less dependent on the higher level than vice versa). The lower level unit can then decide its own direction, have different choices and therefore its need for greater autonomy increases as the higher level's control could become debilitating. The perception of VIRQ becomes negative when the lower level is negatively interdependent on the higher level and when the lower level perceives that it lacks satisfactory influence on the vertical relationship (given the state of the balance of interdependence between the two levels). In this situation, the lower level becomes less concerned about maintaining legitimacy.

In cases of balanced interdependence (where the two parties of the relationship depend on each other more or less equally), the perception of VIRQ can be positive or negative depending of the perception of the state of cognitive congruence between the two levels of the relationship. In balanced interdependence, if the lower level and the higher level have a common vision and share understandings and views regarding the environment and the role of the lower level unit, they are more likely to have a favourable relationship quality compared to situations where there is a wide gap in perceptions and understandings between the two levels. With balanced interdependence and a favourable perception of cognitive congruence,

the relationship becomes similar to one of partnership or collaboration whereby mutual benefits and interests become the foundation upon which the relationship is based.

The integral role played by the balance of interdependence points to the perceptions of relationship variables and the relationship quality itself being mainly based on rational calculative processes of the costs and benefits derived from the vertical relationship. The perception of the balance of interdependence tended to shape what is acceptable and what is not acceptable, what is fair and what is not, what is empowering and what is not. The balance of interdependence thus determined whether and to what extent the lower level pushes for autonomy.

Although tests of validity were limited, the quantitative outcomes provided general support for these qualitative findings. According to the quantitative findings, the key predictors of the perception of VIRQ from the lower level's perspective were inter-personal relationship quality, perceived autonomy, shared vision, shared understandings and views, and perceived net dependence. These predictors resulted in an adjusted r square of 0.723 ( $F(4, 41) = 22.205$ ,  $P < 0.01$ ) explaining a significant percentage of the variation of the perception of VIRQ, with perceived net dependence as a higher order predictor in the hierarchical regression model. These results provide support for hypothesis H17 where perceived net dependence affects the perception of autonomy, the perception of inter-personal relationships between boundary spanners, shared vision, and shared views and understandings, which in turn predicted the perception of VIRQ. However, the Beta coefficients for shared vision and shared understandings and views were only marginally significant (0.091 and 0.051 respectively). The reason is that shared vision tends to be a very broad concept, and therefore it does not have a significant impact on relationship quality. Also, the variable of shared understanding

and views was a predictor of inter-personal relationship quality (adjusted  $r$  square = 58%). Hence, only inter-personal relationship quality variable along with autonomy and the higher order predictor of perceived net dependence were more direct predictors of variations in VIRQ. The lower level's orientation was not significantly correlated to the perception of relationship quality, possibly because all the lower level units tended to have both orientations which cannot be mutually exclusive choices but they rather refer to a general tendency. This tendency might not have been captured by the survey questions. The variation in the perception of autonomy was explained by the two predicting variables of perceived net dependence (the more the lower level net dependence on the higher level, the more favourably the perception of autonomy) and the lower level's subjective performance ( $r$  square = 33.1%). Inter-personal relationship quality was mainly predicted by shared understandings and views ( $r$  square = 58%).

For the third question regarding the consequences and the concomitants of VIRQ, the lower level's perception of relationship quality resulted in three identified modes of reciprocation; positive, negative and tactful reciprocation. Positive reciprocation is when the lower level responds favourably to a favourable perception of relationship quality with its higher level through legitimation and sometimes active legitimation. Negative reciprocation is when the lower level responds to a negative relationship quality negatively by being less concerned about being legitimate in the eyes of its higher level; which usually results in a dysfunctional relationship. Tactful reciprocation is when the lower level responds positively to a less favourably perceived relationship quality (negative or moderately negative) by maintaining legitimation and active legitimation. This reciprocation affected the distribution of power structure in the relationship resulting in structural stability, instability, or refinement.

Based on the qualitative findings, positive reciprocation tended to occur when the lower level was highly dependent on its higher level than vice versa (positive interdependence) and was usually associated with structural stability; where the distribution of power in the vertical relationship is stable (in the short/medium term) as the parties to the relationship satisfactorily empower each other. Tactful reciprocation tended to occur in cases of balanced or negative interdependence. Tactful reciprocation is a choice that reflects strategic aspirations for a refinement in the power distribution in the vertical relationship; and therefore it was usually associated with structural refinement, however, not necessarily via changing formal organisational structure. In most instances, the lower level managed to gain more influence or realise more autonomy through tactful reciprocation based on the informal organisational channels and inter-personal or inter-unit trust building and common understanding building initiatives.

Negative reciprocation was the result of negatively perceived relationship quality mostly in cases of direct negative interdependence. Negative reciprocation was associated with dysfunctional relationships due to the dissatisfactory distribution of power and therefore the distribution of power itself becomes unstable, resulting in structural instability. Structural change in tactful reciprocation is referred to as structural refinement and in negative reciprocation is referred to as structural instability; the reason is that the former refers to a structural change that occurred via pursuing legitimation while the latter was a by-product of a dysfunctional relationship.

These different modes of reciprocation offer fresh insights into the intra-organisational power dynamics reflected in the structural stability of power distribution, particularly tactful reciprocation. Reciprocation based on the perception of the VIRQ highlights that the

structural power of the higher level in vertical relationships cannot be taken for granted, as power is a reciprocal phenomenon. These findings reflected a dynamic process, and therefore not all of them were tested quantitatively. However, the quantitative findings supported the conclusion that the perception of relationship quality by the lower level can play a major role in determining the lower level boundary spanners' affective commitment, intention to leave, and the lower level unit's performance. These represent some of the suggested facets of the different modes of reciprocation affecting the structural stability. The perception of relationship quality was found to be correlated to the lower level's subjective performance, the perceived affective commitment of the lower level's boundary spanners and their intention to leave. The correlation with the boundary spanners' intention to leave was negative as expected from the qualitative findings, albeit not statistically significant. Based on hierarchical regression models, affective commitment could be predicted directly by VIRQ and by perceived autonomy and perceived inter-personal relationship quality between the boundary spanners as two higher order variables (r square for VIRQ as a single predictor = 37.7% and r square for the whole model = 44.1%). For predicting subjective performance, both shared understandings and views and affective commitment were found to be two direct predictors while VIRQ was a higher order predictor in the hierarchical regression model (r square = 47%).

Based on the previously mentioned empirical findings, the apriori research model presented in Chapter 3 is revised as shown below in the following two models. While the two models are guided by the same propositions, the first model is rather more general as it is based on the qualitative findings and the second one is more specific and more detailed as it is based on the quantitative findings.

The first model shows the antecedent, attributes, and consequences of VIRQ. While this model is similar to the one presented in Chapter 3, the revised model presented below is much more detailed. Based on the empirical data collected, the revised model confirms that the balance of interdependence, perceived autonomy, and perceived cognitive congruence are key predictors to VIRQ. The revised model also includes other antecedents such as the interpersonal relationship quality and the orientation of the lower level's unit and shows that the lower level's positive interdependence can have a positive effect on the perception of VIRQ unlike the posited apriori proposition. The revised model shows that all antecedents tend to be mutually associated. More importantly, the component attributes of relationship quality were significantly revised whereby many variables in the original apriori model were seen as irrelevant after data collection. Only trust, openness, fairness and satisfaction are seen as the key social attributes. Based on the findings of the study, reciprocity became more detailed as different modes of reciprocation emerged and their implications on the vertical relationship were manifested.

The model derived from the quantitative findings includes the aspects of the revised qualitative model which could be tested on the wider population of UK University-based Business Schools and received quantitative support.

Figure 9.1: The Qualitative Model

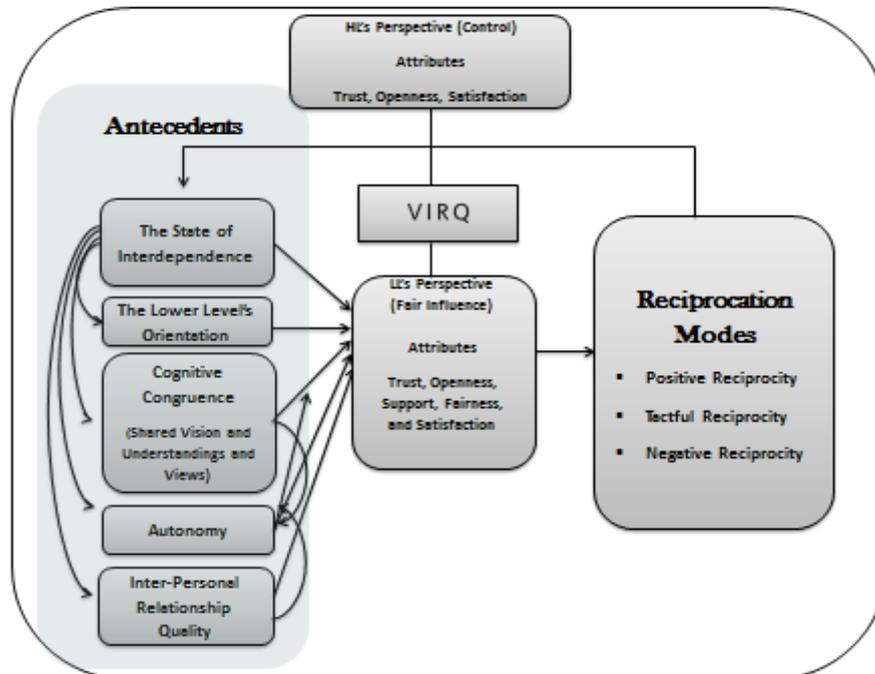
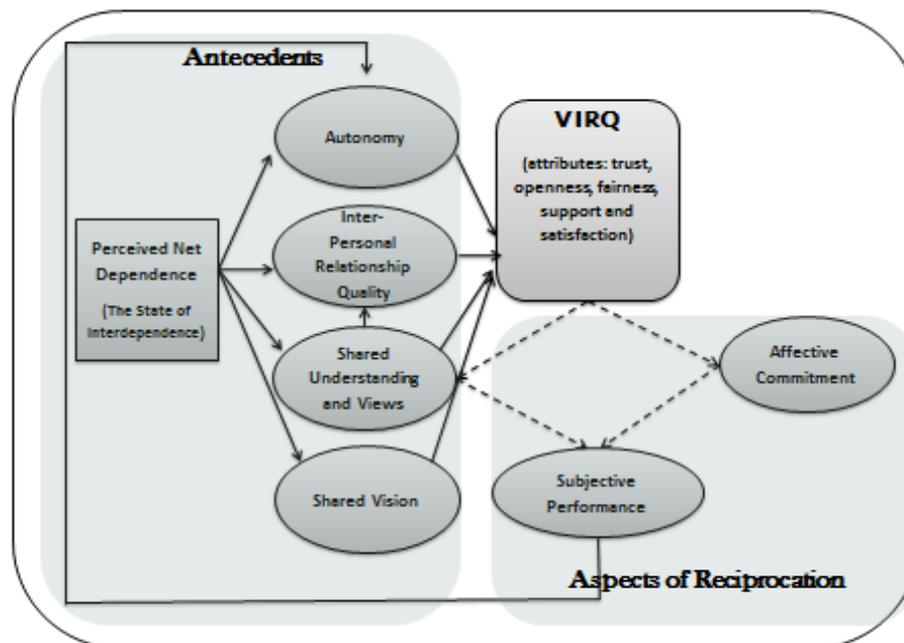


Figure 9.2: The Quantitative Model<sup>129 130</sup>



<sup>129</sup> Based on different regression models due to the limitation of the sample size.

<sup>130</sup> Dotted lines refer to the consequences of the perception of VIRQ.

One could conclude from the overall findings of this study that the norm of reciprocity makes power a dynamic factor, and such dynamism is manifested through the stability or the instability of the intra-organisational power distribution. Yet, is power (and its associated character of influence) better seen as a contested resource in vertical relationships? In other words, do power relationships represent a zero-sum game whereby the empowerment of one of the parties to the vertical relationship means the dis-empowerment of the other party?

This question does not have a straightforward answer as the different modes of reciprocation previously highlighted suggest three different scenarios.

According to the findings of this study, a positive reciprocation mode manifests power as a non-zero-sum game where the parties to the relationship mutually empower each other. Positive reciprocation was seen in cases of the lower level's positive interdependence where the lower level strongly needed the empowerment of the higher level and the higher level was keen to see the success of the lower level, and where the relationship was described to be meeting the expectations of both parties. The vertical relationship in positive reciprocation modes is described as being highly productive, giving rise to a win-win scenario.

Yet, this ideal scenario is not sustainable when the state of the balance of interdependence between the lower level and the higher level changes in favour of the lower level. Tactful and negative reciprocation were seen in cases of direct balanced or negative interdependence where the lower level needed either the higher level no more than or even less than the higher level needed it. In tactful and negative reciprocation, there seemed to be a competition between the higher level and the lower level on the way power should be distributed. Both tactful and negative reciprocation were motivated by the lack of satisfactory influence perceived by the lower level, and therefore the lower level had to increase its scope of

influence either by tactful strategizing or by sending a message to the higher level about the dysfunctionality of the vertical relationship.

In tactful and negative reciprocation, although mutual empowerment was still theoretically possible, power seemed to be a contested resource where each party to the relationship was trying to maximise its scope of influence at the expense of the other. Mutual empowerment was seen in cases of balanced interdependence when the relationship was positively perceived. Yet, such mutual empowerment was not easily earned; it was only realized after many contests for influence and tactful initiatives that enabled the higher level and the lower level to reach common views and understandings. It seems that the higher level does not tend to give up its control easily to the lower level, perhaps fearing what is going to happen in future when the lower level develops further. This makes the view of power in tactful and negative reciprocation modes similar to zero-sum games.

Possibly the push and pull dynamics in the vertical relationship will not have a temporal stability unless the power distribution in the relationship is perceived to be fair (see Chapter 6). However, there are two problems with this interpretation. First, fairness is not absolute and is hard to define because what is seen to be fair to the higher level can be seen as unfair to the lower level (see Chapter 5). Second, vertical relationships are themselves dynamic due to the changes that occur to the balance of interdependence as the lower level unit develops or as the needs of the parties to the relationship change. Therefore, any stability in the power distribution of the vertical relationship could be seen at best as a temporal one.

While they particularly address the principles of social exchange and power dependence theories, the findings of this study can also be linked to insights from the structuration (Giddens, 1976, 1979, 1984) and institutional theories. Structuration theory focuses on the

formation, reproduction, and modification of structures through human agency. Institutional theory, on the other hand, focuses on constraints that institutions place on human actions (DiMaggio and Powell, 1983), albeit it contends that it is the social action that shapes institutions at the first place (see Barley and Tolbert, 1997). While these two theories share the premise that institutions impose constraints on human actions, at least by shaping rationalities guiding such actions, they also maintain that these constraints are also subject to modification (Barley and Tolbert, 1997). It is “*through choice and actions, individuals and organisations can deliberately modify, and even eliminate, institutions*” (Barley and Tolbert, 1997: 94).

This was the case in the reported findings. The action and choices of the boundary spanners, particularly those from the lower level unit, reflected the institutional constraints. The lower level boundary spanners actions were shaped by the meso-level structure represented in the balance of interdependence between the lower and the higher level units. This is evident in the reciprocation mode the lower level boundary spanners and their units chose to pursue. Meanwhile, their actions and choices also reshaped institutional constraints by influencing the balance of interdependence itself. The process of reciprocation clearly shows the interplay and the exchange between social action and structure.

The findings of this study also challenge the view that institutions are overpowering exogenous forces and that social actors are obliged to comply with their pressures (see DiMaggio and Powell, 1983; Scott, 2004). The analysis reported in this study not only shows the role of actors in introducing an endogenous change (see also Greenwood, Suddaby, and Hinings, 2002; Kostova et al., 2008), but also illustrates how social actors can manipulate interdependencies with their institutional environment over time. Previous studies contend

that a certain institutional frame can be challenged if social actors find alternative institutional frames (see Beckert, 1999) and that actors' compliance and behaviour in relation to a given institutional frame can reflect the extent of their dependencies (among other factors). Oliver (1991) argued that social actors can play an active role in choosing the extent of compliance with the institutional pressures. However, this study goes further by highlighting how the different types of interdependencies stimulate actors' behaviours in ways that lead to shifts in interdependencies themselves.

In addition, the findings highlight that social actors can prioritise or choose between different institutional frames in the case of institutional duality or multiplicity. This confirms Kostova et al. (2008) argument that institutional duality allows for uniqueness of actors rather than imposing isomorphic convergence. Kostova et al. (2008) suggested that actors can play a role in making sense of, manipulating, and negotiating multiple/dual institutional pressures. This, as reported in the analysis chapters, might enable social actors to reshape their environment (at least partially) resulting in a "perception-based" rather than an isomorphic legitimacy<sup>131</sup> (Kostova et al., 2008). The reported case study evidence shows that social actors could negotiate the terms of the vertical relationship with their institution.

On the practical side, this in a way can be related to the idea of managerialism which, ironically, has been primarily articulated by some business school academics (see Locke and Spender, 2011; Klikaver, 2003), but does not suit the business school environment. Managerialism focuses on conformity of actions of the "managed" actors<sup>132</sup>. However, such conformity can be achieved when the social actors are subject to similar/unified institutional

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<sup>131</sup> This idea was presented in a short paper submitted by the author to the EGOS conference 2012.

<sup>132</sup> Locke and Spender (2011) view managerialism as unilateral way of management that deprives the managed actors from access to power while confining authority to a privileged managerial caste (see also Friend, 2012).

pressures. University-based Business Schools, particularly as they mature, may be subject to pressures from different and sometimes competing institutional frames, as discussed in Chapter 6. This suggests uniqueness rather than conformity and sometimes necessitates their individual choice, and hence a higher degree of autonomy.

### **9.3 Theoretical Contributions**

This study represents a departure from the main stream organisational literature which tends to give relatively little consideration to vertical relationships. It brings vertical relationships to attention and sheds light on many of its contentious aspects and important dynamics. By introducing the concept of relationship quality to the study of inter-unit vertical relations, this research provides an elaborate account of VIRQ meaning and attributes, based on both the lower level and the higher level responses. In focusing on the lower level perspective which tends to have less structural power in the vertical relationship and tends to be generally less heard in the academic arena, the antecedents and the consequences pertinent to the lower level's perception of VIRQ are also examined. The study of relationship quality in this context thus provides new insights into vertical relationship and illuminates novel relationship dynamics that hardly received any prior academic attention.

In Chapter 2, the theory of bureaucracy, agency theory, transaction cost theory, and resource dependence theory were briefly presented. Although the contributions of these theories are significant, they are seen to be insufficient in addressing the inherent political side of the vertical relationship, particularly in situations where the power of the lower level evolves<sup>133</sup>. To shed light on the inter-unit integration as well as politics and conflict, social exchange and

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<sup>133</sup> The study of the evolution of one of the relationship parties is more common in other contexts such as in joint ventures and other lateral business arrangements but not in intra-organisational vertical relationships (for example see Lyles and Reger, 1993 and Child, Tse, and Rodrigues, 2013).

power–dependence theories seemed more appropriate. The following section highlights theoretical contributions to these two theories.

### **9.3.1 Contribution to Social Exchange and Power–dependence Theories**

VIRQ was viewed as a social resource that is exchanged in a power–dependence relationship. While this study draws on the premises of social exchange and power–dependence theories (Emerson, 1962) and supports all their core ideas, it extends these theories by shedding light on the meaning of relationship quality in power–dependence relationships and the likely concomitants of relationship quality. The following summarises this contribution.

First, maximising one’s power and influence is the sought after goal of both parties to the vertical relationship. The state of the balance of interdependence, thus, plays the most fundamental role in vertical relationships and parties to vertical relationships attempt to make it in their advantage whenever possible as it is a basis for demanding and realising more influence. This has a number of inter–related implications.

1. Power relationships represent relationships of mutual interdependence even when one party is more dominant over the other. As asserted by Crozier and Thoenig (1976: 562), *“even if one partner appears completely to dominate the other, the dependence remains reciprocal, no matter how absolute the right of life and death is held by masters over their slaves. Masters are dependent on their slaves’ survival in order to retain lordship over them”*. However, while power relationships are mutual and reciprocal, these relationships are not necessarily symmetrical. The range of asymmetry power relationships has received relatively little academic attention in vertical relationships and in the resource dependence perspective – the commonly used perspective in organisational power studies (see Cascairo and Piskoriski, 2005 and

Blazejewski and Backer–Ritterspach, 2011). The present study has attempted to address this gap by dividing interdependence into positive, negative and balanced categories, taking the lower level’s perspective. This is a novel contribution to the study of vertical relationship as well as to power–dependence relationships in general. As for the power–dependence theory (Emerson, 1962), advances in this theory tend to be dominated by pure theoretical and experimental research rather than empirical data based on real life situations (Molm et al., 1999). Experimental research into issues such as power and influence provides significant contributions, yet it has been generally criticised for its lack of external validity (Greenhulgh, Neslin, and Gilkey, 1985). This is because experimental research seems to use oversimplified simulations and to assume that subjects can have a realistic experience of the simulation situation (see Greenhulgh et al., 1985). The present study offers a number of propositions on vertical relationship dynamics (a power–dependence relationship) and provides a quantitative support for such propositions, based on real–life empirical data.

2. The study of the different states of the balance of interdependence reveals that its perception tends to colour the perception of all the other relationship variables, and highlights the important role of rational<sup>134</sup> calculations in power–dependence relations. Such rational calculations (based on cost–benefit analysis as shown in Chapters 5, 6, and 7) tend to underlie actions of the involved parties as well as their perceptions<sup>135</sup>. It

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<sup>134</sup> Rational here has two main facets in accordance with Cropanzano and Mitchell (2005: 879): “*an end of value (influence) maximisation and a means of logic*”.

<sup>135</sup> In a way, these findings could be compared to Clark and Geppert’s (2011) different scenarios of political sense-making regarding the subsidiary integration with its head office, particularly the consensual and the oppositional sense-making scenarios. Although the context and the purpose are different, congruent interests can minimise the negative impact of institutional duality and lead to congruent perceptions and thus to a smoother integration (as in the case of positive interdependence), while conflicting interests manifest the differences and

is the state of the balance of interdependence that legitimises (or not) actions, demands, and control of the higher level over the lower level. This is significant since the power distribution in power–dependence relationships might not be stable over time mainly due to the motivation of the lower level to increase its influence as it develops.

3. Dynamism in the vertical power dependence relationships studied is governed by conditions of social exchange. Three modes of reciprocity were identified: positive, tactful, and negative reciprocity. The mode of reciprocity is a choice that is guided by the perception of the state of the balance of interdependence and the desire to increase future influence<sup>136</sup>.
4. Maintaining legitimacy (or not) was an important consideration in each of the identified modes of reciprocation. This possibly positions legitimation as a political tool used by the lower level unit to increase its potential influence, or as one source of its soft power that can be used effectively in shifting situations in its favour in the medium to long–term.
5. Realising fair influence is what tends to stabilise power–dependence relationships (where the judgement of fairness is determined by the state of the balance interdependence). If fair influence is not perceived, structural refinement or instability are likely to occur through tactful or negative reciprocation.

While the premise of structural stability and balancing operations are established in the work of Emerson (1962) on power–dependence relations, both structural refinement and tactful

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the discrepancies and can lead to alleviated political contests (such as negative and sometimes balanced interdependence).

<sup>136</sup> However, in the case of negative reciprocity increasing future influence is not guaranteed as the relationship becomes unstable and dysfunctional.

reciprocation have not received much attention in this literature. Particularly, the concept of tactful reciprocation and the dynamics associated with it are seen as a novel contribution to the intra-organisational studies. Tactful reciprocation can lead to refinement in the structure of power distribution; this might position it as a balancing operation, yet tactfully.

Second, focusing on the exchange dynamics in vertical relationships as suggested by Cropanzano and Mitchell (2005) provided a number of insights into the process and the modes of reciprocation employed by the lower level. The findings stress the role of legitimation in reciprocation and identify the detailed characteristics of each reciprocation mode. This contributes to the study of vertical relationships and social exchange in general as legitimation was either not considered in social exchange, or was considered in vertical relationships as a factor that inhibits the lower level's retribution and negative reciprocity (see for example the leader-member exchange literature). However, this study suggests that legitimation matters and guides the lower level's actions in positive and balanced interdependence cases. Yet, it does not prevent the lower level's negative reciprocity as legitimacy itself becomes less of an issue in cases of negative interdependence where the relationship quality is negatively perceived.

Third, this study emphasises that enduring economic relationships have an important social side, therefore the nature of the economic exchange will shape the quality of the social exchange, and the nature of social exchange can cause changes in the quality of the economic exchange; possibly in a reinforcing circle. Economic relationship analysis should, thus, not ignore the social dimensions which can create strong dynamics in the economic exchange, but equally the social analysis of economic relationships should take the economic side into consideration. This is because the state of the balance of interdependence reflects to a great

extent the economic side of the vertical relationship, particularly knowing that the key source of power of the lower level unit in the cases studied derived from its ability to generate a significant income flow into its institution. The balance of interdependence in these cases tended to affect all the other social dimensions of the relationship.

### **9.3.2 General Theoretical Contributions**

In addition to extending social exchange and power–dependence theories in the context of vertical inter–unit relations, the present study offers more general contributions to the understanding of vertical inter–unit relationships and their dynamics.

First, this study introduced the concept of vertical inter–unit relationship quality and attempted to develop and validate its measurement. This is a contribution to the general organisational literature and a contribution to the more specific literature of headquarters–subsidiary literature in MNCs. The study reveals that relationship quality in the context of vertical relationships is concerned with the concept of fair influence, in which fairness is judged in terms of the relationship between the balance of influence and the balance of interdependence. This is a different conclusion, to the best of my knowledge, than that reached for voluntary market relationships. First, because marketing studies in general were less concerned about deriving the meaning of relationship quality but rather focused on discovering and validating its associated attributes. Second, because vertical relationships are power–dependence relationships that are long–term oriented and involve a higher level of investment from both levels of the relationship, hence the context is significantly different from voluntary market relationships.

The attributes of relationship quality in the context of vertical relationships is also different as unique attributes such as fairness are stressed while other attributes such as commitment,

which is stressed in the relationship marketing literature, do not seem to be relevant. However, the study findings share peripheral and general commonalities with the marketing studies that have considered the element of differential power. For example, Kumar et al. (1995a) examined the effects of the supplier fairness (distributive and procedural fairness) on vulnerable resellers, but they conceptualised fairness as an antecedent to supplier–reseller relationship quality (conceptualised in terms of conflict, trust, commitment, willingness to invest in the relationship, and expectation of continuity) rather than a core meaning and component of relationship quality. Kumar, Scheer, and Steenkamp (1995b) studied asymmetric channel relationships and concluded that asymmetric interdependence can increase conflict and affect trust and commitment negatively, while stronger mutual interdependence (total interdependence) affects trust and commitment positively and decreases the potential of conflict. In a similar vein, Gundlach and Cadotte (1994) found that joint dependence in inter–firm channel relationships results in more favourable relationships and less conflict; while lower relative dependence (relative high power of one actor) was associated with less favourable performance evaluations of the other relationship actor, yet with less residual conflict. These results, while useful and informative, are neither as holistic as the findings reported here nor do they take into account the specificity of the vertical relationship context.

Moreover, while fairness in general is an important quality in employer–employee relationships (see for example Walker and Hamilton, 2011), this study sheds light on new areas affecting the perception and the response to the perception of fairness in influence. Previous research contends that employees are sensitive to the distribution of power, and that the distribution of power affects their attitudes (Drake and Mitchell, 1977). This study extends

this point further by detailing how and when employees' attitudes are affected by the different states of power distribution. While organisational research suggests that power imbalance relationships are contentious, unfair, and unfavourable (see Casciaro and Piskorski, 2005), this study suggests that the consequences of power imbalance are not necessarily negative if the lower level perceives the relationship as one of positive interdependence where it expects to take more than to give and the higher level supports it in expectation of future outcomes. Conflicts might surface when the lower level, which has less structural power in the vertical relationship, starts to gain power as it develops and starts to compete with the higher level on influence. It is therefore the lower level's development that makes power dynamics more obvious as it challenges the established rules of vertical relationships where the higher level is more structurally powerful and more knowledgeable than the subunits it governs.

Second, this study sheds light on the link of vertical relationships to organisational politics; an area that tends to receive less academic attention. If one looks from a political sense-making perspective (Geppert, 2003; Clark and Geppert, 2011), the study focused on the sense-making of boundary spanners as actors representing their units (the meanings they associate to subjects and the mechanisms and structures that tended to shape their perceptions). The findings revealed that much of the vertical inter-unit dynamics are political in essence and that neither the higher level is always "*strategically omniscient*" nor the lower level managers are always "*passive*", although the latter tended to be rational, perhaps due to the nature of the sector understudy, i.e. universities (see Clark and Geppert, 2011: 397). The specific contribution of this study to organisational politics is that it provides some evidence that intra-organisational politics can affect the vertical relationship structural stability, hence micro-political processes can affect structures and vice versa. While changes in the power

distribution are a logical consequence of organisational politics, most research in this area remains conceptual (see for example Mintzberg, 1985) or peripheral. This study provided a closer insight into how the power dynamics resulted (or not) in a redistribution of power between the parties to the vertical relationship. The findings also show that political contests are not necessarily confrontational, as the lower level unit can use legitimation and active legitimation as political tools.

Third, this study provides a response, at least partially, to a number of research calls. Casciaro and Piskorski (2005) called for studying mutual as well as asymmetric interdependence in organisations. Ambos and Mahnke (2010) called for studying the headquarters–subsidiary relationship dynamics when the subsidiary unit becomes more powerful. Ambos et al. (2011) called for studying the vertical relationship adopting dynamic theoretical frameworks such as social exchange theory. This is in addition to the many calls for studying organisations from a political perspective and to theorise processes of “*intra–corporate power and contestation*” (for example: Geppert and Dörrenbächer, 2011; Clark and Geppert, 2011: 410). Previous research agrees that important subunits can influence their organisations (for example Hickson et al., 1971; Pfeffer and Salancik, 1978; Mudambi, 2011). This study, however, shows how the process of influence can take place and its different dynamics as well as when attempts of influence are more likely to succeed as in the case of tactful or positive reciprocation.

Finally, this study has focused on examining the concept of VIRQ in a defined institutional field (see Hinings and Greenwood, 2002) and therefore it provides a holistic account of the concept of vertical inter–unit relationship quality and its likely antecedents and consequences. This is more elaborate than other studies which focus on causal relationships between defined

variables that, with few exceptions, tend to dominate the headquarters–subsidiary relationship research (for example Schotter and Beamish, 2011b).

In summary, the introduction and the study of relationship quality in vertical relationships provided a number of theoretical insights. The first is related to the meaning and the attributes of relationship quality which proved to be unique to the context of vertical inter–unit relationships compared to other contexts (for example relationship marketing). A key contribution of this study is providing a scale to measure the perception of VIRQ, although more statistical validation might be required. The second is regarding the unique concomitants of relationship quality which stressed the role of power and power dynamics in such relationships, through the balance of interdependence and different modes of reciprocation.

#### **9.4 Practical Relevance**

While this study offers a number of practical implications, only three of these are seen to benefit both the two parties to the vertical relationship. The other practical implications, while emphasising similar principles, can be divided into two sections; the first section is directed to the lower level managers and the second section is directed to the higher level managers. The reason is that influence is the end goal of both parties and it can be a contested resource. Overall, both parties are advised to manage the balance of interdependence to their own favour if they desire to attain more influence. Yet, since they are in a relationship of mutual interdependence, the higher level can do this if its structural power is seen as a legitimate authority and the lower level can do this by using its soft power.

#### 9.4.1 General Practical Implications

As noted by Dörrenbächer and Geppert (2013:25), organisational politics are the “*raw truth*” of organisational life where political conflict cannot be “*swept under the rug*”. According to them, acknowledging organisational politics can be one of the steps towards better management. As this study has revealed some of the intra-organisational politics inherent in vertical inter-unit relationships, the following general implications can be stressed.

First, studying the meaning and constructing a measure for VIRQ provides the potential for monitoring relationship quality between vertical levels<sup>137</sup>. This will not only show the appropriateness of the governance philosophy employed, but can also make the parties to the relationship avoid any adverse consequences when the relationship is perceived to be less favourable. One way that seems to be beneficial to both of the relationship parties is when the relationship actors adopt a win–win philosophy, since zero sum–strategizing can harm the stability of the relationship. The higher level should not take its structural power for granted, nor should the lower level take its knowledge or centrality power for granted. A relationship, in order to be mutually beneficial, should be based on collaboration and partnership.

Second, this study can offer the higher level and the lower level managers a blueprint that shows how each party to the vertical relationship perceives the other; hence the aspects that each party to the relationship look for and the criteria upon which it is being judged. This is specifically important for University–based Business Schools’ Deans and their Higher University Authority officers.

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<sup>137</sup> The items of the developed measure are presented in Appendix VI. The items are suggested to have equal weights as the items’ loading did not significantly vary.

Third, continuous learning is key to managing complex relationships. Authority will remain a key organisational feature (whatever the organisational form). However, it should be a *learning authority*; an authority that is not only willing to listen and take into account other perspectives but one that is also actively engaged in a continuous learning process on how to manage the relationship better by being proactive in collaborating with the lower level unit on solving the issues they face. Likewise, the lower level should continuously learn how to manage the relationship with its higher level. There is not an off-the-shelf way to learn as each context is different, but the social skills of the higher level and the lower level managers as well as their personal qualities are believed to be important. This is because units are represented by people, and therefore the quality of the inter-personal relationship between the key boundary spanners is one of the most significant predictors of VIRQ. Learning in vertical relationships can be based on the ability to listen, and listening requires mutual trust, openness, and fairness.

#### **9.4.2 Practical Implications for the Lower Level Managers**

This study offers a number of implications for the lower level managers and more specifically for the leadership of University-based Business Schools. If the objective of the lower level managers is to increase their empowerment, and hence to increase their influence on the vertical relationship as the lower level unit develops, they need continuously to manage the balance of interdependence so that it is favourable to them. When this happens, the lower level assumes a better position to demand and realise more influence in the vertical relationship, mostly represented by more autonomy.

Ideally, interdependence should be kept in a balanced state so that the cost of the relationship is more or less equal to the benefits it provides. Positive interdependence can also result in

favourable vertical relationships, given that the higher level foresees the potential contribution of the lower level provided mostly by the merit of the lower level's development and improved performance. Negative interdependence, however, casts doubt on the higher level's legitimacy of control; but the lower level can still gain from a relationship of negative *interdependence* if the lower level managed to reduce the higher level's unnecessary control through tactful reciprocation. The following two points elaborate this argument further.

- First, this study clarifies what the higher level managers seek in their relationship with the lower level; control that ensures that the higher level's agenda is met. Yet, it should be noted that such control does not necessarily constrain the lower level in the case of positive and sometimes balanced interdependence. In some cases, such control can empower the lower level. In cases when the lower level perceives that the relationship can be mutually empowering and mutually beneficial, the lower level should not only understand the higher level's perspective, but also understand its agenda and attempt to work according to this agenda, yet in a way that could be mutually beneficial. Maintaining legitimacy is seen to be of vital importance if the relationship is to be sustained, particularly if the lower level is less or sometimes equally powerful to the higher level. Legitimacy can be one source of the lower level's soft power; it increases the chances of the lower level to be seen as trustful by the higher level, and trust is the basis for autonomy. In addition, active legitimacy through trust building and common understanding development techniques and the utilisation of the informal organisational channels can also play a significant role in making the lower level realise its desired goal in the vertical relationship. If the relationship is less favourable because the higher level does not understand the context of the lower level,

the lower level can proactively educate the higher level about its context and about its needs.

- Second, if the relationship is seen to be unfavourable but the parties to the relationship want it to be sustained, tactful strategizing (which is based on legitimacy and active legitimacy) could result in more favourable outcomes than negative reciprocation in which legitimacy does not become the key concern. The reason is that the higher level's structural power might outweigh the lower level's centrality power (or its other sources of power), particularly in the short-term (although which power is more powerful is still an open question). The higher level usually presumes that it can overcome the lower level's power by simply changing the leadership of the lower level unit when the latter does not work to their agenda. Tensions in the relationship might be ongoing with the change of the leadership of the lower level unit, even when the new leadership is recruited to address the higher level's agenda. This is because very negative relationships usually create an atmosphere of frustration that permeates to other organisational levels beyond the leadership level. In such cases, the vertical relationship can become dysfunctional due to negative reciprocation. This affects the lower level unit, the higher level unit, as well as the organisation as a whole. However, as vertical relationships are guided by cost-benefit analysis from both sides of the relationship, if the relationship is dysfunctional, the vertical relationship itself becomes unstable. Individual as well as organisational factors can impact vertical relationships, however it is generally the social skills of the leadership of the lower level as well as their personal motivation that are influential in determining the direction of changes in vertical relationships.

### 9.4.3 Practical Implications for Higher Level Managers

Taking the higher level's side, the key point is to realise that lower level units can develop and when this happens they become harder to control. In these circumstances, the only possible way to control the lower level unit with less resistance is when the higher level's structural power is viewed by the lower level units as legitimate. Legitimacy of the higher level unit can be negatively affected by two interrelated factors: shifts in the state of the balance of interdependence (when the lower level relative power evolves) and if the higher level is seen to adopt inappropriate governance strategies (whatever the state of the balance of interdependence but particularly in the case of the lower level's balanced and negative interdependence).

Therefore, one possible way to control the lower level unit in a way that maintains a good relationship quality is to continually manage the balance of interdependence so that it is in the favour of the higher level, and in this way to secure legitimacy for the higher level's control. However, managing the balance of interdependence should be done wisely as it can provoke the lower level's resistance if done only with the purpose of maintaining the upper hand in the relationship. Adopting an appropriate and a fair *governance philosophy* is thus key to maintaining the higher level's legitimacy. With this in view, three points can be made.

- First, due to the structural power of the higher level in the vertical relationship, the higher level tends to fall into the trap of inappropriate governance. Governance should be tailored to fit the nature and the needs of the lower level unit as the lower level's needs change with its development. Young and positively interdependent lower level units need to be empowered through the higher level's governance so that they can develop. For such units, attaining the higher level's support is their primary concern in

the vertical relationship. As the lower level unit develops further, it requires its voice to be more heard as its needs usually diverge from those devolved by the higher level. The higher level, therefore, has to ensure that mature and important lower level units are listened to and have the opportunity to participate in relevant decisions, not only informed by them. Important lower level units are not supposed to be implementators of the higher level's agenda; they also need to shape this agenda, otherwise the relationship can be dysfunctional for both sides of the relationship. Dysfuntionality can result from the higher level's limited knowledge about the context of important lower level units (while making decisions for them) and from the subsequent lower level resistance to the higher level's agenda. Members of the lower level unit, if their unit is strategically important but not listened to, can react in a counterproductive manner, by being less committed or by leaving the organisation altogether.

- Second, control is generally undesirable unless it is supportive control. The higher level is generally advised to use subtle (social) control mechanisms as they are less obvious and more tolerable than behavioural controls. As well as investing in the lower level unit financially, the higher level can invest in its relationship with important lower level unit socially; mainly by building bridges of trust, common understanding, and ensuring fairness in the relationship, so that it appreciates the needs of the lower level, before these needs are extraverted to tensions and conflict.
- Third, an interesting finding of this study is that lower level units which did not have an intermediate layer between them and the ultimate higher level (no faculty or college level) tended to view the vertical relationship more favourably than their counterparts which have an intermediate level (see results of the cluster analysis in Chapter 8). This is particularly true for more important lower level units. Strategically important lower

level units need access to the ultimate organisational authority and the presence of an intermediate level in the vertical relationship can debilitate their influence. Lower level units with an intermediate vertical level tend to view the relationship unfavourably and tend to react accordingly in order to increase their desired influence. This might involve by-passing the middle layer either formally or informally or just expressing features of frustration from a perceived dysfunctional organisational design. As emphasised, a major problem for the higher level is when it is seen by the lower level as less legitimate. In order to be legitimate, the higher level unit should add value to the lower level unit and in the case of important lower level units, the intermediate higher level can be seen as a redundant unit.

Saying this, it should be acknowledged that the management of vertical relationships will remain paradoxical. If the lower level is allowed to grow, and hence influence the higher level, there may come a point where the lower level might create its own empire and escapes of the higher level's control. On the other hand, if the higher level is tightly controlling the lower level and does not consider the fairness of its influence, the higher level's control can be resisted and the relationship can become dysfunctional and debilitating to the development of the lower level unit. These are only implications that might improve the perceptions of the quality of relationship, some of them, while easily suggested, can be very hard to apply in practice. The study of vertical relationships between organisational units therefore leaves us with fundamental questions.

Can organisations benefit from advances in larger democratic social structures? Are the qualities of mutual openness, trust, transparency, and fairness practically attainable in complex political environments? Does it all depend on the balance of interdependence and

whoever is more powerful to manage it strategically (and even deviously) will “win” this political game? Perhaps the answers are not known, but it is also acknowledged that while there is no perfect system or structure, there are structures that are better than others; and hence is the suggestion of relationship quality and its “practical” implications.

## CHAPTER 10: CONCLUSION

This thesis has presented an in-depth exploratory study into vertical inter-unit relationships. Borrowing from the relationship marketing literature, I introduced the concept of vertical inter-unit relationship quality (VIRQ) to the study of intra-organisational vertical nexuses. The study addressed three main questions regarding the meaning and attributes, the antecedents, and the consequences likely to be associated with the perception of VIRQ, placing a particular emphasis on the perspective of the lower level. Building on thorough qualitative and quantitative investigations, VIRQ was seen from the lower level's perspective as comprised of trust, openness, fairness and satisfaction. Similar attributes were associated with the concept of VIRQ from the higher level's perspective. The higher level unit tended to view VIRQ in terms of achieving effective control over the lower level unit, while the latter tended to view VIRQ in terms of fairness insofar as the balance of influence reflects the balance of interdependence between the two vertical levels. The balance of interdependence is found to be the key predictive factor in determining variations in the lower level's perception of VIRQ. The state of the balance of interdependence is likely to affect all the other relationship aspects (the lower level's choices, perception of autonomy, cognitive congruence, and sometimes the inter-personal relationship quality between the concerned boundary spanners). Based on the lower level's perception of VIRQ, a reciprocation process is likely to follow. Three different modes of reciprocation were identified, whereby the different modes are seen as reflectors of the lower level unit's choice, which in turn is shaped based on its relative interdependence on the higher level unit. However, as with any exploratory work, the thesis in hand is not without limitations. The following sections discuss these limitations and suggest a number of avenues for future research.

## 10.1 Study Limitations

While due effort was made to avoid or minimise the impact of the study's limitations while addressing the research questions, there remain several limitations to be acknowledged.

First, this study has given more weight to the lower level's perspective. In part, this was done purposefully as the lower level unit tends to be less heard and its needs as it develops are seen to be worthy of further research. However, giving greater weight to the lower level was also a result of practical difficulties in recruiting sufficient respondents to represent the higher level perspective.

The second limitation is a consequence of the first. While the study referred to the dyadic views of the two parties to the vertical relationship on the meaning of VIRQ and its associated attributes, analysing the dyadic perspective regarding specific issues of the vertical relationship was not possible in all cases. This was, however, beyond the scope of this study as its main purpose concern factors related to VIRQ in general so that more general propositions may be drawn, rather than focusing on descriptive analyses of detailed conflict/harmony situations.

Third, this study adopted a cross-sectional design based on in-depth comparative case study analysis. Respondents were asked to reflect on the on-going vertical relationship and the recent history of the relationship, when possible, to understand changes occurring. With the practical limitations and time considerations, this was seen sufficient to address the research objectives. However, longitudinal research designs could offer more in-depth insight into the dynamics and the processes discussed; particularly in relation to changes in the balance of interdependence and to the different modes of reciprocation.

The small size of the sample as well as the study population was the fourth limitation to this study. This study focused on UK University-based Business Schools, which makes comparative case study analysis possible by focusing on a specific institutional field (see Hinings and Greenwood, 2002). For the quantitative validation of the propositions, the population of UK University-based Business Schools meeting the sample criteria by the time of data collection was 114 schools, and 41% of the study population completed the on-line survey. Nonetheless, this was not enough to run a CFA to ensure the validity of the measurement of VIRQ as most studies suggest a minimum of 300 as an adequate sample size (which exceeds the size of the population). Although the quantitative results strongly supported the qualitative findings, and although the validity of the measurement of VIRQ was checked through other simpler statistical techniques not requiring large sample sizes, the quantitative results are better seen as setting the foundation for developing a measurement and as providing preliminary, yet strong, quantitative evidence about the reported patterns of inter-connections. The quantitative investigation therefore does not aim to prove the external validity of the findings, but to indicate that the qualitative findings have some quantitative support that could be used as a strong basis for future large scale quantitative studies. This is consistent with the study objectives as it did not aim at any generalisation but to highlight and explain the likely relationships considering factors of internal validity.

Fifth, general conclusions as well as directionality of causality established among variables can be questioned if one uses a different interpretative or theoretical lens. However, the patterns suggested are based on the qualitative analyses and the theoretical frameworks used. This is not to deny rival interpretations but to suggest one possible interpretation of the

findings while ensuring that personal bias was kept to the minimum possible. Since it is an exploratory study, more, and perhaps different, theoretical interpretations are still desirable.

Sixth, the study adopted subjective measures in its qualitative and quantitative investigations. As *“how individuals and groups experience their interdependence and believe theory goals are linked greatly impacts on how they work together”* (Tjosvold, 1986: 531), I relied on a perceptual assessment of the state of the balance of interdependence. This concept was studied subjectively as actors, being representatives of their units, build their perception about interdependence based on a variety of variables including structure and behaviour (Tjosvold, 1986). As a key predictor, the balance of interdependence tended to colour the perception of most of the other study variables. Using perceptual measures was seen as the most suitable way given the study context, the variations among the case studies, the nature of the study variables, and the study objectives. After conducting the first pilot study and after conducting the case study interviews, the suitability of depending on the subjective assessment of the respondents was more assured as the whole process of assessing VIRQ tended to be perceptual. However, future studies might benefit from comparing these findings with other findings derived from using more “objective” measures, particularly for variables such as performance.

Seventh, many of the responses obtained touched upon sensitive areas such as conflict and the personal characteristics of the individuals involved. Due effort was made to assure respondents of the confidentiality of the study in order to keep the social desirability bias to a minimum (see Randall and Fernandes, 1991), but this does not entirely eliminate the possibility of bias.

## **10.2 Avenues for Future Research**

Due to its exploratory nature, this study poses more questions than it answers. Accordingly, there are a number of avenues for future research that could lead to the construction of a promising research agenda in the field of vertical relations and organisation studies in general.

First, by identifying the meaning and laying the foundation of a scale for assessing VIRQ, a number of research opportunities may arise. A very promising research area is validating this measure on a wider scale using larger data sets. The construct, antecedents and consequences of VIRQ could be also examined in different contexts and under different conditions. For example, is the measure (and its constituent items) culturally dependent? Could the measure be applied in different types of organisations (professional organisations rather than bureaucratic ones)? The concept of VIRQ can be either used as a dependent or the independent variable; which paves the way for further exploration of the factors affecting its perception and the implications of its perception. For example, researchers could explore the impact of the different governance modes or organisational forms on the perception of VIRQ; and the impact of VIRQ on the vertical units' performance, innovation, cooperation and collaboration, and development.

Second, due to the sample size limitations, propositions postulated by this study might be further verified in other organisational contexts where larger data sets could be obtained, particularly MNCs. The use of the VIRQ concept could be particularly informative for the study of headquarters–subsidiary relations in MNCs as a special, yet significant, form of organisational diversification. Including additional factors such as the institutional, cultural, and psychic distance between headquarters and their foreign subsidiaries might help enrich our understanding of these relationships, and hence facilitate the identification of more

effective ways for their management. Considering other variables such as the impact of the extent of the subsidiary's local embeddedness versus its corporate embeddedness or other macro-level institutional factors could also have promising theoretical and practical potentials. Future studies are encouraged to employ both qualitative and quantitative techniques in order to build upon the findings by looking to other variables and processes and to test the validity of the findings in different contexts.

Moreover, the dynamics of the vertical inter-unit relationship in general and headquarters-sub subsidiary relationship specifically is still an area that needs further research attention, particularly by adopting dynamic theoretical perspectives (Ambos et al., 2011). This is why social exchange and power-dependence theories are used in this study. Future research could benefit from using other theories such as co-evolution theory and strategic choice theory to illuminate some of the dynamics involved in the vertical relationship. There are also intriguing opportunities for merging insights from more than one theoretical perspective to study the vertical relationship and organisational politics in general. This could include using the power-dependence theory in conjunction with institutional theory or merging insights from power /resource dependence and co-evolution theories.

Third, in this study, the higher level's perspective was considered but was not fully elaborated due to practical limitations. More attention should be paid to the higher level's or the headquarters' perspective in vertical relationships. From the higher level's perspective, does the inter-personal relationship between boundary spanners representing the two vertical levels play any role in managing the vertical relationship? How can shifts in the balance of interdependence affect the higher level behaviour and governance to the lower level unit? How does the higher level respond to the different reciprocation modes of the lower level?

Why and when does the higher level interfere more in the management of the lower level and when it decides to leave a greater scope for autonomy? Does the higher level really fear the development of the lower level unit when such development challenges its structural power, and if so what is the implication of the higher level's fear? How does the higher level ensure the stability of the vertical relationship so that when the lower level units develop, they remain committed to the relationship? More importantly, what is the view of the higher level on governance and power; is power seen by them as a zero-sum phenomenon (power over) or is it seen as a win-win game (power with or power to)? Are the views of the higher level on power stable over time or do the higher level's views change with changes in the states of the balance of interdependence between the vertical levels? Longitudinal in-depth case studies that take a dyadic perspective of both the higher level and the lower level units could provide very interesting and new insights.

Fourth, this study has examined the case when the lower level unit is less dependent on the higher level one (negative interdependence from the lower level's perspective). Such cases were less common in this study and it is believed to be less common in practice as well. However, the case of negative interdependence could be a very promising area for further research investigation; particularly if the research investigation is based on longitudinal case studies where individual-related factors as well as unit-related factors are considered. What is the role of personal motivation and the aspirations of the lower level's leadership in deciding the behaviour of the lower level unit in the case of negative interdependence? How does negative interdependence affect the members of the lower level unit beyond its leadership? Does the higher level plan for situations that make lower level negative interdependence less likely or does it work to a win-win agenda (by building on the success of the lower level

unit); in any case, how? What is the role of the structural power of the higher level in the case of negative interdependence and what is the future of the vertical relationship in cases of negative interdependence? These questions have been only touched upon, but further in-depth investigation is likely to provide significant theoretical contributions. Asymmetric interdependence, particularly when the lower level is less dependent on its higher level than vice versa, is an area that has not received much attention in the organisational studies or the headquarters–subsidiary literature; despite its significance.

Fifth, the study has highlighted the use of soft power by the lower level units to improve their influence in vertical relationships. Political games based on soft power can be also an interesting area for future research. What are the different techniques used by the different relationship actors? Under what conditions is soft power used and what are the implications of using soft power in intra-organisational contexts? Could the higher level unit use its soft power to support its authority? What is the role of intra-organisational social capital in enhancing the potentiality of the use of soft power? This study has highlighted the interaction between formal and informal aspects of organisational life and the role informal organisations play in soft political games. Despite its sensitivity, this is still an interesting area, particularly given that parallel informal organisations can sometimes dominates over formal organisations when it comes to power and influence. There is also a promising, yet a challenging, research agenda, whereby future research could focus more on individual motivations, interests, aspirations, and the goals of the key boundary spanners as key decisions makers in the units they represent and how these factors affect the intra-organisational micro socio-political dynamics (see also Dörrenbächer and Geppert, 2009; Dörrenbächer and Geppert, 2010; Schotter and Beamish, 2011a,b).

Finally, focusing on University-based Business Schools, a number of research questions could be posed. What is the future of University-based Business Schools in the light of the constraints they face and the support they gain from being part of a wider University environment and in the light of the fierce international competition coming from more autonomous peers? Can these Business Schools build upon the benefits of being part of a University as a source of competitive advantage rather than viewing this as burden that affects their competitiveness<sup>138</sup>? Will they try to strengthen their position in their University environment in order to gain enough autonomy to compete with their autonomous rivals? Another relevant area relates to how these schools will maintain legitimacy in their University environment? Will they change their course to mimic other academic disciplines by building a strong research orientation and perhaps work with other established disciplines on potential areas of collaboration, or they will proceed to maintain their legitimacy through exhausting their advantageous position and extra ability in generating more financial returns? Will they stick to a middle way? What seems to be the most successful business model and business strategy that best ensures that Business Schools are not exploited but are still seen as legitimate in their University environment? How do Business Schools reconcile and prioritise the institutional pressures they face from their wider sector and from their University environments? The future of University-based Business Schools and their conformity to external pressures and to the pressures they face in their University environment is an area of importance to universities, Business Schools, as well as the other business school stakeholders.

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<sup>138</sup> See Saka-Helmhout and Geppert (2011) for an alternative view on institutions as both enabling and constraining (comparative institutional analysis literature).

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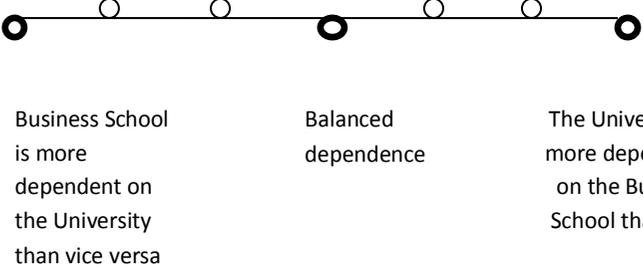
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## **APPENDICES**

## APPENDIX I

### Variables used in the Final Questionnaire, their Measures and Operationalisations

Variable	Operationalisation	Items	Source and notes
<p><b>Perceived Net Dependence</b></p>	<p>Refers to the difference between the BS perceived dependence on the University and the University perceived dependence on BS.</p> <p>A positive dependence is when the BS depends on the University more than the dependence of the University on the BS and negative dependence occurs when the opposite applies.</p> <p>Balanced dependence is reached when the difference between the dependence of the two parties is not significant, i.e, they more or less depend equally on each other. Similar practices have been used in measuring similar concepts such as unilateral, bilateral, asymmetric, mutual, and joint dependence, interdependence, although the details of the measuring technique could vary (see for example Lusch and Brown, 1996; Yilmaz, Sezen, Ozdemir, 2005; Gulati and Sytch, 2007)</p> <p>An item representing perceived net</p>	<p><b><u>Business School's Perceived Dependence on the Higher University Authorities</u></b></p> <p>On the whole, the relationship between the Business School and its higher University level could be characterised as a relationship where</p>  <p>Business School is more dependent on the University than vice versa</p> <p>Balanced dependence</p> <p>The University is more dependent on the Business School than vice versa</p>	<p>(Developed)</p> <p>Reverse coded so that the scale reflects the extent to which the BS relies on the University than otherwise.</p> <p>High perception of net dependence thus indicates a tendency towards positive interdependence where the BS depends on the University more than vice versa. Low perception of net dependence suggests a tendency towards negative interdependence where the University is perceived to depend more on the BS than vice versa. A middle</p>

	dependence was developed by the researcher to reflect on the general perceived magnitude of the BS net dependence.		score is assumed to indicate tendency towards balanced interdependence where the two levels of the vertical relationship depend on each other more or less equally.  7–point Likert scale measure.
<b>Business School Orientation</b>	Refers to the degree to which key people (boundary spanners) in the BS have an internal (University) versus external (BS as an external sector) focus. Some schools have an external frame of reference and identify themselves as part of the wider BS sector, while others are internally oriented and see themselves as part of the wider University and similar to other schools in the University. The construct is similar to reference group orientation which is used as one of the sub dimensions of Cosmopolitan –Local Orientation developed by Gouldner (1957).	<ol style="list-style-type: none"> <li>1. In this Business School, our main criterion of success is how we perform relative to the other Business Schools rather than relative to other schools in the University.</li> <li>2. In this Business School, we give little attention to the practices of other Business Schools.</li> <li>3. This Business School is just like other schools in the University.</li> <li>4. This Business School is different from the rest of schools in the University.</li> <li>5. On the whole, we value our contact with other Business Schools more than other schools in the University.</li> </ol>	(Developed)  Item number (2) and (3) are reverse coded.  7–point Likert scale measures.

<p><b>Perceived Autonomy</b></p>	<p>Adapting Prahalad and Doz (1981 a) definition of autonomy which views autonomy as the extent of <i>interference</i> and <i>formal</i> influence the higher level has on lower level concerning decisions that affect the lower level's strategy. Based on case studies conducted, the researcher focused on key areas of decision making as follows, as well as questioning directly about the general perception of autonomy:</p> <ul style="list-style-type: none"> <li>▪ Reinvestment of financial surplus</li> <li>▪ Key staff appointments</li> <li>▪ Research policy</li> <li>▪ Teaching policy</li> <li>▪ Students' recruitments</li> </ul>	<ol style="list-style-type: none"> <li>1. The Business School can take decisions regarding the reinvestment of its financial surplus without consulting its higher University level.</li> <li>2. The Business School can take decisions regarding faculty appointments (for example a lecturer) without consulting its higher University level.</li> <li>3. The Business School can take decisions regarding students' target number without consulting its higher University level</li> <li>4. The Business School can take decisions regarding its pursued research areas without consulting its higher University level.</li> <li>5. The Business School can take decisions regarding the design of its curriculum without consulting its higher University level.</li> </ol> <p>In some universities, strategic decision-making for the Business School is largely centralized at a higher University level; in other universities, Business Schools have a large amount of autonomy. In general, what is this Business School's autonomy to decide its own strategies and policies?</p> <table border="1" data-bbox="967 975 1762 1171"> <tr> <td data-bbox="967 975 1131 1114">Very Little Autonomy</td> <td data-bbox="1131 975 1225 1114"></td> <td data-bbox="1225 975 1319 1114"></td> <td data-bbox="1319 975 1413 1114"></td> <td data-bbox="1413 975 1507 1114"></td> <td data-bbox="1507 975 1601 1114"></td> <td data-bbox="1601 975 1762 1114">Very High Autonomy</td> </tr> <tr> <td data-bbox="967 1114 1131 1171">1</td> <td data-bbox="1131 1114 1225 1171">2</td> <td data-bbox="1225 1114 1319 1171">3</td> <td data-bbox="1319 1114 1413 1171">4</td> <td data-bbox="1413 1114 1507 1171">5</td> <td data-bbox="1507 1114 1601 1171">6</td> <td data-bbox="1601 1114 1762 1171">7</td> </tr> </table>	Very Little Autonomy						Very High Autonomy	1	2	3	4	5	6	7	<p>The scale is similar to that used by Taggart (1997) and Andersson and Forsgren (1996).</p> <p>7-point Likert scale measures.</p>
Very Little Autonomy						Very High Autonomy											
1	2	3	4	5	6	7											

<p><b>Perceived Cognitive Congruence</b></p>	<p>Refers to the extent to which the BS and its higher University level have :</p> <ol style="list-style-type: none"> <li>1. Shared vision</li> <li>2. Shared understandings and views.</li> </ol> <p>This construct is sub-divided into 2 different sub-constructs that might be theoretically unrelated as shown in the case study analyses.</p> <ol style="list-style-type: none"> <li>1. Shared vision is based on Nahapiet and Ghoshal (1998) and Tsai and Ghoshal (1998)</li> </ol>	<p><b>Shared Vision</b></p> <ol style="list-style-type: none"> <li>1. The Business School shares the same ambitions and vision of the higher University level.</li> <li>2. People in the Business School are enthusiastic about pursuing the collective goals and mission of the higher University level.</li> </ol>	<p>Shared vision is adapted based on Tsai and Ghoshal (1998)</p> <p>7-point Likert scale measures.</p>
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	<p>According to Tsai and Ghoshal (1998: 467) shared vision “<i>embodies the collective goals and aspirations of the members of an organization.</i>”</p> <p>2. Shared understandings and views refer to the extent to which the BS and its higher level share the same views regarding the role of the BS in the University, the overall competitive environment of the BS, and the BS corporate requirements. This construct was developed based on the case study evidence.</p>	<p><b>Shared Understandings and Views</b></p> <ol style="list-style-type: none"> <li>1. The Business School and the higher University level have a shared understanding of the Business School’s competitive environment.</li> <li>2. The higher level does not understand the Business School’s business and corporate requirements.</li> <li>3. The Business School and the higher University level have a shared understanding of the Business School’s role in the University.</li> <li>4. The Business School and the higher University level share common views on how to achieve the Business School goals.</li> </ol>	<p>Shared understandings and views construct is developed.</p> <p>Item (2) in shared understandings and views is reverse coded.</p> <p>7–point Likert scale measures.</p>
<p><b>Inter–personal relationship quality.</b></p>	<p>Refers to the degree to which the boundary spanners representing the BS finds the inter–role relationship with his/her contact person in the higher level satisfactory and trustful. An additional nominal scale question was added as a separate construct to reflect on the perceived degree of formality between the boundaries spanners. These construct were developed based on the case study evidence.</p>	<ol style="list-style-type: none"> <li>1. In my role, I am satisfied with the relationship I have with my key contacts at the higher University level.</li> <li>2. In my role, I can fully trust my key contacts at the higher University level.</li> <li>3. I can describe the relationship I have with my key contacts at the higher level as a: <ul style="list-style-type: none"> <li>—— Strictly formal relationship</li> <li>—— Friendly formal relationship</li> <li>—— Informal relationship</li> </ul> </li> </ol>	<p>Developed.</p> <p>7–point Likert scale measures for item (1) and (2).</p> <p>Item (3) is a nominal scale question which is to be used as a separate construct referring to the degree of formality between the boundary spanners as perceived by the lower level’s respondents.</p>

<p><b>Perceived Inter-Unit Relationship Quality</b></p>	<p>Refers to the extent to which boundary spanners in the BS see their relationship with the higher level's management as satisfactory, trustful, open, fair, and supportive so that the balance of influence that the BS enjoys is perceived to be fair or satisfactory.</p>	<ol style="list-style-type: none"> <li>1. The higher level's cooperation with the Business School is satisfactory. (Satisfaction (support)– developed)</li> <li>2. The balance of influence between the higher level and the Business School is satisfactory. (satisfaction– developed)</li> <li>3. The communication process between the Business School and the higher level is satisfactory. (Satisfaction– developed)</li> <li>4. In general, the Business School's relationship with the higher level is satisfactory. (Satisfaction– developed)</li> <li>5. The higher level's management meets its agreed upon obligations to the Business School. (Trust – Kostova and Roth, 2002).</li> <li>6. The higher level's management acts in the Business School's best interest. (Trust – Kostova and Roth, 2002)</li> <li>7. The higher level's management usually keeps its word. (Trust – Kostova and Roth, 2002 and Tsai and Ghoshal, 1998)</li> <li>8. The higher level's management does not mislead the Business School. (Trust – Kostova and Roth, 2002)</li> <li>9. The Business School can share information openly with the higher level's management because they do not take advantage of this by acting against the Business School interests. (Trust and openness – Kostova and Roth, 2002; Tsai and Ghoshal, 1998; and Kim and Mauborgne, 1993).</li> </ol>	<p>Satisfaction items are developed based on case study evidence. Trust characteristics are based on integrity, benevolence, and competence–based trust following Mayer and Davies (1999). Specific statements used to measure trust are adapted from Kostova and Roth (2002); Tsai and Ghoshal (1998); and Kim and Mauborgne (1993). Both satisfaction and trust items cover support items.</p> <p>Openness and fairness, items were developed.</p> <p>7–point Likert scale measures.</p>
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		<p>10. The higher level's management at times must make decisions which seem to be against the interests of the Business School. When this happens, we are confident that the Business School's current sacrifice will be justified by the higher level's future support for the Business School. (Trust – Kim and Mauborgne, 1993)</p> <p>11. The higher level's management is transparent in dealing with the Business School. (Openness– developed)</p> <p>12. The higher level's management discusses issues with the Business School openly. (Openness– adapted from Kostova and Roth, 2002)</p> <p>13. The higher level's management discusses joint expectations fairly. (Fairness – developed)</p>	
<b>The perception of the power distribution</b>	Refers to the power distribution in the vertical relationship as perceived by the lower level unit.	<p>1. The relationship between the higher level and the Business School is characterised by a great deal of support and cooperation.</p> <p>2. The relationship between the higher level and the Business School is characterised by a great deal of control and dominance.</p> <p>3. The relationship with the higher level is constraining for the Business School.</p>	<p>Power over/with items are developed based on the case study evidence.</p> <p>Items (2) and (3) are reverse coded.</p> <p>7–point Likert scale measures.</p>

<b>Subjective Performance</b>	Refers to the extent to which the boundary spanners view their current performance as satisfactory versus unsatisfactory.	<ol style="list-style-type: none"> <li>1. Compared to its relevant competitors, this Business School is achieving its full potential.</li> <li>2. Compared to its relevant competitors, this Business School is achieving a satisfactory performance.</li> <li>3. This Business School supports its staff to achieve their full potential.</li> <li>4. The Business School's performance could be better if it were more independent from the higher level.</li> <li>5. In general, this Business School does a good job of meeting its targets.</li> </ol>	<p>Adapted based on Gibson and Birkinshaw (2004).</p> <p>Item (4) is reverse coded.</p> <p>7–point Likert scale measures.</p>
<b>Affective Commitment</b>	Refers to the extent to which boundary spanners show affective commitment to the University. More specifically, it shows the extent to which the boundary spanners have “ <i>positive feelings of identification with, attachment to, and involvement in the work organisation</i> ” (Meyer and Allen, 1984: 375)	<ol style="list-style-type: none"> <li>1. I would be very happy to spend the rest of my career in this University.</li> <li>2. I do not feel “emotionally attached” to this University.</li> <li>3. This University has a great deal of personal meaning to me.</li> <li>4. I do not feel a strong sense of belonging to the University.</li> </ol>	<p>Adapted from Allen &amp; Meyer (1990).</p> <p>Items (2) and (4) are reverse coded.</p> <p>7–point Likert scale measures.</p>
<b>Intention to Leave</b>	Refers to the extent to which the boundary spanner is likely to leave his/her managerial boundary spanning position within the next 12 months.	<ol style="list-style-type: none"> <li>1. I strongly feel about leaving my managerial position in the Business School within the next 12 months.</li> <li>2. I am likely to step down from my managerial position in the Business School within the next 12 months.</li> </ol>	<p>Developed.</p> <p>7–point Likert scale measures.</p>
<b>Other Questions</b>	<ul style="list-style-type: none"> <li>▪ The type of the immediate higher level.</li> <li>▪ Category of the BS.</li> <li>▪ The managerial position of the respondent.</li> <li>▪ Longevity of inter–role</li> </ul>	<ol style="list-style-type: none"> <li><b>1. Please indicate who are the immediate higher University level with which the Business has most contact:</b> College/ Faculty University Management Board</li> <li><b>2. In which of the following categories does this Business</b></li> </ol>	<p>Developed</p> <p>Categorical data on a nominal scale except items (5), (6), and (7).</p>

	<p>relationship.</p> <ul style="list-style-type: none"> <li>▪ Longevity of the inter-unit relationship.</li> <li>▪ Position.</li> <li>▪ School.</li> <li>▪ Relationship with whom (University directly or college).</li> </ul>	<p><b>School lie?</b></p> <p>— Category A (list of the top tier)</p> <p>— Category B (list of the second tier)</p> <p>— Category C (list of the third tier)</p> <p><b>3. What is your managerial position?</b></p> <p>— Dean /head of School</p> <p>— Associate/Deputy Dean</p> <p>— Head of an Academic Department</p> <p>— Programme Director</p> <p>— Other</p> <p><b>4. How long you have been in your current position?</b></p> <p>— Years</p> <p>— Months</p> <p><b>5. How long the current structural link with the higher level has been in place?</b></p> <p>— Years</p> <p>— Months</p> <p><b>6. When was business and / or management education first offered on a regular basis in this University?</b></p> <p>_____</p> <p><b>7. Kindly answer the following questions if your school would be like a feedback report</b></p> <p>The name of your School _____</p> <p>Please provide appropriate contact information _____</p>	
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## APPENDIX II

### Items Generated from the Literature based on an Aprori Definition of VIRQ (Items Used in the first Pilot Study).

Dimension	Definition	Items	Questions (Measuring the degree of agreement or disagreement unless otherwise stated)
<b>Intrinsic Characteristics</b>			
1. Strength of personal ties between top managers in LL and HL	<i>"The strength of a tie is a (probably linear) combination of the amount of time, the emotional intensity, the intimacy (mutual confiding), and the reciprocal services which characterize the tie. Each of these is somewhat independent of the other, though the set is obviously highly intracorrelated"</i> (Granovetter, 1973: 1361)	<ol style="list-style-type: none"> <li>1. Amount of time spent (frequency of contact).</li> <li>2. The emotional intensity.</li> <li>3. The intimacy (mutual confiding).</li> <li>4. The reciprocal service.</li> </ol>	<p>Adapted questions based on Granovetter (1973) items, Hansen (1999) questions and Ghoshal, Korine and Szulanski (1994) scale of measuring frequency of communication.</p> <ol style="list-style-type: none"> <li>1. On Average, how frequently do you personally interact with the HL's contact person(s)? (Hansen, 1999) 1: daily; 2: weekly; 3: monthly; 4: annually; 5: less than annually</li> <li>2. Your personal relationship with the HL's contact person(s) is a close one (Hansen, 1999)</li> <li>3. You regard your personal relationship with the HL's contact persons as a relationship of mutual benefit (developed based on Granovetter (1973) items).</li> </ol>

<p>2. Strength of inter-unit ties</p>		<ol style="list-style-type: none"> <li>1. Frequency of inter-unit communications (Hansen, 1999).</li> <li>2. Closeness of inter-unit tie (Hansen, 1999).</li> </ol>	<p>Using Hansen measure of inter-unit tie weakness</p> <ol style="list-style-type: none"> <li>1. On average, how frequently do people in your unit interact with the HL? (question adopted from Hansen (1999) measure of inter-unit tie weakness) 1: daily; 2: weekly; 3: monthly; 4: annually; 5: less than annually (scale used by Ghoshal, Korine and Szulanski (1994) in measuring frequency of communication).</li> <li>2. How close is the working relationship between your unit and HL? [0 = "Very close, practically like being in the same work group," 3 = "Somewhat close, like discussing and solving issues together," 6 = "Distant, like an arm's-length delivery of the input"(Hansen , 1999: 11).</li> </ol>
<p>3. Trust</p>	<p>Trust is viewed as an expectation or belief that one can rely upon another person's actions and words, and/or that the person has good intentions toward oneself (Dirks and Ferrin, 2001; Li, 2005).</p> <p>In the headquarters-subsidary relationship, local senior executives' trust in headquarters refers to executives' belief in the integrity, truthfulness, and benevolence of headquarters' management (Zhang et</p>	<ol style="list-style-type: none"> <li>1. Interpersonal trust among LL managers and HL's contact persons</li> <li>2. Inter-unit trust between LL and HL: trust of a subsidiary in its parent organization is seen as "<i>a common belief within the subsidiary that the parent:</i> <ol style="list-style-type: none"> <li>a. <i>makes good-faith efforts to behave in accordance with commitments, both explicit</i></li> </ol> </li> </ol>	<p><b>Interpersonal Trust</b></p> <ol style="list-style-type: none"> <li>1. As the unit's manager, you regard the HL's contact person (s) as trustworthy (Lui and Ngo, 2004) (interpersonal general trust).</li> <li>2. As the unit's manager, you regard the HL's contact person(s) as person(s) who are fully capable of keeping their promises. (developed) (interpersonal competence trust).</li> </ol> <p><b>Inter-Unit Goodwill Trust</b></p> <ol style="list-style-type: none"> <li>1. Your unit trusts HL (inter-unit general trust) (Kostova and Roth, 2002).</li> </ol>

	<p>al., 2006).</p>	<p><i>and implicit,</i></p> <p>b. <i>is honest in whatever discussions preceded such commitments, and</i></p> <p>c. <i>does not take excessive advantage of the subsidiary, even when the opportunity is available"</i> (Kostova and Roth, 2002: 218–19).</p> <p>3. Goodwill trust: <i>“The expectation that some others in our social relationships have moral obligations and responsibility to demonstrate a special concern for other’s interests above their own”</i> (Barber, 1983:14).</p> <p>4. Competence trust: <i>“The expectation of technically competent role performance”</i> (Barber, 1983:14).</p>	<p>2. Your unit can rely on HL’s managers without any fear that they will take advantage of your unit even if the opportunity arises. (Tsai and Ghoshal, 1998) (inter–unit goodwill trust).</p> <p>3. Your unit thinks that people in HL tell the truth when they deal with your unit. (inter–unit goodwill trust) (Kostova and Roth, 2002).</p> <p>4. Your unit feels that HL discusses issues with you honestly (inter–unit goodwill trust) (Kostova and Roth, 2002).</p> <p>5. Your unit feels that HL does not mislead you. (inter–unit goodwill trust) (Kostova and Roth, 2002)</p> <p>6. Your unit feels that [company] headquarters discusses joint expectations fairly. (inter–unit goodwill trust) (Kostova and Roth, 2002)</p> <p>7. Head office management at times must make decisions which seem to be against the interests of your unit. When this happens, as a unit manager you trust that your unit's current sacrifice will be justified by the head office's future support for your unit. (inter–unit goodwill trust) (Kim and Mauborgne, 1993).</p> <p>8. As the unit manager, you feel free to discuss with HL’s management the problems and difficulties faced by your unit without having fear of jeopardizing your position or having your comment 'held against' you later on. (inter–unit goodwill trust) (Kim and Mauborgne, 1993).</p>
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			<p><b>Inter-unit Competence Trust</b></p> <ol style="list-style-type: none"> <li>1. Your unit is sure that they can fully trust the HL's decisions (Zhang, George and Chan, 2006) (inter-unit competence trust).</li> <li>2. Your unit thinks HL meets its agreed upon obligations to your unit. (inter-unit competence trust) (Kostova and Roth, 2002).</li> <li>3. Your unit feels that HL will keep its word. (inter-unit competence trust) (Kostova and Roth, 2002)</li> <li>4. Your unit is willing to accept and follow those strategic decisions made by HL (inter-unit competence trust) (Kim and Mauborgne, 1993).</li> </ol>
4. Lower level's identification	<p>Identification of the LL unit with its parent organization is defined "<i>as the degree to which subsidiary employees (or managers) experience a state of attachment to the parent. They feel that they are part of the parent organization, belong to it, and partly derive their self-identities from this organizational membership</i>" (Kostova and Roth, 2002: 219).</p>		<p>Using Kostova and Roth (2002) questions (minimal changes in wording)</p> <ol style="list-style-type: none"> <li>1. Your unit, at this location, is [X University]</li> <li>2. A problem solved for the HL means a problem solved for your unit.</li> <li>3. Your unit, at this location, see your success as directly related to the success of the HL.</li> <li>4. A failure in the HL's performance is your unit's failure too</li> <li>5. The way you would describe the HL would describe your unit at this location too</li> <li>6. Your unit thinks of itself as being part of the corporate family (Kostova and Roth, 2002).</li> </ol>

<p>5. State of Conflict and Disagreement Resolution</p>		<ol style="list-style-type: none"> <li>1. Avoiding/ denial / ignoring the issue.</li> <li>2. Obligating smoothing over difficulties</li> <li>3. Integrating, collaborating, participative issue</li> <li>4. Dominating, forcing decision to a higher authority (hierarchical approach)</li> <li>5. Compromising (Pahl and Roth, 1993)</li> </ol>	<p>Adopted from Pahl and Roth (1993) and Mohr and Spekman (1994).</p> <ol style="list-style-type: none"> <li>1. Assuming that some conflict exists over a decision and the way you conduct business in your unit, how frequently are the following methods used to resolve such conflicts? (very frequent/ very infrequent) <ul style="list-style-type: none"> <li>▪ Avoiding or ignoring the issue</li> <li>▪ Smoothing over the problem</li> <li>▪ Joint problem solving</li> <li>▪ HL's– imposed domination</li> <li>▪ Compromising solving the problem</li> </ul> </li> </ol>
<b>Relationship Expectations and Needs</b>			
<p>1. Satisfaction</p>	<p>Satisfaction with the relationship may be defined as a positive emotional state resulting from the assessment of the working relationship (Lages, Lages, and Lages, 2005) that has successfully met the satisfied party expectations.</p>	<ol style="list-style-type: none"> <li>1. Support</li> <li>2. Knowledge and information exchange</li> <li>3. Budget allocated</li> <li>4. Interaction/ communication</li> <li>5. Conflict/disagreement resolution techniques</li> <li>6. Overall satisfaction with the content of the resulting strategy decisions (Kim and Mauborgne, 1993)</li> <li>7. Overall satisfaction with the relationship</li> </ol>	<ol style="list-style-type: none"> <li>1. Your unit is satisfied with the support it gets from the HL.</li> <li>2. Your unit is satisfied with the knowledge and information it gets from HL.</li> <li>3. Your unit is satisfied with its allocated budget by HL.</li> <li>4. Your unit is satisfied with its communication process with the HL.</li> <li>5. Assuming that a conflict or a disagreement between your unit and HL arises, your unit is generally satisfied with the way such conflict or disagreement is resolved.</li> <li>6. Your unit is satisfied overall with the content of the resulting strategy decisions. (Kim and Mauborgne, 1993)</li> <li>7. Your unit would prefer another strategy decision (re–verse scored) (Kim and</li> </ol>

			<p>Mauborgne, 1993).</p> <p>8. Your unit is satisfied with its overall relationship with the HL.</p>
2. Communication quality	<p>High-quality communication between parties allows for the sharing of information about values, goals, and norms and enables both parties to learn about each other's idiosyncrasies and develop mutual understanding (Zhang et al., 2006).</p>	<p>Mohr and Spekman (1994): Communication quality dimensions are:</p> <ol style="list-style-type: none"> <li>1. Timeliness</li> <li>2. Accuracy</li> <li>3. Adequacy</li> <li>4. Completeness</li> <li>5. Credibility</li> </ol>	<p>Communication quality adapted from Mohr and Spekman (1994): and Zhang et al. (2006)</p> <ol style="list-style-type: none"> <li>1. You feel that your unit's communication with the HL is : <ul style="list-style-type: none"> <li>▪ Timely (Mohr and Spekman, 1994)</li> <li>▪ Accurate (Mohr and Spekman, 1994)</li> <li>▪ Adequate (Mohr and Spekman, 1994)</li> <li>▪ Complete (Mohr and Spekman, 1994)</li> <li>▪ Credible (Mohr and Spekman, 1994)</li> <li>▪ Useful</li> </ul> </li> <li>2. As the unit's manager, you find it very difficult to talk to the HL office (reverse coded) (Zhang et al., 2006).</li> <li>3. Communication is a big problem between your unit and the overseas head HL's office (reverse coded) (Zhang et al., 2006).</li> <li>4. As the unit's manager, you cannot communicate effectively with the HL (reverse coded) (Zhang et al., 2006).</li> </ol>

<p><b>Relationship Perceived Added Value in Meeting Business Goals</b></p>			<p>Developed:</p> <ol style="list-style-type: none"> <li>1. As the unit's manager, you feel that your personal relationship with the HL's contact person(s) is important to the achievement of the business goals.</li> <li>2. Your unit's relationship with the HL is important to the achievement of the business goals.</li> <li>3. Your unit's performance could be better if the unit independent from the HL.</li> </ol>
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## **APPENDIX III**

### **Distribution and Reliability of Composite Scores of the Variables Used**

#### **A. Reliability: Cronbach Alpha of the Constructs**

1. The perception of net dependence was a single item measure and therefore calculating its reliability was not possible.
2. Cronbach Alpha for orientation towards the business school sector is 0.871 after the removal of the first and fourth items; keeping only two items.
3. Cronbach Alpha for perceived autonomy after the removal of the item dealing with autonomy in research is 0.72 (remaining items dealt with reinvestment of surplus, appointing new lecture, target students' numbers, colloquium design, and the general perception of autonomy).
4. Cronbach Alpha for shared understandings and views is 0.766; this is after the removal of one item (the item dealing with the common understanding of the competitive environment) and keeping the other 3 items.
5. Cronbach Alpha for shared vision is 0.851.
6. Cronbach Alpha for inter-personal relationship quality is 0.725.
7. Cronbach Alpha of the items used to measure VIRQ is 0.95
8. Cronbach Alpha of the items used to measure the perception of power distribution is 0.826.
9. Cronbach Alpha for subjective performance is 0.751 after the removal of the item stating "The Business School's performance could be better if it were more independent from the higher level"

10. Cronbach Alpha for affective commitment after the removal of the second item is 0.782.

11. Cronbach Alpha for the boundary spanners' intention to leave is 0.56; this is considered to be a low reliability, however, because the construct is theoretically important, the decision was taken to use it in the quantitative analysis. Yet, the results related to this construct should be interpreted with caution.

**The following table shows the items used in the final analysis for each construct.**

Perception of net dependence	<ol style="list-style-type: none"> <li>1. On the whole, the relationship between the Business School and its higher University level could be characterised as a relationship where The business school is more dependent on the University than vice versa, balanced dependence, the University is more dependent on the business school than vice versa (7 point scale question).</li> </ol>
Orientation Towards Business School Sector	<ol style="list-style-type: none"> <li>1. In this Business School, our main criterion of success is how we perform relative to the other Business Schools rather than relative to other schools in the University.</li> <li>2. In this Business School, we give little attention to the practices of other Business Schools.</li> </ol>
Shared Understanding and views	<ol style="list-style-type: none"> <li>1. The higher level does not understand the Business School's business and corporate requirements.</li> <li>2. The Business School and the higher University level have a shared understanding of the Business School's role in the University.</li> <li>3. The Business School and the higher University level share common views on how to achieve the Business School goals.</li> </ol>
Shared vision	<ol style="list-style-type: none"> <li>1. The Business School shares the same ambitions and vision of the higher University level.</li> </ol>

	<ol style="list-style-type: none"> <li>2. People in the Business School are enthusiastic about pursuing the collective goals and mission of the higher University level.</li> </ol>
Inter-personal Relationship Quality	<ol style="list-style-type: none"> <li>1. In my role, I am satisfied with the relationship I have with my key contacts at the higher University level.</li> <li>2. In my role, I can fully trust my key contacts at the higher University level.</li> </ol>
VIRQ	<ol style="list-style-type: none"> <li>1. The balance of influence between the higher level and the Business School is satisfactory</li> <li>2. The higher level management acts in the Business School's best interest.</li> <li>3. The higher level management usually keeps its word.</li> <li>4. The higher level management is transparent in dealing with the Business School.</li> <li>5. The higher level management discusses issues with the Business School openly.</li> <li>6. The higher level management does not mislead the Business School.</li> <li>7. The higher level management discusses joint expectations fairly.</li> <li>8. The Business school can share information openly with staff at the higher level because they do not take advantage of this by acting against the Business School interests.</li> </ol>
Perception of Power Distribution	<ol style="list-style-type: none"> <li>1. The relationship between the higher level and the Business School is characterised by a great deal of support and cooperation.</li> <li>2. The relationship between the higher level and the Business School is characterised by a great deal of control and dominance.</li> <li>3. The relationship with the higher level is constraining for the Business School.</li> </ol>
Subjective Performance	<ol style="list-style-type: none"> <li>1. Compared to its relevant competitors, this Business School is achieving its full potential.</li> </ol>

	<ol style="list-style-type: none"> <li>2. Compared to its relevant competitors, this Business School is achieving a satisfactory performance.</li> <li>3. This Business School supports its staff to achieve their full potential.</li> <li>4. In general, this Business School does a good job of meeting its targets.</li> </ol>
Affective Commitment	<ol style="list-style-type: none"> <li>1. I would be very happy to spend the rest of my career in this University.</li> <li>2. This University has a great deal of personal meaning to me.</li> <li>3. I do not feel a strong sense of belonging to the University.</li> </ol>
Boundary Spanners intent to leave	<ol style="list-style-type: none"> <li>1. I strongly feel about leaving my managerial position in the Business School within the next 12 months.</li> <li>2. I am likely to step down from my managerial position in the Business School within the next 12 months.</li> </ol>

## B. Data Descriptives: Mean and Standard Deviation

### Descriptive Statistics

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Autonomy	47	5.60	1.00	6.60	3.3234	1.20978	1.464	.500	.347	-.128	.681
Perc. of net dependence	47	6.00	1.00	7.00	3.6809	1.19975	1.439	.262	.347	1.618	.681
Shared und. & views	47	5.00	2.00	7.00	4.9149	1.17177	1.373	-.368	.347	-.086	.681
Shared vision	47	5.00	1.50	6.50	4.5957	1.24516	1.550	-.616	.347	-.150	.681
Orientation	47	5.00	2.00	7.00	5.3191	1.34498	1.809	-.786	.347	-.077	.681
Sub. Perf.	47	5.00	1.50	6.50	5.0000	.97105	.943	-1.076	.347	2.251	.681
Perc. of power distribution	47	5.00	1.33	6.33	4.0290	1.40018	1.961	-.143	.347	-.904	.681
Inter-personal RQ	47	5.00	2.00	7.00	5.1700	1.29891	1.687	-.600	.347	-.078	.681
Affective com.	47	6.00	1.00	7.00	5.1467	1.59134	2.532	-.727	.347	-.402	.681
Intent to leave	41	6.00	1.00	7.00	3.0732	1.78732	3.195	.478	.369	-.750	.724
Valid N (listwise)	41										

**C. Data Distribution for Composite Measures**

**Tests of Normality**

	Kolmogorov–Smirnov <sup>a</sup>			Shapiro–Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Perceived net dependence	.237	41	.000	.894	41	.001
Perceived autonomy	.119	41	.156	.973	41	.432
Inter–unit vertical RQ	.154	41	.015	.948	41	.057
Shared understandings and views	.130	41	.080	.969	41	.328
Shared vision	.114	41	.200*	.952	41	.079
Orientation	.177	41	.002	.899	41	.002
Subjective Performance	.113	41	.200*	.941	41	.035
The perception of power distribution	.095	41	.200*	.959	41	.143
Inter–personal relationship quality	.142	41	.037	.934	41	.019
Affective commitment	.142	41	.038	.924	41	.009
Boundary Spanners’ Intent to Leave	.128	41	.090	.912	41	.004

a. Lilliefors Significance Correction

\*. This is a lower bound of the true significance.

**Tests of Normality (centred Values)**

(Centred values)	Kolmogorov–Smirnov <sup>a</sup>			Shapiro–Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Shared und. & views	.146	47	.014	.968	47	.218
autonomy	.116	47	.132	.972	47	.318
Shared und. & views *	.162	47	.004	.909	47	.001
autonomy						
Orientation	.183	47	.000	.912	47	.002
VIRQ	.144	47	.016	.950	47	.045
Shared vision	.128	47	.052	.942	47	.022
Shared vision *						
autonomy	.123	47	.071	.927	47	.006

**Tests of Normality**

	Kolmogorov–Smirnov <sup>a</sup>			Shapiro–Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Perceived net dependence	.237	41	.000	.894	41	.001
Perceived autonomy	.119	41	.156	.973	41	.432
Inter–unit vertical RQ	.154	41	.015	.948	41	.057
Shared understandings and views	.130	41	.080	.969	41	.328
Shared vision	.114	41	.200 <sup>*</sup>	.952	41	.079
Orientation	.177	41	.002	.899	41	.002
Subjective Performance	.113	41	.200 <sup>*</sup>	.941	41	.035
The perception of power distribution	.095	41	.200 <sup>*</sup>	.959	41	.143
Inter–personal relationship quality	.142	41	.037	.934	41	.019
Affective commitment	.142	41	.038	.924	41	.009
Boundary Spanners’ Intent to Leave	.128	41	.090	.912	41	.004

a. Lilliefors Significance Correction

## **APPENDIX IV**

### **Vertical Relationship Quality: Understanding the Concept and its Concomitants**

#### **Interview Guide: The Business School Perspective**

##### **A Semi Structured Interview**

Respondent: Business School Leadership

#### **A. Back ground Questions**

1. How many formal vertical relationships exist in the Business School?
2. What are these relations concerned with?
3. How frequently do you communicate with people at the higher level? In a typically weak, how much of this communication takes the form of formal meetings, informal meetings, telephone, and other written forms?
4. What does the Business School aim to achieve in its relationship with the higher level? What does the higher level aim to achieve in its relationship with the Business School?
5. In your opinion, what are the most important factors that affect the Business School's cooperation with the higher level? And what are the most important factors that affect the cooperation of the higher level with the Business School?
6. How would you describe the state of the Business School's relationship with the higher level during the last year?
7. In your opinion, what are/were the outcomes of this relationship state?
8. Is the state of the vertical relationship important for effective conduct of the BS? In what ways?
9. On a scale from 1 to 10, how important is the BS to the rest of the University? Why?

**B. Attributes that Comprise Vertical Relationship Quality**

10. Having the vertical relationship in mind, what would the idea of relationship quality mean to you? What attributes comprise a high quality relationship between the Business School and the higher level?

**C. Factors that Affect the Relationship State**

11. From your own experience, what are the factors that might affect the state of vertical relationship both positively and negatively? Could you give examples?

12. What are main sources of disagreements in this relationship?

**D. Decision Making Autonomy**

13. To what extent do you describe the Business School as being autonomous with respect to decision regarding the following areas:

Area	Highly Controlled					Highly Autonomous				
	1	2	3	4		5	6	7	8	9
Reinvestment of BS surplus	1	2	3	4	5	6	7	8	9	10
Key faculty appointments (existing and new)	1	2	3	4	5	6	7	8	9	10
Students' admissions	1	2	3	4	5	6	7	8	9	10
Research policy	1	2	3	4	5	6	7	8	9	10
Teaching policy	1	2	3	4	5	6	7	8	9	10

14. Considering the BS decisions in its relationship with the higher level, what tends to characterize the process of the Business School's decision making, is it negotiated, top down, or bottom up?

15. Are you satisfied with the balance of influence in this relationship?

16. How could BS autonomy affect the state of its relationship with the higher level?

17. What is the impact of issues concerning resources allocation/reinvestment of surplus on the state of the relationship?

18. In your opinion, what are the main factors that affect the higher level decision concerning resources allocation? Could the Business School leadership do anything to influence such decisions?

**E. Shared Vision and Perceptions**

19. Do you think that you as one of the Business School leaders and the people higher up in the University have the same vision and goals for the Business School?

20. Do you think that you and the higher level have a shared understanding of the BS needs (staff needs, specific programme's needs, competition needs... etc)?

21. Do you think that the presence or absence of shared vision and understanding affect the state of the relationship? How?

**F. Dependence**

22. Do you think this is a relationship of mutual interdependence or one party depends on the other more? In what ways?

23. Do you think that this could have bearing on the relationship state?

**G. Personal Relationships and Identification**

24. Do you know your contact persons at the higher level personally (have formal or informal meetings... etc)? Does the presence of personal relationships have any bearing on the relationship state?

25. With whom do you identify yourself more, with the BS or the University as a whole?

**H. Factors Affected by the Relationship State**

26. Does the state of the BS relationship with the higher level affect the relationships within the BS?

27. In your opinion, what could be the possible consequences of good/bad relationships with the higher level?

28. Could good or bad relations with the higher level affect the decision making process regarding the BS?
29. Could good or bad relations with the higher level affect the Business School performance/ adaptability to the market place? Staff morale (enthusiasm and willingness to take initiatives)? How?
30. Could the state of the relationship affect the willingness or the ability to cooperate with the higher level? How?
31. Do you think that higher level make an effort to build and maintain good relations with their contact persons in the Business School? Why and why not? If yes, how?

**I. Negotiating Relationship Conditions**

32. Does the fact that the BS has to relate to a higher level within the University affect the extent to which it can achieve its targets (either positively or negatively)? Do you think that if the BS has greater autonomy it would improve its chances of achieving better performance?
33. How do you personally cope with situations when the upward relationship is not a good one?
34. Do you think that the level of autonomy is negotiated? If yes, how? And what factors affect it? (Role of performance and cooperation and shared vision).
35. Have there been any changes in the level of autonomy of the Business School lately?
36. Does previous performance affect the level of autonomy that the Business School is now having?
37. Does the Business School (represented in you and other leaders) make an effort to build and maintain good relations with the higher level? Why and Why not? How?

## Measuring Vertical Relationship Quality

### The Business School Perspective

Please indicate the extent to which you agree or disagree with the following statements on a scale from (1) to (7), where (1) corresponds to "strongly disagree" and (7) corresponds to "strongly agree".

<b>Strongly Disagree</b>							<b>Strongly Agree</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	

<b>First: Relationship Expectations and Needs</b>							
1. You are satisfied with the higher level's cooperation with the Business School.	1	2	3	4	5	6	7
2. You are satisfied with the balance of influence between the higher level and the Business School.	1	2	3	4	5	6	7
3. You are satisfied with the communication process between the Business School and the higher level.	1	2	3	4	5	6	7
4. In general, the Business School transactions with the higher level are very satisfactory.	1	2	3	4	5	6	7
5. You are satisfied with the Business School overall relationship with the higher level.	1	2	3	4	5	6	7
<b>Second: Relationship Intrinsic Characteristics</b>							
6. You regard the higher level's management as trustworthy.	1	2	3	4	5	6	7
7. You feel that the higher level management is straightforward in dealing with the Business School.	1	2	3	4	5	6	7
8. You think that the higher level management meets its agreed upon obligations to the Business School.	1	2	3	4	5	6	7
9. You feel that the higher level management usually keeps its word.	1	2	3	4	5	6	7
10. You feel that the higher level's management discusses issues with you honestly.	1	2	3	4	5	6	7
11. You feel that the higher level's management does not mislead you.	1	2	3	4	5	6	7
12. You feel that the higher level's management discusses joint expectations fairly.	1	2	3	4	5	6	7
13. You could share information openly with the higher level's management because they do not take advantage of this by acting against your/Business School interests.	1	2	3	4	5	6	7

14. You regard the higher level's management as fully capable of keeping their promises.	1	2	3	4	5	6	7
15. The higher level's management at times must make decisions which seem to be against the interests of the Business School. When this happens, you are confident that the Business School's current sacrifice will be justified by the higher level's future support for the Business School.	1	2	3	4	5	6	7
<b>Third: Relationship Perceived Value</b>							
16. You think that the Business School functional and structural relationship with the higher level is important to the achievement of the Business School goals.	1	2	3	4	5	6	7
17. The Business School's performance could be better if it were more independent from the higher level.	1	2	3	4	5	6	7

To what extent do you describe the Business School as being autonomous with respect to decision regarding the following areas:

Area	Highly Controlled				5	Highly Autonomous				10
	1	2	3	4		6	7	8	9	
Reinvestment of BS surplus	1	2	3	4	5	6	7	8	9	10
Key faculty appointments (existing and new)	1	2	3	4	5	6	7	8	9	10
Students' admissions	1	2	3	4	5	6	7	8	9	10
Research policy	1	2	3	4	5	6	7	8	9	10
Teaching policy	1	2	3	4	5	6	7	8	9	10

**How close is the working relationship between the Business School and the higher level?**

- Very close, practically like being in the same work group.
- Fairly close, like discussing and solving issues together.
- Not so close, yet a cordial relationship.
- Distant, like an arm's-length delivery of the input.
- Very distant, we hardly have any relationship.

**Thank you very much indeed for your time and cooperation.**

## APPENDIX V

### Vertical Relationship Quality: Understanding the Concept and its Concomitants

#### Interview Guide: The University (Higher level) Perspective

##### A Semi Structured Interview

Respondent: University (higher level) Boundary Spanners.

1. On what matters do you as pro-vice chancellor relate with the Business School?
2. As a member of the University leadership, what aspects does the University attach most importance in its relationship with the leadership of the Business School?
3. How would you describe the state of the Business School's relationship with the University during the last year?
  - Probes: what aspects of the relationship do you find most/ least satisfactory?
4. In your opinion, what are/were the outcomes on the BS and on the University, given the state of this relationship?

#### **A. Attributes that Comprise Vertical Relationship Quality**

5. Having your relationship with the BS in mind, what would the idea of relationship quality mean to you? What attributes comprise a high quality relationship between the Business School and the University?
6. Could you describe an incident which you would consider as a representative of a high relationship quality?
7. Could you describe an incident which you would consider as a representative of a poor relationship quality?

#### **B. Factors that Affect the State of the Relationship**

8. From your own experience, what are the factors that might affect the state of vertical relationship both positively and negatively? Could you give examples?

9. What are main sources of disagreements in the relationship between the BS and you?

**C. Autonomy and Integration**

10. In terms of the relationship between the University and the BS, how would you assess the balance between integration between the two levels and autonomy of the BS?

11. Generally, how decisions concerning the Business School are reached? (compromised, integrated, top down, bottom up).

12. To what extent are the Business School goals compatible with the University's goals and objectives? (Scale)

13. To which degree would do you describe the Business School as being autonomous? (Scale)

**D. Shared vision**

14. To what extent do you as representing the higher level and the Business School leaders share the same vision and goals for the Business School and the University?

15. Could the relationship state affect the willingness or the ability to cooperate with the BS? How?

16. Does the presence of personal relationships have any bearing on the state of the relationship?

17. In your opinion, what responsibility lies on the Business School leadership in order to improve (or sustain) relationships with the University leadership?

18. How could the BS leadership improve/sustain good relationships with the University leadership?

19. Do you think this is a relationship of mutual interdependence and mutual benefits or one party depends on the other more? In what ways?

1. Please indicate the extent to which you describe the Business School as being autonomous with respect to decision regarding the following areas:

Area	Highly Controlled				5	Highly Autonomous				10
	1	2	3	4		6	7	8	9	
Reinvestment of Business School surplus	1	2	3	4	5	6	7	8	9	10
Key faculty appointments (existing and new)	1	2	3	4	5	6	7	8	9	10
Students' admissions	1	2	3	4	5	6	7	8	9	10
Research policy	1	2	3	4	5	6	7	8	9	10
Teaching policy	1	2	3	4	5	6	7	8	9	10

2. The Business School is :

- Much more influential than the norm for other schools.
- Somewhat more influential than the norm for other schools.
- About the same as other schools than the norm for other schools.
- Somewhat less influential than the norm for other schools.
- Much less more influential than the norm for other schools.

## APPENDIX VI

### Suggested constituting Items for the Vertical Inter–Unit Relationship Quality Scale

1. The balance of influence between the higher level and the Business School is satisfactory
2. The higher level management acts in the Business School’s best interest.
3. The higher level management usually keeps its word.
4. The higher level management is transparent in dealing with the Business School.
5. The higher level management discusses issues with the Business School openly.
6. The higher level management does not mislead the Business School.
7. The higher level management discusses joint expectations fairly.
8. The Business school can share information openly with staff at the higher level because they do not take advantage of this by acting against the Business School interests.

**Items Loadings: Component Matrix<sup>a</sup>**

	Component
	1
1	.923
2	.890
3	.862
4	.859
5	.837
6	.835
7	.833
8	.830

Extraction Method: Principal Component Analysis.

a. 1 components extracted.