A cognitive model of authority in organizations and its effects on idea generation and idea validation performance

MARC KARAHAN
“A cognitive model of authority in organizations and its effects on idea generation and idea validation performance.“

by

Marc Karahan
„En kognitiv modell av auktoritet i organisationer och dess effekt på idégeneration och idévalidering.“

av

Marc Karahan
Abstract
An organization constitutes an environment of social relationships. The interdependence of the organization’s members and their nature as human beings create particular effects, which influence social interaction. One of these effects is the focus area of this master thesis – authority. Understanding the dynamics of authority is crucial for designing effective organizations. This thesis contributes to its analysis by performing a qualitative-heuristic literature analysis, which integrates central components of authority into a holistic, cognitive model. These components comprise the origins of authority in organizations, the channels that induce authority, individual characteristics that promote authority, and different categorizations of authority. The cognitive model facilitates the understanding of the process of authority in organizations and allows to deduce its effects on the behavior of organization members. In a second step, the findings on authority are related with two sub-processes of organizational innovation – idea generation and idea validation. Finally, this master thesis concludes six research propositions on the effect of authority on these processes. It argues that authority is likely to constrain idea generation performance, but might facilitate idea selection performance.

Key-words
Model of authority; organization, social behavior, authority, innovation, idea generation, idea selection, psychological effects of authority
En kognitiv modell av auktoritet i organisationer och dess effekt på idégeneration och idévalidering.

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Acknowledgment

During my studies, a masters course titled “economics of innovation” introduced me to the famous scientific proverb „standing on the shoulders of giants.“ At that time, I only had a vague idea about its deeply-rooted meaning. While writing this master thesis, however, the proverb’s essence became clearer to me: Scientific research is only feasible, if it can build on previous thoughts and ideas.

The principal propositions that I have developed in this study are based on the research efforts of earlier scholars. Without their persistence and hard work, this master thesis would likely not have been realized. Therefore, I want to devote this paper to the respective researcher's continuous engagement. I am grateful for the insightful time I had when studying their findings.

Furthermore, I want to thank my supervisor Marianne Ekman Rising for her valuable contributions and advise. I am especially grateful for her academic guidance and endurance with a dynamic student.
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1. Introduction

1.1. Relevance of the subject

The subject of authority has received dense intellectual attention in academic research (Feldman, 2003). Researchers in sociology (e.g., Weber, 1922) and economics (e.g., Knight, 1921) have studied the effects of authority on societies for almost a century. Its philosophical analysis can even be traced back to early ancient Greek scholars, like Plato (Christiano, 2013). Yet, authority research continuously generates new findings (e.g., Keum and See, 2017). Therefore, one may wonder: What makes the subject of authority so persistent on the itinerary of scientific research?

I want to offer three potential explanations. First, authority has still not been understood entirely. This argument is underlined by the continuous generation of new research insights, which shape the directions of research. The famous conceptualization of the authoritarian personality (Adorno et al., 1993), the experiments on the obedience (Milgram, 1974), the conceptualization of power relations (Foucault, 1982), and the concepts of authoritarian submission and domination (Altemeyer, 2006) exemplify some out of many turning points in authority research. These revolutionary findings have enabled the investigation of formerly unknown aspects of the subject and thus triggered new research perspectives. Second, authority has developed over time, as social interactions have. Indeed, some researchers argue that in the modern society relations of power are continuously replaced by relations of authority (e.g., Osorio-Kupferblum, 2015). Third, the findings on authority have only occasionally been related to other psychological concepts, such as creativity (Amabile and Pratt, 2016). A mutual analysis thus means an enormous potential for uncovering new interrelated findings. Those reasons might explain the contemporary relevance of the subject. However, one may still wonder: Why do scholars find the study of authority generally important?

One answer might lie in the devastating effects of authority, as shown in the human history. To illustrate this claim, I refer to Altemeyer (2006, p. 52) who studied personal characteristics of authoritarianism. The author concludes:

“Anyone who follows orders can become a murderer for an authoritarian regime. But authoritarian followers find it easier to bully, harass, punish, maim, torture, “eliminate,” “liquidate,” and “exterminate” their victims than most people do.”
Recent social developments might reveal that today’s (modern) society still incorporates authoritarian mechanisms. This is exemplified in recent *global* developments of increased populism, nationalism and symbolism (Roth, 2017). The explanations above underline the need for a continuous study of authority for understanding its subtle, changing mechanisms. Only then is it possible to develop social relationships that approach authority in the best possible way. This paper means a humble attempt in this direction. It addresses the request for continuous exploration by developing a cognitive model of authority. Additionally, it incorporates the demand for interrelation by combining authority with the innovation sub-processes of idea generation and idea validation. Hence, this master thesis’ research question is:

*RQ: How does authority affect the individual behavior in organizations during the process of idea generation and idea validation?*

The complexity of the subject requires a coherent structure. Therefore, I propose some guiding questions (GQ) below, which form the analysis framework of this paper.

**Authority**

1. What constitutes authority relations?
2. Why is there authority in organizational principal-agent relations?
3. How can the organization induce authority relations in individuals?
4. What individual aspects promote the development of authority relations?
5. What different types of authority exist?
6. What effects has authority on individual behavior in organizations?

**Innovation**

7. What constitutes innovation?
8. Which factors influence idea generation and idea validation performance?
1.2. Metaphysical standpoint

Research in social sciences, especially if one targets the abstract topic of authority, requires metaphysical positioning. The title of this paper might lead to the impression that it follows a mere positivistic point of view. Indeed, the model, which I derive in chapter 8, includes positivistic assumptions like the generalization of social interactions.

However, I argue for the opposite. The nature of the paper is intrinsically constructivist, as it is a cognitive model. Following the conceptualization of the Lifeworld by Edmund Husserl (Carr, 1974) and central constructivist claims, research in the social sciences has to engage in a holistic interaction with research subjects (Ebner et al., 2017). Only then can social phenomena be successfully deconstructed and understood. The cognitive model of this paper is a contribution to this research approach. Specifically, it fosters the qualitative-interpretative analysis by identifying central factors in the process of authority of individuals. Moreover, the cognitive model is a reflective research framework that facilitates the understanding of authority.

I further argue that a constructivist approach in the analysis of authority is particularly useful. The subsequent chapters depict the process of authority as occasionally subconscious in individuals. Therefore the analysis of authority requires qualitative scientific methods to reveal its underlying mechanics (e.g., Brown et al., 2010). Furthermore, ones established, authority is often reproduced in social relations and thus remains as subtle and unquestioned paradigms within social interactions (Magee and Galinsky, 2008).

From an ontological perspective, this paper follows the intentional explanation for dynamics in the lifeworld. Accordingly, the real world (or: lifeworld) is merely constituted by the individuals’ subjective intentions and motives (Carr, 1974). As I outline in the subsequent chapters, authority arises within social interactions, which are shaped by individual characteristics.

From an epistemological perspective, this paper’s argumentation includes mostly inductive reasoning (Döring and Bortz, 2016). More precisely, by reviewing specific theories and findings in the literature, I intend to reveal higher-level dynamics, which are incorporated within the cognitive model. Some parts of the analysis, however, include also abductive reasoning. This type of argumentation is used, when assembling contracting findings in the

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1 According to Husserl, individuals conceptualize the world they live in, based by on the experiences they make. Hence Lifeworld, implies as mental state of individual and socially-shared empirism (Carr, 1974).
literature. Here, I analyze the specific arguments by means of comparison for enabling the development of new hypothesis (Döring and Bortz, 2016).

1.3. Limitation

Before starting with the methodology section, I first state some basic limitations of this paper to clarify its scope. In the following chapters, I will occasionally include additional ad-hoc limitations.

Chapter 3 investigates the origins of authority. It thereby argues for an interactive two-party system between a principal and an agent that shapes the development of authority. One party in this framework, the principal, can thereby mean any individual, organization or institution. While this paper investigates the interrelation between the two parties, it does not question the origins of the principal. For instance, it does not include reasoning for the existence of organizations in the first place. The conditions for the establishment of (economic) organization in society has been widely discussed among well-known scholars in organization theory (e.g., Cyert & March 1963), sociology (e.g., Meyer & Rowen 1977) and economics (e.g., Williamson 1975). Even though this discussion is insightful, it is not outlined in this paper, as it is beyond its scope.

Furthermore, while this paper does include individual differences in the analysis (Chapter 9), e.g., perceptions of authority and personal abilities, it disregards the efforts of some recent sub-fields within the research on organizations, e.g., literature on feminism and diversity, due to the need of focusing the analysis on a more generalizable level. Those fields are important for future research, as they are likely to enable new perspectives and thus may enrich the analysis.

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2 For an interesting epistemological discourse on the theory of organization, I recommend to review Shenhav (2007).
2. Methodology

The primary research goal of this master thesis is to develop a cognitive model of authority (MOA) and thereby derive propositions for authoritarian behavior in organizations within idea generation and idea validation tasks. To the best of my knowledge, this constitutes the first attempt to analyze the two subjects mutually. For attaining the research goal, the analysis of this paper requires a precise structure, analysis, and methodology. This is outlined in the following. Chapter 2 comprises three sub-sections: the general structure, the method, and the MOA.

2.1. General structure

One approach for relating formerly independent concepts is a dualistic structure of analysis (e.g., Keum and See, 2017). This structure implies to analyze the concepts as separate phenomena before they are combined in a subsequent step. The benefit of this approach lies in the independent understanding of each concept and thereby, the possibility for deducing concept relevant characteristics.

Following the dualistic approach, the research goal of this paper is divided into three main parts of analysis. The first part studies authority relations and comprises chapter 3 to 8. Chapter 9 and 10 cover innovation processes and constitute the second part of the analysis. The third part includes chapter 11, which interrelates both concepts.

The first two parts are further divided into subsections, by following the guiding questions. Part 1 “Authority relations” is split into four subsections: “Conceptualization,” “Principal,” “Agent” and “MOA.”

The subsection “Conceptualization” develops the general concept of authority (GQ1 – Chapter 3). “Principal” investigates the origins of authority in principal-agent relations (GQ2 – Chapter 4) and identifies authority channels (GQ3 – Chapter 5). The subsection “Agent” assesses individual characteristics to authority (GQ4 – Chapter 6) and differentiates certain types of authority (GQ5 – Chapter 7). The final subsection, “MOA,” derives the final model of authority (GQ6 – Chapter 8).

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3 The motivation for the distinction between “principal” and “agent” is elaborated in Chapter 3. At this point, I already note, that in this paper, I refer to both, the principal and the agent, in the masculine form. Thus, when describing certain properties, I denote them as “his” characteristics. However, I thereby stress, that principal and agent are no inherent masculine properties and are thus also applicable for female forms. I also argue, that a principal can also refer to organizations or institutions.
Part 2 “Innovation” is split into two subsections: “Conceptualization”, “Idea Generation and Idea Validation.” The subsection “Conceptualization” defines innovation and (GQ7 – Chapter 9). “Idea Generation and Idea Validation” focuses on two critical processes during the innovation process (GQ8 – Chapter 10).

Figure 1 visualizes the general structure of this paper, as described above.

2.2. Methods

The dualistic structure of this paper requires to employ slightly different research strategies, for each part.

The method for part 1 “authority relations” is a qualitative heuristic literature analysis. This approach is chosen for four reasons. First, analyzing the literature allows interrelating various theories and empirical findings in the scientific research. Second, a literature analysis can reveal gaps and contradictions (Döring and Bortz, 2016). Third, the complexity of both concepts within the research goal, innovation, and authority, most often demand in-depth studies of the
behavior of individuals, groups, and organizations.\textsuperscript{4} The scope of this paper as a master thesis, however, limits the research effort by time and financial constraints. Thus, large-scale social experiments, which are a common instrument for deriving models in the social sciences, were unavailable. Therefore, this paper develops its foundation by referring to the insights of other researchers. Fourth, the literature analysis allows for certain flexibility to incorporate evidence across scientific disciplines and research fields, where high specialization bears the risk of rigidity (Suddaby et al., 2011). In summary, the literature analysis means an effective way of deriving a theory. The goal of the overall literature analysis is to identify potential answers to the guiding questions, e.g., propositions for the origin of authority.

The analysis within part 2, “innovation,” is based on the review of existing theories and empirical evidence within the literature. Here, the focus lies on examining different frameworks of innovation, which are related to the MOA.

Finally, part 3 constitutes a comparative analysis, based on facilitators of the idea generation and idea validation processes (part 2) and behavioral effects of authority (part 1). Their interrelation enables the construction of research propositions, which are subsequently supported by the findings in the literature.

The following section outlines the literature analysis process, which is central to the development of the MOA in part 1.

\subsection*{2.2.1. Literature Analysis}

The literature analysis consists of the extensive review of existing theories and empirical evidence (Döring and Bortz, 2016). Data for a literature analysis can be generated in several ways: either by consulting experts, who can identify relevant literature based on their previous expertise in the domain or by an extensive search of scientific databases, considering domain-specific keywords (Crossan and Apaydin, 2010). The analysis in this paper follows the second approach.

Thus, the first step of the literature analysis was the development of a list of authority-related search keywords, which were used to identify relevant papers. The platforms employed in the search process comprise the online library search engine of KTH “Primo,” which connects all relevant databases, such as ScienceDirect or Web of Science, and further Google Scholar.

\textsuperscript{4} Chapter 9 and 10 introduces the dynamic model of creativity and innovation in organizations, which is built on a qualitative study of almost 12,000 diary entries of 238 professionals Amabile and Pratt (2016).
Additionally, the review process comprised the traditional library facilities of KTH and TU Berlin. The obtained search results were then filtered for relevant research disciplines, which especially comprise business, economics, sociology, and psychology. Thereby, the literature of organization theory, theory of the firm and organizational creativity, was identified of particular relevance from a contextual perspective. From a methodological perspective, these academic fields often integrate evidence from different social sciences disciplines and thus constitute a more holistic approach to research on organizations (Swedberg, 2007). As outlined earlier, the research was not restricted to one school of thought, but instead explicitly looked across phenomenological and philosophical viewpoints. For instance, neo-institutional, contingency theoretical, postmodern, critical and neoclassical ideas were included in the literature analysis.

The most important papers and theories were identified by evaluating their relevance to the topic, the number of citations and explicit referral in the current research. To ensure a high scientific standard, only those papers were used, that had been published within a peer-review process.

The literature identified by this process was then analyzed based on methods of the qualitative heuristic analysis (Kleining, 1995) and the grounded theory (Strauss and Corbin, 1991). This technique involves an interpretative-analytical examination of the literature within a dialectical process. Within these methods, the researcher engages in a critical dialog with the research and thereby, shall identify underlying reasoning, dynamics, conflicts and ultimately, lead to a critical self-positioning. The guiding questions served as direction and focus for this process. More concretely, the identified papers were investigated by their suggestions for origins and mechanisms of authority. The qualitative-heuristic analysis shall enable the researcher to derive new insights, which support him in developing new theories (Kleining, 1995).

2.2.2. Literature framework

The results of the literature analysis of authority are displayed in a multi-categorical framework, which is attached in the Appendix. This framework summarizes the respective papers by three different categories. These comprise a) level of analysis, b) proposition for the origin of authority, or c) proposition for authority channels and effects. In the following, I comment on these framework categories.
_Level of analysis_ refers to three common target dimensions of scientific research – individual, group/team, and organization (Amabile and Pratt, 2016; Anderson et al., 2014). The analysis results have required to add a fourth dimension to the framework. This additional level is called “environmental,” in accordance with Crossan and Apaydin, 2010.

The categories _proposition for the origin of authority_ and _proposition for authority channels and effects_ summarize the suggestions that were indicated by the papers in the literature analysis. In other words, these categories refer to the papers’ propositions for the origins of authority and authority channels.

At this point, an important comment on the literature framework needs to be considered. As the framework includes different inter- and intra-disciplinary research theories, it also contains conflicting and contradictory views on authority. These differences emerge due to different ontological and epistemological stands. For instance, (most) mainstream sociology research would perceive organizations as a nexus of formal and informal relationships, while (most) mainstream economics research treat firms as hierarchies of a few stylized stakeholders. Hence, the former would primarily use descriptions and interpretations of historical events as research methods, while the latter would use merely models for prediction and explanation (Swedberg, 2000). The framework aggregates all findings for revealing commonalities and differences among the research disciplines.

2.3. Developing a Model of Authority

A primary contribution of this paper is the development of a holistic model of authority. As outlined in Chapter 1, the guiding questions thereby serve as guidance. The strategy for developing the MOA is based on two separate steps.

First, the following chapters 3 to 8 explore every guiding question separately. After the respective analysis parts, each of those chapters ends with a summary of the main findings and a visualization of its conclusions. These visualizations serve as micro-models to the MOA.

Second, the various micro-models are aggregated into a composed, final model. Each chapter thereby serves as a piece in the puzzle to develop the MOA. As outlined, the respective chapters mean an aggregation of findings from different epistemological stances or even scientific disciplines. Therefore, the ability to aggregate the chapter’s micro-models, into a composed final model, implies an auxiliary hypothesis to the analysis. This step bears some risk of
ambiguity. However, it might be necessary when deriving new theories based on a literature analysis (Döring and Bortz, 2016).
PART 1 – The dynamics of authority relations in organizations and their effects on organization members

3. What constitutes authority relations?

The following chapter targets the first guiding question: What constitutes authority relations? This chapter proceeds within two steps of analysis for developing a conceptualization of authority.

First, it introduces authority by outlining different definitions of the concept. This step is helpful to show how broadly authority can be interpreted. Second, this chapter conceptualizes authority by comparing and opposing the exemplified definitions. It thereby analyzes their underlying dynamics and deduces central characteristics of the authority process. Aligning on a conceptual interpretation is necessary, as it ensures the clarity that is needed for the analysis.

Additionally, this chapter distinguishes authority and power – two concepts that are seemingly interrelated. The absence of their clear conceptual separation might be one of the main reasons for ambiguity (Osorio-Kupferblum, 2015).

3.1. Definition of Authority

Currently, authority is still an unclear expression, both, in the scientific and the colloquial context. Its missing clarity stems from the inherence of three distortions: ambiguity, vagueness and the nature as a social construct. Authority is ambiguous, as it is used inter-objectively. Its meaning is dependent on the contextual and the situational circumstance of its usage. For instance, Osorio-Kupferblum (2015) distinguishes three common reference points. Accordingly, authority can either refer to:

- individuals (e.g., to be an authority)
- properties (e.g., to give someone authority)
- characteristics (e.g., authoritarian personality)
- institutions (e.g., tax authority)
Authority is also a vague expression, as individuals have different thresholds for its meaning. For example, to declare someone “an authority in his area,” might be based on different subjective evaluations of authority linked attributes, such as knowledge or experience.\(^5\) Ambiguity and vagueness cause bias in communication relations between sender and receiver. This bias is problematic, as it jeopardizes the effectiveness of communication on the subject. Authority further means a social construct, which exacerbates the conceptual distortion. Thus, individuals create, perceive and interpret authority differently (Shamir and Eilam-Shamir, 2017).

The scientific literature employs different concepts of authority among their disciplines. Some researchers use the term to describe decision rights systems within an organizational structure (Dessein, 2002; Keum and See, 2017; Marino et al., 2010). Decision rights can have various origins; however, predominantly they are referred to by asset ownership or contract allocations (Aghion and Tirole, 1997). This concept of authority is especially dominant within quantitative economic theories, as it allows for operationalization in economic models (e.g., span of control or hierarchy layers).

In contrast, other scholars interpret authority in a micro-political sense (e.g., Pfeffer, 1992). Their research is primarily focused on the psychological components of interpersonal relations (e.g., Altemeyer, 2006).

In the following, I conceptualize authority. Therefore, I suggest three definitions of authority and compare them for identifying commonalities and differences among them. As this paper analyzes authority and innovation from a mere socio-psychological point of view, it focuses on three definitions of authority from literature of this respective stream of thought.

**Definition 1**

“A person S1 has authority if another person S2 voluntarily does something she would not have done otherwise because she believes that S1 would approve of it.”

– Osorio-Kupferblum (2015, p. 227)

\(^5\) For more information on the authority linked attributes, please see Chapter 6.
Definition 2

“[…] one person has interauthority over another if: (i) the first person tells the second what to do, (ii) the second person tends to act in accord with these instructions, and (iii) he often does so against his own beliefs or immediate preferences (which distinguishes authority from advice).” – van den Steen (2010, p. 466)

Definition 3

“Authority or domination (German: Herrschaft) is the probability that certain specific demands will be obeyed by a given number of persons. Discipline is the probability to evoke a conditioned behavior of immediate, automatic and schematic obedience in a given number of persons.” – Weber (1922, p.50); Aguilera and Vadera (2008, p.437)

Commonalities

These three definitions stand representatively for the different perceptions which exist in the literature. While their argumentation expresses minor, but important differences, they also reveal mutual aspects.

First, all definitions distinguish two parties involved in authority relations: someone who grants authority (here, the literature suggests the term “agent”) and another party that vested with this authority (the “principal”). These two independent parties subsequently engage within a dynamic interrelationship (e.g., Presthus, 1960). Thereby, the principal-agent structure is the standard conceptual framework to analyze authority relation (Karakostas and Zizzo, 2016).

Second, the principal enjoys some level of sovereignty, as he tends to set the conditions for the agent’s behavior (“[…] S2 would approve it […]”; “[…] tells the person what to do […]”; “[…] obedience […]”).

Third, the definitions identify the agent as the active part in authority relations, as he is the part, who ultimately invests the principal with authority through his actions. Therefore, authority can neither be an inherent property of the principal, nor can it be a quality ascribed to him by an external person – which is fully conditional to the external person’s judgment. A short example should illustrate this. I assume a person T, who is external to an initial principal-agent relationship R and refers to that principal P as “authoritarian.” Then, according to the

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6 The principal-agent concept is a mayor theory in economics. Despite the contextual similarities between the theory and this paper, I only borrow the expressions, not the implicit theoretical meaning. In this paper a principal can either be an object, an institution or an individual.
definition, T does not comment on R, but rather reveals his own positioning towards P. Thus, authority essentially arises out of the agent’s behavior and depends on his perceptions (Osorio-Kupferblum, 2015). Concluding, authority can be considered a social construct that is created by the agent (Swedberg, 2000). This awareness might be one explanation for the general questioning of traditional authorities in western societies in the recent past (Shamir and Eilam-Shamir, 2017).

Fourth, the definitions exhibit an inherent potential of irrationality in the agent’s behavior in authority relations. The word irrational is used here because the agent is acting against his own beliefs (“[…] would not have done otherwise […]”; “[…]against his own beliefs or immediate preferences”). In Osorio-Kupferblum’s definition, this might be the most obvious. Hence she refers to the principal’s (“S1”) attitude as a reference point for the agent’s behavior (“[…] believes S1 would approve it […]”).

**Differences**

Even though this fourth argument generally reveals an agreement among the definitions, it simultaneously inhibits an important ambiguity, which needs to be clarified. Therefore, at first, the concept of rationality needs to be introduced.

The rational choice theory is a basic neoclassical economic concept that was introduced within the 20th century. Under the assumption of uncertainty and clear preferences, it postulates that individuals behave rationally, if their decisions are strictly utility-optimizing by selecting only those decisions that generate the highest expected values of an outcome (Osborne and Rubinstein, 2006). In the social sciences, this mere analytical conceptualization of rationality has been criticized for its idealization. Consequently, more realistic concepts of “bounded rationality” (Simon, 1959) or “minimum rationality” (Cherniak, 1992) have been introduced. These theories recognize overall biases in human behavior, but attribute human behavior with quasi-rationality.

The concept of rationality allows for depicting two potential propositions about individual behavior under authority. More specifically, an agent who is behaving “against his own beliefs and preferences” can be considered both, minimum-rational and irrational, depending on the theoretical foundation and the agent’s underlying motivation.

An agent’s behavior is minimum-rational if he expects the utility of conforming with the principal to be higher than behaving according to the expected outcomes of his immediate preferences. This argument has been formulated in Knight (1921, p. 67), by noting the adherence to authority as “[…] the rational thing to do is to be irrational […]”.

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However, an agent’s behavior can also be regarded as irrational, if his conformity is based on reasons, that are not strictly optimizing his utility (e.g., through norms, conventions, social expectations) (e.g., March, 1994; Simon, 1959).

The outlined issue of ambiguity concerning an agent’s rationality is omnipresent in many definitions of authority (Presthus, 1960). In the selected definitions above, only Weber (1922) indicates how to solve this puzzle. The author (indirectly) advocates for the irrationality perspective of the agent’s behavior, by defining discipline in the context of authority as “[…] immediate, automated, schematic obedience […].” I argue that behaving rationally in a situation of “immediate, automated, schematic” response, can be expected highly unlikely. Therefore, this master thesis argues that authority has an inherently irrational nature (Pingle, 1997). In other words, the agent’s behavior is influenced by certain biases, which restrict minimum-rational decision-making. This claim is important for the later stages of the analysis.

Another difference between the definitions is their perception of the direction of activity. While van den Steen (2010) and Weber (1922) include the principal’s activity a starting point in authority relations (“[…] the first person tells the other person […]”; “[…] specific demands […]”), Osorio-Kupferblum (2015) concludes that authority arises exclusively out of the agent’s behavior. More specifically, the author concludes the unawareness of the principal:

“Authority consists solely in some people’s response to a person, and that person need never know about it.” - Osorio-Kupferblum (2015, p. 231)

However, in line with the other researchers, Osorio-Kupferblum (2015) also recognizes that the agent’s behavior is frequently influenced or induced by the principal based on manipulations and requests towards his behavior. This influence, however, can only be indirect; meaning there are no concrete demands or orders (Osorio-Kupferblum, 2015). This argument is central to the conceptualization, and should, therefore, be underlined by quoting:

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7 For instance, the literature suggests that self-reflection is one instrument to increase the awareness of one’s own goals. Self-reflection refers to the capacity of an individual to reflect on one’s own behavior and attitudes, in especially thoughts, emotions and actions (Silvia and Phillips, 2013). This however, requires a systematic process and availability of time, resources and planning.

8 From a conceptional perspective, a direct influence would refer to power instead of authority. This argument is described in the following section.
“While people can do a lot to actively shatter their authority, they can do next to nothing to obtain it.” - Osorio-Kupferblum (2015, p. 231)

In the following of this paper, the indirect influence of the principal on the agent is referred to as suggestions. Suggestions thereby can mean any action of the principal that indirectly enables the authority process within the agent. An example should illustrate this claim. For instance, a judge in a courtroom (principal) might be more likely to induce functional authority relations (authority based on expertise)\(^9\) by wearing a judicial robe. However, he cannot control for being vested with authority by a potential spectator.

Based on the analysis above, this paper humbly suggests to expand the conceptualization of Osorio-Kupferblum (2015) and stipulate a definition, which incorporates all characteristics of authority. The definition below is used throughout this paper:

“A person S1 has authority if another person S2 voluntarily […]” and irrationally “[…] does something she would not have done otherwise because she believes that S1 would approve of it.” – Osorio-Kupferblum (2015, p. 227)

Before ending this section authority, I have to comment on the implicit contradiction between voluntarism and irrationality in the definition above. Osorio-Kupferblum (2015) includes “[…] voluntarily […]” within her definition to distinguish it from power and to stress the active part of the agent in authority relations. As voluntarism is also ambiguous, I shall outline its interpretative direction. Thus, voluntarism does not imply to behave “free of choice” or “by best intentions.” This type of voluntary behavior presumes self-awareness of the agent and thus, implies minimum-rationality rather than irrationality. In contrast, voluntarism means the absence of direct external coercion in the behavior of the agent (which otherwise would be “power”).

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\(^9\) The different types of authority are described in detail in chapter 7.
3.2. Definition of Power

Power and authority are often confused because their concepts contain similar aspects and are generally perceived as intertwined. Therefore, it is important to distinguish between them to ensure a precise analysis.  

A widely-cited definition of power in the literature was created within Pfeffer (1992). The author is known for developing a theory of the firm based on power relations:

“Power is the potential ability to influence behavior to change the course of events, to overcome resistance and to get people to do things that they would not otherwise do.”
- Pfeffer (1992, p. 30)

His definition exemplifies the similarity between authority and power. Both concepts incorporate the two-parties approach among an agent and a principal. Furthermore, both concepts include a suggestive influence of the principal to change the agent’s behavior. Additionally, Pfeffer’s definition also indicates the irrationality of the agent’s behavior (“[…] get people to do things that they would not otherwise do […]”).

However, power differs from authority with regards to three aspects: the properties of the principals, the direction of activity and action-attribute. First, while the principal’s authority is dependent on the agent’s behavior, power is performed by the principal. More specifically, power is the ability to bring up the change in the agent’s behavior by the principal himself. In comparison, the change in the agent’s behavior in the concept of authority arises entirely out of the agent attitude and behavior (Osorio-Kupferblum, 2015). Thereby, some scholars argue that power necessarily implies that the principal possesses meaningful mechanisms to execute it, e.g., coercion or withdrawal (e.g., Weber, 1922; Halevy et al., 2011; Marino et al., 2010).

Second, a behavioral influence based on power is necessarily something initiated by the principal. The direction of activity is thus opposite to authority. It seems reasonable to distinguish active-induced behavior (power – initiated by the principal) and passive-induced behavior (authority – initiated by the agent).

Third, the principal can be in a position of power, even without exercising it. In comparison, authority only arises out of the agent’s activity (Osorio-Kupferblum, 2015). For instance, referring back to the courtroom example, the judge has certain juristical rights, which are

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10 As this paper investigates authority, it is beyond the scope of this paper to analyze power in all its depths. A good overview is provided by Ellis and Dick (2000).
unconditional to the agent's activity. He thus is in a position of power, but not necessarily enjoys authority. This argument is supported by the critique on the essentialist school of thought, which regards authority as a possession of the principal (e.g., Lukes, 2005; Ellis and Dick, 2000). The publishing of the early works of Michael Foucault marks a turning point in this perception (Foucault, 1980, 1982). Since then contemporary research analyzes power as being embedded into social practices (Knights and McCabe, 1999).

The literature further distinguishes different sources for the principal’s power. Specifically, the research distinguishes legitimate power, reward power, coercive power, expert power, referent power, elected power, and resource power (Ellis and Dick, 2000). Pfeffer (1992) analyzes different mechanisms on how an individual can get into a position of power. The author thereby suggests they either a) provide resources, b) cope with uncertainty, c) become irreplaceable, or d) are central in the communication network. When individuals are in a position of organizational power, Morgan (1986) proposes four ways on how they can affect organizational decision processes. These comprise the control of a) decision, b) premises (topics of interest), c) processes, or d) issues (information presentation).

3.3. Summary

The goal of this chapter was to define authority and investigate the mechanics of the authority process. It has thereby found an answer to the GD 1 – “What constitutes authority relations?”. This section summarizes the main findings:

- Authority arises within principal-agent-relations.11
- Authority is created within the agent’s actions, who vests the principal with authority.
- Opposed to the direct influence of the principal on the agent in the concept of power, he has only an indirect impact in the concept of authority. Thus, he can, at maximum, influence the agent with suggestions.
- The agent’s behavior under authority is irrational, as he acts against his own will.

The findings of this chapter serve as a conceptualization of authority relations. As the principal-agent set-up is a common approach in the research, this paper uses it as a basic scheme

11 As a reminder, the concept of a principal implies a social construct derived by the agent. In this paper a principal can therefore include individuals (e.g. the manager), organizational institutions (e.g. social norms) or other effects, that induce authority relations.
for the MOA. Concluding, Figure 2 visualizes the basic structure of the MOA and guides the direction for the following analysis.

Figure 2: Basic Structure of the MOA (Source: own illustration)
4. Why is there authority in organizational principal-agent relations?

This chapter investigates answers to the second guiding question – the origins of authority in principal-agent relations.

The existence of authority has been addressed by multiple research disciplines, such as sociology, philosophy, psychology, and economics. Therefore, the general social sciences literature is abundant in different conceptualizations and viewpoints. Some of them were developed by contrasting it from existing ones; other theories were created by integrating several theories into meta-studies (e.g., Damanpour and Aravind, 2012). Despite epistemological differences, most theories on authority are built on the same, underlying assumption: the pluralist view of social systems (Ellis and Dick, 2000). This assumption implies that social systems are constituted by diverging groups with contradicting intentions and different beliefs. In the pluralist view, conflict is seen as a source of social learning, based on the integration of contradicting foundations.

This master thesis investigates the authority process in one particular social system – organizations. Organizations consist of different individuals who engage in work-related specialization for achieving mutual goals (Sorge, 2002). They arise in various legal types such as economic corporations, political organizations or charities, and thus mean an omnipresent phenomenon in contemporary societies (Fiti Sinclair, 2017). While the analysis of this master thesis focuses on the corporate forms of organizations, its implications might not be limited to this legal type.

The importance of authority in organizations has been realized by famous scholars such as Knight, 1921; Coase, 1937; Simon, 1959; Arrow, 1974; March, 1994; Aghion and Tirole, 1997; van den Steen, 2010; and Williamson, 2015. This chapter aggregates their prominent ideas on the origins of authority, into four research stances, as found in the literature analysis. The four stances comprise effective management, ownership, divergent intentions and institutions.

4.1. Effective Management requires coordination and control

The first stance on the origin of authority in organizations is based on basic assumptions. The consists of the existence of uncertainty, scarce resources and bounded rationality of human

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12 Due to the matter of scope, I only refer to a selection of literature findings in this chapter. These shall illustrate the idea of the respective research stance. Additional findings are shown in the literature framework displayed in the appendix.
behavior, which constrain the pursuit of organizational goals. Thus, the management of an organization requires measures of coordination, structure, and control for effectively guiding economic direction. Multiple theorists have included this idea in their research. Below, I provide some research examples, which should illustrate this stance.

In his famous theory of firms, Knight (1921) concludes that organizations generally originate from uncertainty. Because events are not forecastable, economic life needs to follow “responsible direction” (Knight, 1921; p. 271). This implies the need for effective control systems with clear responsibilities. According to the author, authority thus arises within managerial needs to ensure the pursuit of organizational goals. The paper further concludes an inherent trade-off in organizations between the equality of its members and organizational efficiency.

Coase (1937) follows Knight’s conclusions of uncertainty in the economic life. However, instead of Knight’s argument, that organizations exist, because of explicit control mechanisms, the author concludes organizations arise due to long-term contracts. Long-term contracts are efficient solutions because they avoid organizational cost for (short-term) transactions on markets. However, under the assumption of uncertainty, long-term events cannot be forecasted accurately. Thus, long-term contracts necessarily remain unspecific in nature to maintain flexibility. Therefore, organizational contracts follow the principle of generalized obedience. According to Coase (1937), authority is inherent within organizations, because they need to ensure effective operation in the event of uncertainty.

According to Barnard and Andrews (2002), which has been published first in 1938, authority arises out of the need for management systems which administrate the division of labor and increased specialization. Bounded Rationality and biased communication require the need for organizational control through hierarchical reporting systems.

Weber (1922) includes organizational authority as an important part of its study of capitalistic bureaucracies. The author argues that it arises within the organization's positions and roles. Individuals who are in a position of authority, have special warrants for supervising the behavior of other organization members. They can enforce them by organizational sanction and reward rights. Weber (1922) further concludes that organizational supervision is a multi-level phenomenon, meaning that every individual with authority is also supervised by another instance of the organization (e.g., the CEO supervises the top management). Ultimately, this process of iterative supervision leads to the evolution of a hierarchy of authority.
Merton (1940) develops a formal model, which suggests a change process of an organization member’s character when working in organizational structures. The model is based on the demand for control by the organization’s management. The author argues that control is a necessary condition for reliable forecasting and planning. In Merton’s model, this initial condition, ultimately leads to the rigidity of individual behavior, because a) the members of an organization internalize organizational rules and norms, b) their search processes are hampered by organizational culture and c) social relationships become objectified and are decreased. Concluding, Merton (1940) regards authority relations as caused by the need for organizational control. A similar model, which is also based on the control condition is developed within Gouldner (1964).\textsuperscript{13}

4.2. Ownership implies sovereign property rights

The second stance of the origin of authority in organizations focusses on ownership. It is based on the idea that ownership over an asset inhibits particular ownership-rights.\textsuperscript{14} Authority thus originates in the rights that asset owners enforce on non-asset-owners. This school of thought is mostly known, as the property rights theory of the firm (e.g., Rajan and Zingales, 1997). Below, I provide some research examples, which should illustrate this stance.

According to Hart and Holmstrom (2008), organizations aggregate assets, which are used by individuals for skill specialization. The authors argue that in an economy without organizations, individuals would not specialize, because specialization means a risk of lock-in. With organizations in place, skill specialization is encouraged due to contracts. However, individuals are dependent on the access to the organization’s assets for the process of specialization. The organization as the owner of those assets can thus enforce credible threats of withdrawal to organization member. Thus, Hart and Holstrom (2008) conclude organizational authority arises within the control over assets.

In accordance with this perception of authority in the property rights literature, Dessein (2002) further indicates that centralization of authority in an organization is only optimal when the management has the knowledge or the capability to check the agent's behavior.

\textsuperscript{13} Both models are representative for a certain type of analysis, which is occasionally referred to bureaucracy-analysis. They are generally accused for drawing a too pessimistic image of organizations Türk (2000).

\textsuperscript{14} Assets can be both – tangible (e.g., inventory) and intangible (e.g., expert knowledge).
The model in Aghion and Tirole (1997) is based on the distinction between formal and real authority. Formal authority arises within the ownership of decision rights, while real authority is based on the ownership of superior knowledge or information. The authors then investigate when it is optimal for a principal to delegate his authority to the agent (especially concerning information gathering). They thereby find two circumstances – first, when the agent has personal incentives, and second, when the principal has only restricted knowledge. Both authority types, in Aghion and Tirole (1997) are thus based on the ownership-stance on the origin of authority.

Adorno (1954) and other scholars of the critical theory analyze authority as a broad social phenomenon. Essentially, these scholars develop a theory of society in the capitalist world, based on the Marxist claim about the ownership of capital and assets. Within their research, authority arises out of the alienation of the individual in capitalistic production processes. Due to inherent specialization, the individual is not able to realize the complexity of the overall production process. His work is hence, objectified by the asset owner and underlies relations of authority and power.

4.3. Divergent intentions create micro-politics

The third stance on the origin of authority within organizations is based on the assumption that multiple intentions exist among the members of an organization. The organizations is thus constituted by micropolitical advances of its members, who try to enforce their subjective intentions. Thereby, they create relations of authority and power. In the following, I provide some research examples, which should illustrate this stance.

According to the famous sociological analysis of Selznick (1949), informal structures for decision-making and information are central to organizations. The author builds his analysis on the question of how organizations create legitimation in the broader society. He argues that organizations adapt to general norms of society to find external legitimation. Within the organization, the organization further establishes informal structures, which establish legitimation among its members. In the later analysis stages of Selznick (1949), authority arises as a consequence of the organization member’s desire for the pursuit of personal intentions within these informal structures.

Simon (1949) includes organizational authority by arguing that individuals initially join organizations because of subjective intentions and the provision of benefits by the organization
- e.g., through wages (Starbuck, 2007). The author concludes that when an individual joins an organization, he accepts the organizational goals as guidance for his role-related behavior. Accordingly, Simon (1949) concludes that organizational authority arises in this relation of group and individual intentions. This idea has been developed further in the behavioral theory of the firm (Cyert and March, 2006). Therein, an organization comprises various subgroups (or “coalitions”), who pursue divergent goals. The authors argue that authority arises within the organization's control processes to align the different group intentions for stabilizing the pursuit of the overall organizational goals (Cyert and March, 2006).

Presthus (1962) analyzes the sociological impact of bureaucratic corporations on individuals and the society. The author builds his theory on the general motivation of individuals to strive after security. Thereby, they mitigate situations of conflict and fear by submission to conformity and authority. Based on this assumption, Presthus (1962) identifies three typologies for individual behavior in organizations: "upward-mobiles," "indifferents," and "ambivalents." These typologies are not necessarily dependent on the character of an individual, but rather are produced by the bureaucratic system itself (Ellis and Dick, 2000). The author points to the motivation of “upward-mobiles,” who aspire personal power and status as an end in itself, as the primary source of organizational authority.

Micro-political intentions are also identified as central for the dynamics of organizations in Ortmann et al. (2017). This paper investigates decision-making processes in several cross-industry case-studies. The authors identify the transformation of an ambiguous situation (“contingency”) into clarity as an important stage in organizational decisions. In theory, in this stage managers analyze the status-quo and structure its complexity into seemingly rational measures. In reality, however, the authors found that micro-political intentions are the main driver in organizational decision-making. Within the analysis, Ortmann et al. (2017) find that an organization’s technological, structural and economic contingency largely influences the decision-making frame for inherent organizational micro-politics.

Finally, Pfeffer (1992) identifies micro-politics as a core feature of every organization. The author argues, that organizations are not collections of isolated individuals, but rather are social settings, where individuals with different intentions and emotions interact. Furthermore, he stresses that the contingent environment of organizations is too complex to allow for objective decision-making. This scenario facilitates the advocacy for individual intentions. Concluding, Pfeffer (1992) argues that members use the organizational contingency to create mechanisms of authority and power.
4.4. Organizational institutions influence individual behavior

The fourth stance on the origin of authority in organizations is based on institutions. Institutions are defined by North (2009) as socially constructed policies and restrictions of social interactions, which are mirrored in explicit values, implicit behavioral norms, and sanctions. This stance in the literature regards organizations primarily as social networks. Those networks create institutions which frame of social activity in the organization. Thereby, institutions create authority relations by influencing the behavior of organization members. In the following, I provide some research examples, which should illustrate this stance.

Powell and DiMaggio (2008) conceptualize institutions as social patterns, which are taken for granted in the society and are therefore continuously reproduced. Based on this perspective, the authors analyze how organizations have established their dominant position in contemporary societies. They theorize that organizations initially establish their legitimation by adapting to social norms, which are not necessary for the organization's operation but are perceived necessary in the organization's environment. After organizations became legitimized, they develop an environment of other “self-made” institutions, which shape the perception of organizational roles. Individuals, who are being placed in such a role, adapt their behavior according to the institutionalized perceptions of the role. Powell and DiMaggio (2008) supports the developed theory, by conducting social experiments, which underlined their theory. Finally, Powell and DiMaggio (2008) conclude that authority relations appear because of institutionalized perceptions. This idea is central to a whole school of thought, which scholars refer to as institutionalism, or more recently neo-institutionalism (e.g., Scott and Meyer, 1994; Scott, 2003).

While analyzing a creative architecture office, Brown et al. (2010) found authority to be rooted in the idealized identity of their profession. The authors argue that ex-ante dominant imaginaries, provided by senior members of the organization are adapted by junior members. This process of institutionalization creates an environment of “silent (informal) hierarchies,” which is found likely to nourish authority relations.

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15 Organizational norms and sanction systems are more intensively reviewed in Chapter 5.
16 Furthermore, the authors argue that those individuals interpret a role-dependent action as impersonal and schematic.
4.5. Summary

The goal of this chapter has been to explore the origins of authority in organizations and thereby answer the second guiding question: Why is there authority in organizational principal-agent relations? In the following, this section summarizes the chapter’s main findings.

The origin of authority in organizations can generally be traced back to four different stances in the literature:

- **Stance 1**: Effective Management (under the assumption of uncertainty, scarce resources and bounded rationality), requires means of coordination and organizational control
- **Stance 2**: Ownership over assets or expert knowledge, allows for special property rights, which establishes intra-organizational sovereignty
- **Stance 3**: Organization members create an environment of micro-politics for the pursuit of their personal (potentially divergent) intentions
- **Stance 4**: Organizational institutions (e.g., group norms) influence the behavior of individuals by providing institutionalized perceptions

Clustering the literature within these stances helps to identify common foundations on the origin of authority in organizations. Figure 3 visualizes the chapter’s findings.

Figure 3: Four stances on the origin of authority in organizations (Source: own illustration)
5. How can the organization induce authority relations in individuals?

Chapter 3.1 has concluded that the agent ultimately takes the active part in authority relations by vesting the principal with authority. The principal, however, has an indirect stake in authority relations as he can induce the agent’s authority by suggestions. For understanding the dynamics of authority, it is crucial to investigate how the principal’s suggestions are transmitted to the agent. In other words, through which organizational channels (or: authority channels) does the agent perceive suggestions. This question is analyzed within the following chapter.

For identifying potential authority channels, the literature analysis focuses on how an organization influences its members. In total, I have identified four main authority channels. These comprise organizational culture, organizational structure, organizational contracts and organizational operations. These authority channels are investigated in this chapter.

5.1. Authority induced by organizational culture

The first authority channel is found in the organization’s culture. It is defined by Schein (1985, p.9) as “[…] a pattern of basic assumptions – invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration.” Thereby, it is worth considering, that organizational culture is socially constructed by the agent, as he is an integral part of it (Shamir and Eilam-Shamir, 2017). Organizational culture transmits authority to the agent in various forms. For instance, these comprise such as norms, values, beliefs, and institutions. In the following, I provide some research examples, which should illustrate this authority channel.

The origin of corporate culture is widely discussed in the literature. Some researchers stress the importance of the organization’s founder(s), who shape the initial organizational values and beliefs. In more mature phases, organizational culture is subsequently transformed and modified by new members (Trice and Beyer, 1991). When growing larger and thus, more complex, organizational culture can also vary across departments (Tushman and O'Reilly, 1991).

The identified authority channels are broadly supported by Simon (1949). The author argues that organizations can influence individual behavior by five mechanisms: division of work, standardization, hierarchies, steering information and organizational socialization. Furthermore, firms generally enable authority by setting the organizational goals and defining the roles and its duties.
This can lead to the creation of organizational subcultures (Ellis and Dick, 2000; Moch and Bartunek, 1990).

Schein (1985) localizes organizational culture on three levels. The first level contains organizational artifacts, such as observable structures, processes, and traditions. The second level comprises organizational values and norms. The third level is constituted in (unconscious) cognitions, attitudes, emotions or perceptions. According to the author, these levels guide the behavior of organization members (Ellis and Dick, 2000).\textsuperscript{18}

Various researchers have developed Schein’s work further. In their research, they have created the concept of a psychological contract between the organization and the individual (e.g., Gibbons and Henderson, 2013). This contract is of a rather cognitive, informal nature. It enables authority by including bilateral expectations for behavior (Martinez et al., 2015).

Other theorists argue that in an organization, internal factors of heredity and external factors of the greater environment are the main influencers on individual behavior (Ellis and Dick, 2000). The institutionalist school of thought addresses this idea, by arguing that organizational institutions frame social activity and thereby, constrain individual behavior (North, 2009). This argument is illustrated by Aghion and Tirole (1997). The authors have hypothesized that communication within centralized organizations, depends on the agent’s attitude towards the principal, which is likely to be influenced by organizational culture. Thus, if the agent trusts the principal, his communication behavior is different, than if he anticipates rejection – e.g., by being overruled.

Feldman (1988) develops the idea of an influential relationship of organizational culture on individual behavior into greater, meta-theories of society. The author views organizations as a set of meanings, e.g., norms, values, plans or ideas. This set of meanings is constituted within the organization’s sociology and its history. The author claims that organization members use them to “make sense out of the flow of actions and events they experience” (Feldman, 1988; p.57). He thus argues for an influential relationship between organizational and individual goals.

Riesman et al. (1950) recognizes organizational influence in the broader dynamics of the society. The author argues that environmental factors, such as an increased concentration of the population, has increased the importance of interpersonal relations in a society (“other-

\textsuperscript{18} Based on the three-level-framework, Schein (1985) further suggests six dimensions for analyzing organizational culture. The six dimensions consist of: the organization’s relationship to the environment; the nature of human activity; the nature of reality and truth; the nature of human nature; the nature of human relationships; homogeneity versus diversity Ellis and Dick (2000).
directedness”). As a consequence, individuals have developed a general need for social orientation. Based on this assumption, Riesmann et al. (1950) concludes a general behavioral pattern. The authors argue that individuals have cultivated conformity to superiors and peer groups, based on a desire for social acceptance and orientation. They term this development “the rise of the organization man.” The “organization man” ultimately prefers social acceptance over economic accomplishment. Furthermore, they stress, that organizations as part of the society, have shaped this development.

Presthus (1960) incorporates some of these claims in its theory. The author argues that members generally accept organizational culture in the form of group judgments and beliefs. They do so because members seek the satisfaction of being in the majority and receive the group’s approval. Organization members adapt their behavior thus.

The following sections reflect three, more specific authority channels in the general corporate culture: organizational norms, organizational communication, and managerial traits.

5.1.1. Authority induced by organizational norms

Organizational norms take a particular part in the first authority channel. They are likely to have a distinct influence on individual behavior and therefore, mean an important authority channel. Following Tushman and O'Reilly (1998, p. 92) organizational norms can be defined as

“[…] the shared and strongly held social expectations about appropriate attitudes and behaviors, such that compliance with the norm is seen as right and appropriate and noncompliance is punished.”

When defining organizational norms, Feldman (1985) even goes one step further and describes them as rigid codes, which induce a general drive of conformity in the organization. In the following, I provide some research examples, which should illustrate this authority channel.

According to Ellis and Dick (2000), organizational norms arise as a byproduct of a group’s tasks. They develop within the non-formal objectives or goals of the group. Norms thereby serve as a code of conduct, which serves five functions. These comprise, a) determines group members and non-members, b) specify internal regulations, c) manifest the group’s attitudes or
beliefs, d) define acceptable and unacceptable behavior, and e) reduce uncertainty, as they shape predictable behavior (Ellis and Dick, 2000).

Feldman (1985) sees organizational norms as expressions for the obedience shown to the organization’s authority. The author identifies three typical response scheme of individuals towards norms. These includes a) acceptance based on conscious suppression of individual interests, b) acceptance based on unconscious distortions, and c) secret rejection (Feldman, 1985). In a related paper, the author recognizes that norms are vital for the organization’s survival because they facilitate the stability of a social system (Feldman, 2003). Finally, he theorizes that the most efficient way of ensuring conformist behavior in organization members is a general norm of obedience. This first norm implies an internalization of conformity (Feldman, 2003). A similar idea is developed in Karakostas and Zizzo (2016). The authors found that organizations create general norms of compliance, which remain independent of other external impacts.

Effective norms require a strong culture of organization members, who value norms strongly and thus continuously enforce them (Tushman and O'Reilly, 1998). Tushman and O'Reilly (1998) views norms as one mechanism of social control. The authors argue that social control systems assume the possibility of anticipating of events, legitimized top-down authority, and sufficient extrinsic rewards to induce desired behavior (Tushman and O'Reilly, 1998). Only when these assumptions are met, the organization’s leaders can use norms, as a normative control system to effectively guide the organization member’s behavior (Brown et al., 2010).

Ellis and Dick (2000) argues that norms are especially relevant for corporations. Workgroups are more likely to generate rigid codes of conduct than free forming groups, due to their formal nature. Rigid codes of conduct create a need for conformity among the group members, which can jeopardize the organization’s goals (Ellis and Dick, 2000). The authors argue, that group norms enable conformity in individual behavior, primarily because of the human motivation to seek approval.19 Another motivator comprises the fear of rejection or punishment of defiance. Experimental research has supported this claim. For instance, (Packer 2012) finds that people with divergent opinions tend to be liked less among group members and receive a greater deal of attention.

Finally, social norms are considered to be part of an individual’s stored knowledge about descriptive or injunctive patterns of behavior (Packer 2012). This might imply, that the

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19 Other researchers, refer to this motivator as “normative influence” Packer (2012).
effectiveness of norms is dependent on individual characteristics, which is further discussed in Chapter 6.

5.1.2. Authority induced by communication

Organizational communication is an important property of the first authority channel – organizational culture. Communication serves as a transit scheme of the principal’s suggestions towards the agent, which comprises the forms of formulation, interpretation, and the complexity of language. These aspects bear the risk to transform messages into suggestions. In doing so, they induce authoritarian behavior.

The transformation idea, explained above, is central to communication research. Furthermore, it has been included in socio-economic theories, e.g., the proponents of the behavioral theory of the firm. According to March and Simon (1987), authority is executed within communication and legitimization mechanisms. This thought is also found in Brown et al. (2010). The authors argue that language is a key medium of executing authority and power relations.

Despite the importance of organizational communication as an authority channel, this chapter can only briefly elaborate on the matter, due to the scope of this master thesis.

5.1.3. Authority induced by managerial traits

Managerial traits are another component of the first authority channel – organizational culture. They are defined by Marino et al. (2010) as patterned, social exchange relationships between principal and agent. Managerial traits mean an authority channel because they influence how agents perceive principals. In other words, the leadership style of, e.g., a manager is likely to affect authority in the agent. Thereby, it is obvious, that different managerial styles are likely to enable different types of authority. For instance, more liberal exchange relationships between the principal and the agent are likely to induce charismatic authority relations.\(^{20}\)

\(^{20}\) Different types of authority are explored in Chapter 7. I especially exclude individual-specific characteristics in the analysis, as the focus are generalizable patterns.
Economist and psychologist argue that organizational members, which are higher in the organizational hierarchy (for simplicity, I refer to them as “leaders”) have different managerial traits. For instance, one difference constitutes the empathy in social relationships or the desire to accumulate influence and power in the organization (e.g., Pfeffer, 1992). Marino et al. (2010) shows, that leaders, with higher levels of empathy are more likely to delegate responsibilities among organization members. The authors find two potential explanations. First, empathetic leaders intent to avoid the risk that their orders are disobeyed. Second, they dislike the execution of sanction mechanisms. Nevertheless, the authors find that highly empathetic and equally low-empathetic leaders are among those, who are more likely to experience disobedience (Marino et al., 2010). Concluding, authority is thus likely to be influenced by managerial traits.

5.2. Authority induced by organizational structure

In addition to organizational culture, the literature analysis has identified another authority channel. This second central authority channel is the structure of an organization. It can be seen as formal reporting systems, the process of organizing of responsibilities, and the circulation of information within the organization (Buchanan and Huczynski, 2017). Another perception of organizational structure refers to the arrangement of organizational roles within a network of relationships (Keum and See, 2017).

Organizational structure is an authority channel because it fosters the creation of principal-agent relationships. More specifically, the structure of an organization endorses a hierarchy of authority and enforces it by sanctions and rewards mechanisms. In other words, the locus of an agent in the organizational structures is likely to influence, whom he perceives as principals. Furthermore, the position of the agent in the organization’s network largely defines his information and knowledge relations.

This section focuses on two central authority channels as part of the organizational structure. These comprise hierarchies and sanctions and rewards mechanism and are explored in the following sections.

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21 For instance, I assume the agent as a marketing team lead and the principal as the head of the marketing department.
5.2.1. Authority induced by hierarchies

In contemporary organizations, organizational structure most often develops a hierarchical or vertical form. A hierarchical form implies a sequential layer of formal authority and ranks (e.g., Reitzig and Maciejovsky, 2015). In this regard, hierarchy of authority refers to the level of oversight, associated with an organizational position (Jansen, 2006; Keum and See, 2017). Magee and Galinsky (2008, p.354) define hierarchies as “[…] implicit or explicit rank order of individual or groups with respect to a valued social dimension.”

Hierarchies are important to the analysis of authority because they are the dominant architectural schemes in historical and current organizations (Halevy et al., 2011). Hierarchical structures can generally be found in both, human and non-human forms of organization, across all times and cultures and hence are a common phenomenon in social relations (e.g., Halevy et al., 2011; Gruenfeld and Tiedens, 2010). In the following, I provide some research findings, which should illustrate this authority channel.

Halevy et al. (2011) performs an extensive analysis of hierarchies. The authors conclude that “[…] hierarchies shape the direction and magnitude of influence and control in groups” (p. 33). Halvey et al. (2011) finds that hierarchies have a self-reinforcing nature, despite efforts for an increased egalitarianism. Schwartz (1992) may provide an explanation for this phenomenon. The author points to certain natural human urges for explaining the persistence of hierarchies in organizations. These urges comprise the need for power and achievement, or the urge for certainty, control, and predictability (e.g., Fromm, 2016; Whitson and Galinsky, 2008). Hierarchies are argued to address these natural human urges by providing extrinsic rewards, a clear structure of organizing (e.g., reporting lines) and authority spheres (Halevy et al., 2011). Authority within hierarchies stems from differences of power (asymmetry over resources), status (asymmetries in respect) and participation (contribution to group tasks) (Halevy et al., 2011).

Another stream of research builds on the guiding-effect of organizational norms. Those determine appropriate behavior in the organization (March, 1994; Weber et al., 2004). Hierarchies thereby serve as a reference system for organization members. Authority relations in hierarchies arise within “tacit coordination by offering psychologically prominent and stable solutions to shared problems” (Halevy et al., 2011, p. 38).

The studies of the sociologist Max Weber maintains another reason for hierarchies as authority channels. According to Weber (1922), organizational authority arises within the
organization's positions and roles. Individuals, who are in a position of authority, have special warrants to steer or supervise another individual’s behavior. These warrants are enforced by sanction and rewards rights, defined within the organization. Supervision in the organization is not limited to lower classification of roles, but rather constitutes a multi-level phenomenon, which results in a hierarchy of authority (Weber, 1922).

Additionally, according to Presthus (1962), authority arises of the pursuit of power, control, and prestige by organization members. Organizations create hierarchies to manifest individual power and aspiration and establish rewards systems to ensure loyalty and conformity. Some organization members (“upward mobiles”) desire to be promoted within the hierarchies, however, they usually face a limited amount of vacancies. Therefore, upward mobiles engage in destructive behavior towards the organization, other organization members or even themselves (for instance, by blaming others). Ellis and Dick (2000) argues that while engaging in this conflict, they are unlikely to question neither the nature of the hierarchy nor the organizational set-up.

This idea is also dominant in Pfeffer (1992). The author argues that hierarchy, as a measure of progress, is the most important vehicle for exercising (formal) authority. He further notes that the group’s organization is dependent on the nature of the group’s tasks. He argues that groups with routine tasks will reorganize themselves to a hierarchically structured shape, while groups with non-routine tasks evolve to interrelated “all channel networks” (Pfeffer, 1992).

Ultimately, the authoritarian influence of hierarchies is studied in Baker et al. (1999). The authors argue that “authority is the defining feature of hierarchy” (Baker et al. 1999, p. 56). Their argument focuses on the vertical organization of decision rights in an organization. Baker et al. (1999) remarks that decision rights are aggregated up to the top of the hierarchy, which thus constitutes the residual of overall formal authority in an organization.

The effect of a hierarchical arrangement on organizational performance has also been addressed by empirical research designs. The contemporary research is especially interested in the effects of hierarchical organization, on behavior and performance of individuals and groups (e.g., Cantimur et al., 2016). For instance, Greer et al. (2018) have performed a meta-analysis on 83 studies, which investigate hierarchy of authority on the group level. The authors found that a hierarchal organization has a negative effect on the effectiveness of a group. The authors explain their findings by arguing that despite the functional effects of a hierarchical organization – e.g., enhanced coordination and control, it nourishes group conflict.
5.2.2. Authority induced by sanctions and rewards systems

A sanctions and rewards system is a key element to most organizations. It induces authority because it yields the effect of power (Ellis and Dick, 2000). Different sanctions and rewards systems allow to enforce compliance and punish unfavorable behavior within the organization.

As outlined in the definition, Chapter 3.1, rewards and sanctions mean rather an instrument of power than authority, as they are direct mechanisms to enforce orders and commands. However, this section suggests to include them, because organization members are likely aware of them. Knowing about the principal’s abilities to enforce commands, can create adaptive behavior of the agent and thus enable authority relations (Tushman and O'Reilly, 1998). Some researchers conclude that the overall effectiveness of control systems is based on the awareness of individuals to be monitored (e.g., Foucault, 1982) and the possibility that sanctions will be employed (Shamir and Eilam-Shamir, 2017). Therefore, in the following, I provide some research findings which should illustrate this authority channel.

The width of sanctions is found to persist in different levels. The most basic sanctions include the means of hiring and firing (Arrow, 1974; Marino et al., 2010). Disobedience can only be punished if threats towards removing someone from the organization are credible. An organization member, who does not fear to leave the organization, is not expected to develop relations of authority (Marino et al., 2010). Hiring and firing is a common analysis target and is thus also found in other studies (e.g., Baker et al., 2002; Levin, 2003; or van den Steen, 2010).

Besides this basic threat, organizations further incorporate a second sanctions and rewards mechanism. This refers to the provision of monetary incentives, which can be used to motivate obedience. The principal thus has another instrument to enforce commands or to provoke conformity (Marino et al., 2010).

The third mechanism of sanctions is suggested by Simon (1949). The author argues that one way of legitimizing authority comprises social sanctions. The organization creates norms and expectation for evaluating individual behavior, within institutionalized role expectations. An individual, who fails to behave according to the prespecified role, is likely to face social disapproval (Marino et al., 2010).
5.3. Authority induced by organizational contracts

The third central channel for inducing authority comprises organizational contracts. It does so by enabling prespecified behavior adoption. In other words, when an organization member signs a formal contract, he tends to internalize the content into his actions.

One particular type of organizational contract is of a specific focus in this chapter – the employment contract. Most often it facilitates the transition from an external individual to a member of the organization. In the following, I provide some research findings which should illustrate this authority channel.

March and Simon (1987) investigate under which circumstances do organizations and individuals sign an employment contract. Concerning the organization, the authors argue that it accepts the contract if it controls for those actions of the individual, that are not predictable, optimal for the organization or offer compensation for the imposed activities. In the subsequent analysis, the authors argue that authority relations arise because of the unspecified nature of the contract.

This argument for authority has also been made within Parsons and White (1960). The authors identify the employment contract as an institutionalized mechanism of authority. The employment contract prevents role conflicts, because it contracts for ex-post defined behavior. Furthermore, the employment contract enables institutionalized decision making. The author stresses that the decision-making authority is however limited to the contract itself and further tied to the greater scope of social conventions and legislation. Therefore, Wernerfelt (1997) acknowledges that the agent’s authority towards the principal also depends on informal relational contracts (see also van den Steen, 2010).

Marino et al. (2010) views the hiring process as a tool to ensure organizational control. The authors argue that organizations ensure that vacancies with decision authority are filled with those people, whose preferences correlate with the organizational interest. The hiring process, therefore, serves as an enabler for uniform mindsets among the organization’s leaders.

Arrow (1974) argues that the level of authority of the employment contract is constrained by the freedom of how easily the organization member can leave the organization. The latter depends on the individual profile and (job) market conditions (Marino et al., 2010). For instance, if a manager can easily find a new position in another organization, he is likely to value the authority of the work contract less.
5.4. Authority induced by organizational operations

The fourth central channel of authority comprises organizational operations. These can induce authority by imposing organizational standards and routines. Standards and routines serve as a reference point for organization members. They thus influence the organization member’s behavior. When organizational routines and standards become institutionalized, they basically function similar to organizational norms (see Chapter 5.1.). While norms focus on the social dimension of inducing behavior, routines and standards have a mere functional dimension. In the following, I provide some research findings which should illustrate this authority channel.

Pfeffer (1992) argues that operational methods in the form of routines and standards become institutionalized within two ways. First, new organization members mimic incumbent members and second, unconventional behavior is sanctioned by the principal. This can be exemplified by a salesman, who uses the same sales strategies as his co-workers. If he uses unusual sales strategies, he is likely to be confronted by his co-workers for his unconventional methods. In his theory, Pfeffer (1992) refers to Zucker (1977), which studies the transmission of an arbitrary micro-culture. Zucker (1977) shows that for understanding a system, new organization members develop compliant behavior towards institutionalized acts.

5.5. Summary

The goal of this chapter was to analyze, which organizational channels can be theorized to induce authority relations. In the following, this section summarizes the main findings.

The principal has an indirect stake in the authority process as he is likely to induce authority relations by his suggestions. Organizational authority channels are based on this suggestive influence of the principal on the agent. These channels comprise:

- Organizational culture, especially norms, communication and leadership and managerial traits
- Organizational structure, especially hierarchies and sanction & reward systems
- Organizational contracts
- Organizational operations

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Figure 4 visualizes the findings on authority channels. It is used, when setting up the MOA.

Figure 4: Organizational Authority Channels (Source: own illustration)
6. What individual characteristics promote authority relations?

This chapter is part of the second instance of the MOA— the agent properties. As I have outlined in chapter 3, authority is an action that is taken by the agent, who vests the principal with authority. The principal thereby can only make suggestions, which influence the agent, but do not necessarily result in authority relations. In the antecedence of this chapter, Chapter 4 has outlined the origins of authority in organizations and chapter 5 has identified different channels on how authority relations can be induced in the organizational context. However, suggestions within the authority channels need to be recognized, interpreted and perceived by the agent to influence his behavior effectually (Packer, 2012). This process is investigated within the following. It addresses guiding question 4: What individual characteristics promote authority relations?

The central argument of this chapter states that there are four characteristics of the agent, which impact the authority process. These comprise personality traits, mental abilities, beliefs, and attitudes. Authority thus varies across individuals. Because organization-wide elements, such as management decisions, might be perceived differently among individuals within the organization, this paper suggests to includes them as another element in the MOA (Amabile et al., 1996).

Limitation

The topic on the various cognitive, sociological and psychological mechanisms that result in authoritarian behavior, can fill whole libraries by itself. It is beyond the scope of this paper (and arguably scientific models, as simplifications of the real world, in general) to consider the whole complexity of human behavior. Therefore, the analysis primarily focuses on a niche in the social sciences research, which covers the main aspects of the guiding question – the nature of the authoritarian personality. In especially, it elaborates on certain beliefs and attitudes, which are found likely, to promote authoritarian behavior. Research in this field has been largely addressed by Bob Altemeyer, who has investigated authoritarian behavior for decades and serves as a key source in this chapter and for personality theory in general.

Despite this limitation, however, this section briefly comments on other individual-specific factors, which are likely to influence the agent’s perceived authority – personality traits and mental abilities. Thereby, I mainly refer to the research of Michael Ashton as the main reference. The author has identified certain factors that are influencing human behavior and thus, have to be considered when developing the MOA.
6.1. Personality traits and mental abilities as an influence for authoritarian behavior

Recent developments in the study of personality have led to a renewed interest in the origins of different perceptions and attitudes among individuals. The literature of personality theory segments the personality of an individual according to four psychological characteristics: personality traits, mental abilities, beliefs and attitudes and sexuality (Ashton, 2018b). Personality traits can be defined as “[…] differences among individuals in a typical tendency to behave, think, or feel in some conceptually related ways, across a variety of relevant situations and across some fairly long period of time” (Ashton, 2018b, p. 29).

Personality traits thus refer to common behavioral tendencies of individuals. In the past, this argument has induced a broad discussion in the academic research. Different proponents have thereby debated, whether human behavior indeed follows certain patterns, which would allow concluding a concept of personality, or if it is mainly dependent on the contingency of situations. However, empirical findings have revealed consistent behavioral differences among people, when observing large longitudinal samples across different situations (Ashton, 2018b). Therefore, personality traits mean an important factor to include in the agent’s authority model.

Another important difference between individuals are mental abilities. Broadly, they can be defined as the maximum cognitive capacity for solving thinking-related tasks (Ashton, 2018a). Researchers have found different domain mental abilities, e.g., verbal comprehension, memory, perceptual speed, or reasoning. The research has thereby stressed the task-dependent nature of mental abilities. For instance, some individuals may well be able to perform verbal cognitive tasks better than algorithmic tasks. However, researchers have also found a significant correlation between intra-individual domain abilities among the different tasks. They, therefore, conclude the existence of a general mental ability capability within individuals (in colloquial terms this is referred to as intelligence) (Ashton, 2018a). Because individual differences among mental abilities have been found to influence human perceptions, they are also likely to influence authoritarian behavior in the agent. Specifically, they might explain differences in the absorption of suggestions by the agent.
6.2. Beliefs and attitudes as an influence for authoritarian behavior

A key determining influence for the agent's authority process comprises individual beliefs and attitudes. One type of belief is thereby of specific interest for this paper: Authoritarianism. In the following, this section presents some evidence on this subject.

Research on authoritarian behavior has become especially relevant since the end of the second world war. Early scholars aspired to understand and explain the circumstances, which have resulted in this global catastrophe. Therefore, many famous researchers have devoted their time to study authoritarian followership and social domination. Some prominent scholars include Stanley Milgram, Theodor Adorno, Max Horkheimer, Else Frenkel-Brunswik, Daniel Levinson or Nevitt Sanford. Their research has resulted in widely cited sociological insights, for instance, the authoritarian personality theory (Adorno et al., 1993) or the theory of conformism (Milgram, 1974).

Bob Altemeyer has based his research on the findings of the early authoritarian research. Today, he is mainly known for the creation and development of the Right-Wing-Authority scale (RWA-scale) (Altemeyer, 1981, 1988, 1998, 2006). This scale aims to provide a numerical indicator of individual attitudes to authority. The RWA scale is based on a survey method, based on a Likert scale. It thereby requests the individuals to indicate his agreement or disagreement on a scale from -4 to +4 on 22 statements. The answers are then aggregated and developed into an RWA score. This score is used for psychological experiments and other fields of scientific research, which studies human behavior. Furthermore, the RWA score shall predict individual behavior by conducting likeness estimations.

The RWA scale has found to be superior and more robust than other scales of authoritarian behavior (e.g., the F-Scale (Adorno et al., 1993)) and is therefore currently widely used in psychological experiments of human behavior (Feldman, 2003). For instance, based on the RWA scale, Feldman (2003) has developed a general theory of conventionalism. The author defines the individual determination on a scale between the desire for autonomy and conformity to societal norms of behavior (Feldman, 2003).

22 Altemeyer has focused his research on Right Wing Authoritarianism in America. He has chosen the term Right Wing, as these personalities are rather traditional and conservative in nature. Nevertheless, the RWA Scale is also appropriate when predicting Left-Wing Authoritarianism, it thus serves as a general instrument on Authoritarian behavior (Altemeyer 2006).
Altemeyer generally sees authoritarianism as a cluster of social attitudes, which is shaped and learned in social interactions with peer groups and experiences with the conflicting views of conventionalism and curiosity (Feldman, 2003). He bases authoritarian behavior on three general dimensions: authoritarian submission, authoritarian aggression and authoritarian conventionalism (Altemeyer, 1981). Altemeyer has identified three common psychological traits, which are especially dominant for authoritarian followers (Altemeyer, 2006).

1. A high degree of submission to the established, legitimate authorities in their society
2. A High level of aggression in the name of their authorities
3. A High level of conventionalism

Individuals, who score high on the RWA scale show a distinct pattern in their mindsets. In the following, this section names some few propositions to indicate the nature of his findings. For instance, High RWAs view crimes severer than other people do and believe in the beneficial effects of sanctioning (Altemeyer, 2006). Also, authoritarians are generally more likely to feel endangered in a potential threatening situation (Altemeyer, 2006). Furthermore, high RWAs are more likely to believe, that that the society, as a whole, should have to follow norms and customs, which are suggested by authorities (Altemeyer, 2006). Authoritarian followers value “being normal” higher than others, while revealing high levels of ego-centrism (Altemeyer, 2006).

When exploring the origins of authoritarianism, Altemeyer refers to two explanations on the roots of authoritarian behavior – psychological explanations and personal explanations. The former is based on the Bandura Social Learning Theory of Aggression (Bandura, 1978). This theory proposes a two-stage process for the release of aggressive (and likewise submissive) behavior. At first, an external influence triggers hostility. Secondly, social constraints to violence are decreased (Bandura, 1978). Altemeyer finds High RWAs more likely for aggression for two reasons. Regarding the first stage, he finds that High RWA’s are generally more likely to be afraid than other people are. This general fear results in a higher number of potential threats to their conventionalism (especially directed against minorities) and further, a higher overall threat-receptiveness. Regarding the second stage, Altemeyer finds that high RWAs tend to show higher levels of self-righteousness than other people do.

23 For more examples of authoritarian mindsets, I recommend reviewing the contemporary research of Altemeyer.
Personal explanations for authoritarian behavior are found within a lack of experience of events, which are likely to lower related authoritarianism. For instance, Altemeyer names generally critical disputes, encounter with minorities, or years spent in higher education (Altemeyer, 2006).

Altemeyer’s insights are helpful to better understand the origin of authoritarian behavior in the agent. While authoritarian research has firstly focused on authoritarian followers, later scholars have shifted their attention towards the principals, denoted as social dominators. Even though this is an insightful field of research, it is beyond the scope of this paper, as it tries to model for authority in the agent (e.g., Guimond et al., 2013; Pratto et al., 1994).

6.3. Summary

This chapter has analyzed individual aspects of the agent, which promote authority relations. In the following, this section summarizes the chapter’s main findings.

- Individual differences in humans can be composed of different personalities, mental abilities, beliefs and attitudes
- Authoritarianism is a special belief system, which is favorable for authority relations
- Authoritarianism comprises a high degree of submission to the established, legitimate authorities in their society; a high level of aggression in the name of their authorities; and a high level of conventionalism

Figure 5 visualizes the findings of the chapter and is used in the MOA.
Figure 5: Individual Characteristics of Authority (Source: own illustration)
7. What different types of authority exist?

Chapter 3 has defined the concept of authority and outlined how it is used for the analysis in this paper. Authority, however, is not a uniform phenomenon and is therefore often clustered into different categories in the research. These categories are based on the reasons why an agent vests a principal with authority. In the following, this chapter describes different conceptualizations for authority, to provide a better understanding of the authority mechanism. Furthermore, the categorization is central to the MOA.

7.1. Weber’s categorization of authority

Research of authority in the organizational context has been initiated by Max Weber. Even in contemporary research, his influence is still apparent. Weber (1922) argues that authority has three different bases. Concretely, the author distinguishes legal-rational authority, charismatic authority and traditional authority.

Legal-rational authority is based on the belief of the legitimacy of the system of rules or impersonal order (e.g., the constitution). Authoritarian obedience is thus not dependent on the entitled person, but rather his position in the system (e.g., as a president). Concluding legal-rational authority is based on a rational evaluation of (technical) competencies and qualifications. Thus, organizational hierarchies represent differences in knowledge and expertise. Within the analysis on bureaucracies in Weber (1922), this type of authority might the purest form of the impersonal, rationalized, rigid, routinized of organization (Aguilera and Vadera, 2008).

Charismatic authority is opposite to legal-rationalized authority. Where in legal-rational authority, the office is at the center, charismatic authority focusses on the individual. The agent does not admire the position of the principal, but rather personal traits or his character (Weber, 1922). The recognition of the principal’s characteristics is thereby highly subjective to the agent’s perception, character, and attitude. In charismatic authority, the agent expresses personal devotion to the principal, which is based on his enthusiasm, aspirations or despair. The emotional attachment of the agent to the principal can appear to (neutral) observers as voluntary affection (Aguilera and Vadera, 2008).

Traditional authority arises from the idea of the validity and sanctity of traditions. This type of authority is independent of the office and the personality of the principal. Principals are vested with authority by following the traditions or ritualizing customs and thereby forming
new traditions. Traditions are especially important during the founding phase of an organization, as the organization’s founding team largely influences the organizational culture (Aguilera and Vadera, 2008). According to Weber (1922), traditional authority is especially dominant in patrimonial organizations, such as clans.

7.2. Other categorizations of authority

Despite its theoretical importance for the study of organizations, Weber’s theoretical analysis was criticized for theorizing idealized conceptions (Aguilera and Vadera, 2008). Furthermore, even though Weber includes formal characteristics of bureaucracy into his study, he neglects informal customs occurring in reality (Blau, 1968; Stinchcombe, 1959). Additionally, Weber’s conceptualization of rational-legal authority was claimed to connect two different types of authority. The critique argues for separating bureaucratic authority and professional authority (e.g., Sofsky and Paris, 1991). Whereas professional authority roots in the superiority of (technical) knowledge, bureaucratic authority does not require functional expertise but arises solely out of the position in the hierarchy. Furthermore, bureaucratic authority is based on enforced compliance and discipline; professional authority arises in itself (Blau, 1968; Gouldner, 1964).

The dominance of the Weberian categorization of authority is best shown within the other authority clustering of other researchers, for instance in Sofsky and Paris (1991). In line with Weber and the critique on Weber, as argued above, the authors offer four different categorizations of authority, which are relatively proximate to Weber (1922). The authors distinguish formal authority (“Amtsauthorität”), professional authority (“Sachauthorität”), functional authority (“Funktionsauthorität”) and charismatic authority.

Another simplified categorization is offered by Hartmann (1964). According to the author, authority can be categorized into only two distinct categories: formal authority (“Amtsauthorität”) and functional authority (“Berufsauthorität”). The former refers to the means of structure and coordination, while the second refers to knowledge and expertise in an area. Functional authority is limited to the impersonal rules systems of an organization and can be questioned by superior argumentation. It thus needs to be established on a rolling basis.

Osorio-Kupferblum (2015) distinguishes three categories of authority – personal authority acquired authority and bestowed authority. The first concept refers to individual characteristics of the principal and is thus similar to charismatic authority in the Weberian categories. Acquired authority is based on expertise or knowledge. This knowledge must not necessarily be directly
expressed, nor must it be particularly proven. Instead, acquired authority can also be based on mere assumptions of the agent. However, acquiring expertise is not a sufficient condition, nor is it necessary for obtaining acquired authority (Osorio-Kupferblum, 2015). Bestowed authority is similar to the described concept of formal authority. This type of authority is dependent on a specific position, which is likely to induce authority relations because the principal’s decisions are of subjective importance to the agent (e.g., teacher, judge). This temporarily rather recent categorization of authority again underlines the dominance of the Weberian influence in the field.

The different categorizations must not be thought of as sharp clusters of authority but should instead be seen as intertwined associations of the agent. A principal can be vested with different types of authority at the same time, while none of these are directly dependent on each other. However, under certain conditions, they are likely to covariate. For instance, professional authority is likely to enable charismatic authority (e.g., the concept of a mentor in management functions). Furthermore, some authority categorizations might be “weaker” as others, if not being supported by the other types. For instance, bestowed authority of a teacher (principal), might disappear when a pupil (agent) is graduating. However, if the teacher is also vested with charismatic authority by the agent, his sovereign position is likely to persist longer (Osorio-Kupferblum, 2015).

Authority cannot be imposed by the principal, but only arise within the acceptance of the agent. Therefore, one step in the authority process is legitimation (Presthus, 1960). Legitimation refers to the acceptance of the induced authority. From an agent perspective, authority, which is seen as legitimate, is rarely realized as an external influence, but rather an intrinsically validated process (Presthus, 1960). Authority thereby has four different bases of legitimation: technical expertise, formal role, rapport (e.g., interpersonal skill or the general work climate) and generalized deference to authority. These authority bases are interrelated and therefore, can appear mutually in some situations (Presthus, 1960).

7.3. Summary

This chapter has investigated different types of authority. In the following, this section summarizes the chapters main findings.
According to the literature analysis, the agent vests the principal with authority based on four categories:

- formal authority, which is based on the position within the hierarchy
- professional authority, which is based on superior knowledge
- functional authority, which is based on specific organizational duties
- charismatic authority, which is based on admired character traits
- The different categorizations of authority can appear mutually and are thus interrelated

Figure 6 visualizes the findings of the chapter and is used in the MOA.

Figure 6: Four types of Authority (Source: own illustration)
8. Developing a Model of Authority (MOA)

The analysis of the various guiding questions within the preceding chapters 3 to 7 has revealed various insights on authority relations. The following chapter aggregates these chapters findings into one holistic model of authority. As outlined in chapter 3, the principal-agent-approach serves as a basic structure to the model. All other visualizations of the respective chapters are included as core elements to the MOA. Figure 7 shows the final model. Even though the model is visualized in a quasi-sequential order, the process of authority is rather non-linear and follows potential iterations. The visualization of the MOA serves the matter for structure and convenience of explanation.

This chapter has two functions. First, it connects the findings of the various chapter of Part 1. Additionally, it explains the dynamics of the model. The remarks on the model’s dynamics follow the respective order of the grey circles, as visualized in Figure 7. Second, it derives three implications of the impact of authority on the behavior of organization members. Those implications comprise submission, external focus, and conventionalism. This analysis addresses guiding question 6: “What effects has authority on individual behavior in organizations?".
Figure 7: Model of Authority (MOA) (Source: own illustration)
8.1. Dynamics in the MOA

The MOA is a connection between the findings of this work’s chapters. It is clustered in four central areas – origins of authority, channels of authority, types of authority and individual characteristics. Those areas have been intensively elaborated in chapters 3 to 7. I therefore, refer to the chapters for further explanation. In the following, I describe the dynamics between the areas. These are represented as the grey circles in figure 7. For the reader’s guidance, I comment on the numbered parts of figure 7, in descending order.

Circle 1

Chapter 4 has identified four stances in the literature on the origins of authority in organizations. To understand the process of authority, I shall explain the transition from the origins of authority into the organizational channels of authority (chapter 5). This process follows a basic pattern. First, one of the reasons of authority arises within the principal. Second, the principal engages within an organizational authority channel to induce an influence an authority based relation.

An example should illustrate this process. Therefore, I refer back to the hypothetical situation of the judge in the courtroom, introduced in Chapter 3. The performance of a judge in a trial is likely to depend on a processual structure. To ensure the stability of the trial process, the judge is equipped with power, that is found within its direct mechanisms of enforcement (e.g., by sanctioning through fines). However, as outlined throughout this paper, authority arises within the agent. Thus, another way of ensuring the formalities of the trial process means to induce an authority relation by addressing certain channels of authority. For instance, the judge can dress in a formal-traditional way, use the elaborated language of the juristically system or engage within certain rituals (people stand up when the judge enters the courtroom, the judge’s chair is positioned highest). This example will be continued in the description of the subsequent dynamics.

As outlined above, the need for stability of the trial process serves as an origin of authority (requirements for management), and the authority measures he has at hand refer to the authority channels (organizational culture).

24 The question, whether the judge uses these suggestions, intentionally or simply out of contingence shall not be addressed in this paper.
The second step refers to the suggestions of the principal towards the agent. In this step, the principal engages in one channel of authority to evoke in the agent authoritarian behavior. As outlined these suggestions are strictly indirect and can at maximum influence the agent. The latter remains the active part in this process, as opposed to a situation of power. The suggestions of the principal are then received by the agent, depending on his individual characteristics. Chapter 6 has outlined the respective factors, which are likely to influence, if and how the agent perceives these suggestions.

Following the example of the judge, the suggestions are exemplified by the symbolic measures. They are, however, not a necessary, nor a sufficient condition, for inducing authority relations. If an agent does not recognize the authoritarian potential within the measures, he is unlikely to vest the principal with authority. The process of recognition is emphasized by the agent’s individual characteristics. These determine whether the agent is developing authority at all. For instance, assuming the judge approaches a lawyer (agent), who was raised and educated in merely authoritarian manner, according to the analysis of chapter 6, his personality should be expected more likely to recognize these suggestions and develop an authoritarian behavioral response, compared to another person, who was raised in a more egalitarian way and hence does not adapt to the suggestions.

As outlined above, the authoritarian measures refer to authority channels and the recognition abilities point at individual characteristics.

If the agent has recognized and perceived the authoritarian inducement, another step follows – the agent interprets the principal’s inducement and develops an authoritarian response. As outlined in Chapter 7, this process is based on the four different types of authority.25

Furthermore, there are two additional sub-steps involved in this dynamics. The first one includes legitimation. Thereby, the suggestions of the principals are checked for consistency and coherence by the agent. Secondly, an ad-hoc process of evaluation of the suggestion with dominant individual values can be expected. Even though chapter 3.1 argues for the absence of a conscious, rational assessment, some core values of the agent might still be responsive and thus restrict the effectiveness of the principal’s suggestions.

25 Like the previous step, the development of authoritarian response is a highly subjective process.
Following the example of the judge as a principal, a potential agent – the lawyer, has recognized the suggestions according to his individual characteristics. Subsequently, he develops formal authority, based on his subjective interpretation of identifying the judge’s position as authoritarian. As outlined in the definition of authority (chapter 3) this response is likely to be based on unconscious processes, which tends to include aspects of irrationality.

**Circle 4**

At this step, the agent is likely to engage in the authority relation. Concluding, he vests the principal with one (or more) types of authority. Ultimately, this is the determining step, which creates the position of the principal in the first place.

Following the example of the judge, the lawyer empowers the judge with authority and shapes his behavior along with the principal’s suggestions.

**Circle 5**

The last step means the final step in the analysis of authority and the MOA. After understanding, origins, motivations, channels, and types, the last section of this chapter derives propositions on the effect of authority on the behavior of individuals. These are explored in the next section 8.2.

8.2. What effects has authority on individual behavior in organizations?

This chapter investigates the effects of authority on the agent. I assume that the authority is legitimized by the agent, as outlined in chapter 7. To deduce propositions for the effects of authority, I outline some few findings in the literature.

On this matter the literature analysis, however, has revealed an unexpected gap. Despite the efforts of the academic research to investigate the nature of authoritarian behavior – Why are some people more amenable to authority? (e.g., Altemeyer, 1988, 1998), the mechanics of submission or rebellion – Why do people obey to authority? (e.g., Presthus, 1960), or the moral justifications for behavior under the effect of authority – How do people retrospectively view their behavior (e.g., Bandura, 1991, 1999), I find it surprising, that so far, to the best of my knowledge, the research has missed naming central effects of authority on individual behavior. One potential reason might be the ambiguity between power and authority and the general heterogeneity of the research field, as outlined in chapter 3. Therefore, building on some general
findings in the literature, this master thesis suggests three dominant, psychological effects of authority on the agent’s behavior – submission, the shift from an internal to an external focus, and an increased tendency for conventionalism. I elaborate these in the following.

Submission
Karakostas and Zizzo (2016, p. 68) defines compliance to authority as “[…] the willingness to permit one’s behavior to be determined by the experimenter.” Behavior under authority implies the pressure to obey. As the individual is oppressing himself to conform with the principal’s views, he is suppressing his own actions, interests, feelings, or opinions (Feldman, 1985; Packer, 2012). This argumentation is supported by the findings of chapter 6, which outlines the submission to legitimate authorities in authoritarian behavior (e.g., Milgram, 1974). Simon (1976, p. 125) further describes authority by noting that the agent sets himself “[…] a general rule which permits the communicated decision of another to guide his own choices without deliberation on his own part on the expedience of those premises.” In other words, the agent is replacing his motives with external ones of the principal.

External focus
Furthermore, behavior under authority implies an external focus as an instrument of benchmarking the agent’s behavior. The famous experiments on group interaction within Lippitt and White (1952) illustrate this argument. The authors found that group members under authority tend to behave in an approval-seeking manner towards the principal. Furthermore, agents thereby, shift their attention from internal coherence to conformity with the suggestions of the principal (Presthus, 1960). This argument is supported by the finding of chapter 6, which outlines the sovereign position of authorities to the agent. As explained, the agent views them as a reference points for his beliefs and action. The agent thereby produces an “agentic state” of reduced individualism, as he transfers the responsibility for his behavior to the principal (Fraser and Burchell, 2001).

Conventionalism
Authority relations are likely to enforce conformity in individual behavior based on its potential for normative influence. Conformity then implies the adaption of injunctive and descriptive group norms. Injunctive norms are mental constructs or conceptions, held among group members on idealized behavior, attitudes or beliefs. Descriptive norms are modal behavioral patterns of actual behavior, attitudes or beliefs (Packer, 2012). These group norms
guide individual behavior towards the ubiquitous group conventions. These dynamics are also found within Altemeyer (1988). The author finds higher tendencies of conservatism, conventionalism, and dogmatism as central to authoritarian behavior.

The three effects, described above, serve as a basic effect scheme of authority on individual behavior. Furthermore, they play an important role, during the final chapter, when relating authority and innovation. For the reader's convenience, an illustration should exemplify the effects of authority.

In this example, the principal is a social norm of “using mobile phones in meetings is rude.” The agent is a key account manager (the agent) who desires to use his for mobile phone for making an urgent call. I now assume that his behavior is influenced by all the authority conditions (approval, irrationality, etc.) as stated in Chapter 3. When the agent vests the norm with authority, he internalizes the norm and behaves in a conforming manner. In other words, the manager refuses to use his phone, because of the direct influence of the norm. Accordingly, the three effects of authority become effective. First, regarding submission, the manager suppresses his own desires (using the mobile phone) by conforming to the norm. Second, regarding external focus, he shifts his focus from his own interests (using the mobile phone) towards external motives (using mobile phones is rude). Third, regarding conventionalism, he conforms with the normative aspect of the norms authority (using mobile phones is rude).

It is worth noting that the effects of authority, are somewhat omnipresent in authoritarian behavior, as described in Chapter 6. Submission, external focus, and conventionalism are reflected within obedience to authorities, authoritarian aggression and conventionalism.
PART 2 – Facilitators of idea generation and idea selection in organizational innovation

9. What constitutes innovation?

This chapter introduces the second cornerstone of this master thesis – innovation. To increase the understanding of the organizational innovation process, it presents some basic principles of the research on innovations. In the following, this chapter describes the broad field of innovation research to narrow down the scope. Thereby, I will occasionally indicate focus points, which limit and thus sharpen the analysis. A focus area thereby is the process view of innovation, which serves as a central approach during the final analysis of this paper. Another focus area are multi-level theories of innovation.

9.1. Definition of Innovation

The subject of innovation has received dense attention across multiple research disciplines. It is especially dominant in the social sciences disciplines of economics, management or sociology, and in the natural sciences discipline of engineering.26

An early conceptualization of innovation has been established by Schumpeter in the late 1930’s. According to the author, innovation is manifested in novel outputs (Schumpeter, 1934). The research most often refers to Schumpeter as an early scholar in the field, even though some related concepts – e.g., technological change, are older (Crossan and Apaydin, 2010; Stoneman, 1998). Since then innovation research has developed significantly, while the emergence of computation and digitalization technologies have fostered the density of innovation research within the previous thirty years (Anderson et al., 2004; Crossan and Apaydin, 2010).27

Because innovation is used inter-disciplinary, there are different definitions of innovation (Barbieri and Álvares, 2016; Crossan and Apaydin, 2010; Damanpour and Aravind, 2012). Researchers often describe innovation by distinguishing it from invention. For instance,

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26 As the landscape of innovation research is too broad to be entirely captured in this paper; the subsequent section focuses on the most relevant research streams to this paper.
27 Scholars, like Crossan and Apaydin (2010) or Damanpour and Aravind (2012) provide an insightful multidimensional overview of the recent developments of innovation research and empirical evidence. The authors offer various categorizations, definitions and clustering of innovation.
Audretsch (2011) refers to invention, as the creation of new knowledge and to innovation, as the application and diffusion of that knowledge (see also Anderson et al., 2004; West and Farr, 1996). Other researchers neglect this separation within their definitions. For example, Crossan and Apaydin (2010) defines innovation as the production or adoption, assimilation, and exploitation of a value-added novelty (see also: López Lira Arjona, 2012). Furthermore, those researchers that investigate innovation from the perspective of individual creativity, only refer to the implementation of new knowledge or creative ideas into the organization, as the innovation process (Amabile and Pratt, 2016; Shalley and Zhou, 2008; West, 2002; West and Farr, 1996). The differences in the attempts to define innovation above are representative of the many conceptualizations existing in the research. Innovation thus reveals some level of ambiguity. In the ocean of definitions in the innovation research, this chapter employs a definition by Anderson et al. (2014), which follows the last presented approach of a conceptualization. The author's definition of innovation is specifically useful, as it separates idea generation and idea implementation stages, and further incorporates a useful multi-level perspective. Furthermore, the definition separates creativity from innovation.

“Creativity and innovation at work are the processes, outcomes, and products of attempts to develop and introduce new and improved ways of doing things. The creativity stage of this process refers to idea generation, and innovation refers to the subsequent stage of implementing ideas toward better procedures, practices, or products. Creativity and innovation can occur at the level of the individual, work team, organization, or at more than one of these levels combined but will invariably result in identifiable benefits at one or more of these levels of analysis.” - Anderson et al. (2014, p. 1298)

As outlined above, scholars have generally conceptualized innovation differently. Two research streams are thereby the most prominent – first, innovation as products or outcomes and second, innovation as processes. More recently, innovation has been further associated with business models (Anderson and King, 1993; Crossan and Apaydin, 2010; West, 2001). Both main perceptions of the concepts have induced a separate stream of research. These are outlined in the following for providing a general understanding.

First, research on the product or outcome perspective of innovation investigates structures, contexts, processes, and conditions under which innovation occurs (Damanpour and Aravind, 2012). In this regard, innovation implies the capture of an opportunity. It is argued to contribute to the organization’s operational performance and ultimately, benefit the organization's survival.
(Damanpour and Aravind, 2012). Research in the product/outcome-view of innovation targets questions on what or what kind of innovations evolve (Crossan and Apaydin, 2010). Another prominent distinction in this regard focuses on the level of analysis. Here the research distinguishes different categorizations: such as individual-, firm-, group-, industry-, national- or global innovation (Crossan and Apaydin, 2010).

Second, innovation research from a process perspective analyses sequential patterns of decisions and actions in the behavior of individuals and social systems (Damanpour and Aravind, 2012). Innovation is thereby regarded as a multi-phased process (Keum and See, 2017). Research in the process-view of innovation shall answer how innovations occur. The innovation process usually consists of different components, which are found on a variety of analysis levels. To capture the level implications of innovation, theoretical frameworks that employ a multi-level analysis are specifically relevant for the analysis of this paper (Anderson et al., 2004). A prominent approach is to distinguish the stages of generation/search, evaluation, selection, and adoption/implementation of an idea in the innovation process (e.g., Amabile, 1988; Amabile et al., 1996; Shalley and Zhou, 2008; Keum and See, 2017). However, thereby some researchers further separate the idea-generation and implementation processes and only refer to the latter as innovation (e.g., Amabile, 1988; Amabile et al., 1996; Amabile and Pratt, 2016).

**Focus Point**

As this paper analyses the influence of authoritarian behavior within specific tasks of the innovation process, the subject necessarily needs to be regarded from a process perspective. Therefore, the following analysis explicitly focuses on process theories of innovation.

A limitation mostly comes with a cost. Some researchers have criticized models, which are based on the process-view of innovation, for their stylized nature. According to them, models of innovation are mostly based on theoretical considerations, rather than on empirically validated evidence (King and Anderson, 2002). Despite the criticism, other researchers have considered the sequential models as valuable, because they allow for investigating different heuristics within sub-processes of innovations and identify potential dysfunctional effects of innovation on multiple levels of the organization (Anderson and Gasteiger, 2007). Furthermore, differentiating process stages helps to gain insights on differences of individual behavior and decision making (Keum and See, 2017).
9.2. Innovation as a Process

Research in the process-view of innovation has a long tradition, due to its assumed importance for economic growth and technological improvement (e.g., Stockmeyer, 2001). However, different research attempts have resulted in a fragmented field literature. Here, Crossan and Apaydin (2010) provides a good idea of the heterogeneity of innovation research. The authors have performed a systematic literature review of more than 10,000 papers written on innovation. The authors have identified six dimensions of innovation research from the process perspective. These comprise a) driver (e.g. available resources or knowledge), b) level (e.g. individual or group), c) source (e.g. ideation or adaption), d) locus (e.g. firm or network), e) direction (e.g. top-down or bottom-up), and f) nature (e.g. tacit or explicit) (Crossan and Apaydin, 2010). The six dimensions reveal the width of combination possibilities when conducting innovation research. The nature of the research subject might require to develop novel research approaches to satisfy the dynamic characteristic of innovation (Wiles et al., 2013). This might be one explanation for the fragmentation of the field. Finally, the divergence in the research approaches is also reflected in the inconsistency of the empirical findings (Gavetti et al., 2007; Jansen et al., 2006; Knudsen and Levinthal, 2007; Reitzig and Maciejovsky, 2015).

Focus point

The research situation, as described above, requires prioritization and the focus on adequate theories to the research object. Therefore, this paper focuses on two aspects of the innovation process research, which are most relevant to the MOA.

First, authority in the final model includes multi-level elements (e.g., organization – authority channels; individual – agent characteristics). Therefore, those theories of innovation that incorporate an integrative level approach are particularly useful. Second, the output factor of the MOA (authority) aggregates the multi-level elements to an outcome on the individual level and likewise suggests individual habitual effects (Submission, External Focus, and Conventionalism). Thus, individual components within multi-level theories of innovation are of specific interest.

Despite this (necessary) limitation, I want to stress that in general research should not be exclusively restricted to multi-level theories of innovation. Instead, other views on innovation can serve as an instrument to enhance the model proposed by this paper and thereby enable new insights.
9.3. Multi-level-theories of innovation

Multi-level theories analyze the process of innovation by reflecting on the interconnectedness of individual, group and organizational factors. This integrative approach has been relatively scarce in the literature (Amabile and Pratt, 2016; Anderson et al., 2014). A multi-level theory of creativity has been suggested by Gupta and Banerjee (2016). The authors model the creative output of the innovation process on the individual, group and organization level. Furthermore, Liu et al. (2011) has analyzed the multi-level influence of autonomy on work-related creativity. The authors found that harmonious passion is a mediator to autonomy support on the team and individual level (Anderson et al., 2014). Pirola-Merlo and Mann (2004) has investigated the effect of team climate on individual creativity. The authors found that organizational encouragement and innovation support structures have a significant positive influence.

Amabile and Pratt (2016) has lately contributed to the field of innovation research with an updated version of the componential model of creativity and innovation in organizations from 1988 (Amabile, 1988). The latter, componential model of innovation, has been widely used across research disciplines and thereby has established itself as a standard approach to model corporate innovation (Amabile and Pratt, 2016). The strength of the componential model lies in the integration of the individual creativity process and the organizational innovation process. The updated model of 2016, namely the dynamic componential model has added new elements and interrelations to the basic model. For instance, the individual process of creativity was extended by intrinsic motivators, such as meaningfulness of work and general work-related progress. Despite these updates, the basic structure of the model has changed only little. In the following, its basic structure and mechanics are introduced.

Amabile and Pratt (2016) bases the paper’s analysis on the assumption that innovation and creativity are part of the same underlying process within organizations. The authors distinguish creativity as the “production of novel and useful ideas by an individual or small team working together” (Amabile and Pratt, 2016, p. 2) and innovation, as the “successful implementation of creative ideas in organizations” (Amabile and Pratt, 2016, p. 2). Furthermore, the authors conceptualize creativity as an input factor in the process of innovation. This assumption is the central component of their model as it allows to develop two separate processes – one of

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28 At the time of writing this paper, it was cited more than 6000 times
individual creativity and one of organizational innovation. These processes are subsequently integrated via a contextual link (Amabile and Pratt, 2016).

The process of creativity comprises the five stages of a) task presentation, b) preparation, c) idea generation, d) idea validation, and e) an outcome assessment. Despite some minor conceptual differences, this process is relatively consistent compared with other models of creativity (e.g., Damanpour and Aravind, 2012; Levine and Gilbert, 1998). Likewise, the process of innovation also contains five stages a) agenda setting, b) stage setting, c) production of ideas, d) testing and implementation, and e) outcome assessment. Thereby, the output of the process of creativity directly contributes to the third stage of the innovation process – c) production of ideas.

Despite the clear structural conceptualization of the model, researchers have realized the nature of innovation as messy, reiterative and progressive (Anderson et al., 2014). The creators of the dynamic model themselves realize the idealized nature of the depicted process. Specifically, they conclude that in the innovation and creativity process “many variations of these sequences are possible because creativity is often an improvisational process requiring frequent shifts in response to new information and changing conditions” (Amabile & Pratt 2016, p. 164 – see also Fisher and Amabile, 2008). Therefore, all stages in the dynamic componential model are interconnected and include loops and iterations (Amabile and Pratt, 2016). Figure 8 visualizes the dynamic componential model in a simplified style.29

29 Please refer to Amabile and Pratt (2016, p. 165), to review the complete model in all depths. As outlined, figure 8 focusses on the individual-level aspects of the model, which are relevant for the analysis of this paper.
Focus point

The following analysis of the innovation process is based on the simplified visualization of Amabile and Pratt (2016), displayed in figure 8. I use their model for three reasons – first, its academic relevance and second, its fit to the MOA. The third reason refers to the coherence in the academic literature on the sub-process depiction of idea generation and idea validation. Most research on innovation and creativity is found on this dichotomy (Amabile, 1988; Amabile and Pratt, 2016; Campbell, 1960; Gavetti et al., 2007; Keum and See, 2017; Knudsen and Levinthal, 2007; Perry-Smith and Coff, 2011; Puccio and Cabra, 2012). The two highlighted sub-processes of idea generation and idea validation are of particular interest for the analysis. Most basically, idea generation serves the production of idea variations, and idea validation as their assessment, development, and retention (Yuan and Zhou, 2008). Creative outcomes are only achieved if both stages are effectively performed (Lonergan et al., 2004; Puccio and Cabra, 2012). Therefore, the next chapter describes both sub-processes in more detail.
9.4. Summary

This chapter has investigated multiple aspects of innovation research. In especially, it has outlined the process-view of innovation and presented a simplified version of the dynamic componental model developed by Amabile and Pratt (2016). In the following, this section summarizes the main findings of the chapter.

- As innovation research is relevant across academic disciplines, multiple definitions of innovation exist.
- Innovation can be conceptualized as a multi-staged process, in which idea generation and idea validation are central components.
- Creativity, as a critical determinant for novel and useful idea generation, plays a dominant role in the early stages of innovation.
10. Which factors influence idea generation and idea validation performance?

The following chapter analyses two core components of the individual creativity process, in the greater picture of organizational innovation. These components comprise idea generation and idea validation. The importance of those two tasks has been stressed by both researchers and practitioners. Girotra et al. (2010) provides a striking example of their relevance in the corporate application of innovation.

“For most innovation challenges, an organization would prefer 99 bad ideas and 1 outstanding idea to 100 merely good ideas. In the world of innovation, the extremes are what matters, not the average or the norm.” - Girotra et al. (2010, p. 591)

This quote illustrates the importance of generating creative ideas and validating the most promising one. The goal of this chapter is to provide an overview of several conceptualizations of idea generation and idea validation. Furthermore, this chapter investigates factors, which facilitate and constrain effective performance in these tasks. This helps to deepen the understanding of the two sub-processes and further prepares for the final analysis.

10.1. The process of idea generation

Generally, there is no consensus in the literature about the number and order of the different stages which occur in the innovation process. However, researchers agree that a first step in this process comprises the creation or production of novelty. According to Damanpour and Aravind (2012, p. 489), idea generation is defined as

“[…] a creative process, in which new and existing ideas are combined in a novel way to produce an invention or a configuration that was previously unknown.”

In the idea generation process, individuals generate ideas based on a variation of available information and their prior knowledge (Amabile and Pratt, 2016). The generation process itself can be separated into different phases of opportunity recognition, idea formulation, creative brainstorming or research (Damanpour and Aravind, 2012; Roberts, 1988). These different phases are performed in a disorderly manner and often includes various iterations. Therefore, it
can be considered relatively slow, compared to idea validation (Damanpour and Daniel Wischnevsky, 2006).

Researchers have acknowledged the importance of creativity in the generation process (e.g., Amabile and Pratt, 2016; Mumford and Licuanan, 2004; Puccio and Cabra, 2012; Stein, 2014). For instance, Amabile et al. (1996, p. 1155) stresses “[...] all innovation begin withs creative ideas.” Despite different formulations, creativity enjoys a clear conceptualization in the literature. Essentially, it is a manifestation of novel and useful ideas (Amabile, 1988; Amabile and Pratt, 2016; Mumford et al., 1994; Plucker et al., 2004; Puccio and Cabra, 2012). The novelty of an idea refers to the new and uncommon character of an idea, while usefulness refers to its potential for adoption (Yuan and Zhou, 2008). These two dimensions of creativity are largely independent, as they are affected by differing factors (Yuan and Zhou, 2008). Researchers have stressed the rarity of the mutual appearance of both, high usefulness and high novelty levels in ideas. Additionally, even if ideas are found, which are both, useful and novel, motivation and risk-associated attitudes can constrain the progression of these ideas (e.g., Sternberg and Lubart, 2014).

Creativity in the idea generation process has been identified as a heuristic, cognitive model (Finke et al., 1996). The authors outline that creative cognition is initiated by a generative stage, which involves the generation of potential ideas, followed by an exploration and evaluation of these ideas. Thereby, insights gained from the exploration can serve as a specification or refinement of the initial generation stage (Puccio and Cabra, 2012). Also, López Lira Arjona (2012) describe idea generation as a mere cognitive process within the individual’s mind.

In the following, I outline some individual-level findings in the idea generation process. Cognitive psychologists consider two key mechanisms during the development of new ideas: inference and analogy. Pure inference is considered powerful for incremental changes in the cognitive models of individuals but has only limited effect on the generation of novel ideations (Gavetti, 2005; Holland et al., 1987). On the other hand, analogies, are found to contribute positively to the development of novelty. They refer to the transition of successful knowledge structures across situations (Gick and Holyoak, 1983). Peterson and Beach (1967) thereby stresses the general difficulty of individuals in perceiving covariation among subjects. Inferences and analogies constitute the cognitive memory of an individual, which is used in creativity processes (Gavetti, 2005).
Puccio and Cabra (2012) provides an extensive overview of research idea generation and idea validation. The authors discuss the most important individual skills to idea generation by referring to Guilford (1977). The author has examined divergent thinking during his research of general intelligence, which is closely related to idea generation. Divergent thinking implies the broad search of answers to open issues and thereby the production of alternative options, which meet initial requirements (Puccio and Cabra, 2012). Based on Guilford (1977), contemporary research methods analyze divergent thinking by evaluating data according to four main cognitive skills, which are related to idea generation. These comprise ideational fluency (number of ideas generated), flexibility (number of idea categories addressed), originality (curiosity of ideas generated), and elaboration (extension of ideas generated) (Millar, 1995; Puccio and Cabra, 2012; Runco and Pritzker, 2011; Simonton, 1988).

Mumford (2001) has developed Guilford’s conceptualization further. Regarding flexibility, the author stresses the importance of an individual’s domain experience, which serves as a repertoire for problem-solving heuristics. Concerning originality, he points to an individual’s existing heuristics, (which are found within on old ideas and previous trial-and-error experiences) that nourish creativity. Mumford (2001) then adds further individual abilities, which are found of importance for divergent thinking. These comprise analogical reasoning, category construction and identification, symbol manipulation and symbol substitution (Puccio and Cabra, 2012).

10.2. The process of idea validation

The idea validation stage usually follows the idea generation phase. Therefore, they are considered as conjoined phases. Some scholars term the idea validation differently – e.g., as idea evaluation, idea validation or idea retention (e.g., Yuan and Zhou, 2008; Puccio and Cabra, 2012). Although the stages are noted differently, they, however, point to the same contextual meaning.

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30 According to Puccio and Cabra (2012) (who borrow from Gowan 1972)), classifications of idea generation theories can be generally separated into the five categories of 1) cognitive, rational and semantic approaches, 2) Personality and Environmental approaches, 3) motivational approaches, 4) psychoanalytical approaches and 5) personal exploration approaches. For an insightful view on different theories, I refer back to the authors.

31 Guilford has developed a model of intellect, which is based on content (e.g. visual, auditory, symbolic), which triggers an operation (e.g. divergent thinking, memory) with the outcome to process information into meaningful products (e.g. systems or relations) Guilford (1977)Puccio and Cabra (2012).

32 Guilford (1977) has only associated the first three cognitive skills with divergent thinking.
Idea validation can be defined as “[...] assessing the reasonableness and quality of ideas in order to develop workable solutions.” (Puccio et al., 2011, p. 50). While idea generation is frequently viewed as the production of novelty, idea validation means its exploitation and exploration (Puccio and Cabra, 2012). As stated in the elaborations on creativity above, the novelty of an idea is necessary for creative ideas, but not sufficient (Simonton, 1999). Therefore, creative ideas require to be both - novel and useful. The novelty aspects, produced within idea generation needs to be balanced against its potential practicality, within the idea validation stage (Puccio and Cabra, 2012). This usefulness-novelty-assessment can be regarded as the stage’s main goal. The aim is to filter or modify the appropriateness of ideas (Yuan and Zhou, 2008). The idea validation process comprises the evaluation and assessment of those ideas, which were produced during the idea generation stage, according to specified criteria. Only those ideas are deemed worth implementing, which satisfy the criteria (Yuan and Zhou, 2008). In the following, I describe different findings on idea validation in the literature.

Dean et al. (2006) has specified the dimensions of evaluating the quality of an idea. The authors argue for three characteristics, that high qualitative ideas need to fulfill: a) applicability of the idea to the problem, b) effectiveness as a solution to the problem and c) possibility for implementation (Puccio and Cabra, 2012).

Compared to the idea generation process, where creativity is used to create novelty and curiosity, the idea validation process is a rather algorithmic task, because the evaluation characteristics and rules are prespecified upon (Howard-Jones and Murray, 2003; Yuan and Zhou, 2008). Where idea generation requires divergent thinking of the individual’s cognition, idea validation demands for convergent thinking (Guilford, 1977). The latter is associated with the accuracy of problem-solving and identifying optimal solutions (Cropley, 2006). Individuals are usually aware of the benchmarks to assess these ideas, and also know the respective constraints, standards, rules, and procedures (Yuan and Zhou, 2008). The latter are usually domain and context-dependent and thus, provide different explicit algorithms for idea evaluation across areas.

While early research has assumed that individuals have the ability to assess the generated idea accurately and select the most promising among them, (e.g., Rivkin and Siggelkow, 2003) more recent studies have misplaced this assumption. Generally, idea selection is a challenging task. Researchers have found that the performance on the idea generation task, is not necessarily related to a similar performance on idea selection tasks. Even if high-quality ideas are available, idea selection was found largely ineffective across methods (Girotra et al., 2010; Keum and
Neither groups nor individuals seem to be highly effective in idea selection.

Michael D. Mumford has conducted a series of research focused on cognitive abilities relevant for the idea validation process (Lonergan et al., 2004; Mumford et al., 1994; Mumford and Gustafson, 1988; Mumford and Moertl, 2003). According to his research, there are three cognitive operations, which are related to idea validation and operate systematically. These comprise forecasting, appraisal, and revision (Mumford, Scott, Gaddis 2003). Forecasting refers to the individual ability to anticipate likely outcomes if a proposed idea is realized. This includes the imagination of potential reactions, implications, and consequences (Puccio and Cabra, 2012). In this context, appraisal implies the weighing of the expected outcomes against the defined validation criteria. This step leads into a concluding decision, whether an idea shall be carried forward. Lastly, the appraisal ability requires the cognitive skill of revision. The rudimental nature of most ideas requires a refinement. Thus, this ability enables new creative processes of exploration and expansion of the initial idea, aiming to improve its effectiveness and the chance of successful implementation (Puccio and Cabra, 2012). Lonergan et al. (2004) further, concludes that validation standards for appraisal and revision are context and problem specific (see also Puccio and Cabra, 2012 and Blair and Mumford, 2007).

Finally, Dean et al. (2006) provides an extensive review of academic research on idea validation. The authors reviewed several methodologies on the validation quality of this stage (e.g., expert evaluation). They concluded that the most relevant scientific constructs to evaluate validation quality are novelty, workability, relevance, and specificity.

10.3. Facilitators and constraints to idea generation and idea validation

Certain conditions tend to influence the effective performance of idea generation and idea validation. Understanding them is important for analysis of how authority affects these process. In the following, this section provides some research insights on positive influencers – “facilitators,” and negative influencers – “constraints.” I hereby start with findings on a more general basis regarding innovation and creativity. Second, I focus on evidence regarding idea generation. Third, I address idea validation facilitators. Fourth, I present findings, which reveal a contradicting effect among both sub-process.
10.3.1. Facilitators and constraints of innovation and creativity

When developing the componential model of organizational innovation, Amabile (1988) has investigated multi-dimensional factors that promote the effectiveness of the innovation process. The author has conducted a three-level expert interview study to identify *individual* and *organizational* facilitators and constraints to *creativity* and *innovation*. Regarding creativity, she has identified six facilitators. These comprise a) personality traits (e.g., curiosity), b) self-motivation, c) cognitive abilities (e.g., creative thinking), d) risk orientation (e.g., non-conventionalism), e) expertise in the area, and f) diversity of group thought (e.g., different backgrounds). The author has further identified five constraints to creativity. These comprise a) lack of motivation, b) lack of skill, c) inflexibility, d) external motivation, and e) lack of social skills.

Regarding innovation, Amabile (1988) has identified five organizational facilitators. These comprise a) general freedom of work (e.g., control over one’s work, operational autonomy (Bailyn, 1985)), b) Project management skills, c) sufficient resources, d) encouragement (e.g., management enthusiasm for new ideas), and e) recognition (e.g., rewarding environment). She further names five organizational constraints to innovation. These are found among a) organizational characteristics (e.g., red tape, inappropriate reward system), b) lack of freedom, c) restricted idea flow, d) organizational disinterest for innovation and e) poor project management (Amabile, 1988).

Within the updated, dynamic componential model of innovation and creativity, Amabile and Pratt (2016) names two “upper” positive facilitators for idea generation on multiple levels. Their insights are built on a review of contemporary research and an extensive diary study of workers in the area of innovation.

On the individual level, the authors have added *progress in meaningful work*, as one upper facilitator (see also Amabile and Kramer, 2011; Bandura, 2012; Koo and Fishbach, 2012). Furthermore, based on recent psychological insights, the authors have included *affect* as a second upper facilitator into their model – e.g., positive emotional reactions (see also Binnewies and Wörnlein, 2011; Davis, 2009; Kark and Carmeli, 2009). Affect is suggested to enhance intrinsic motivation and thereby improves the performance on idea generation tasks (Amabile and Pratt, 2016). In addition to these two upper facilitators, the authors have included three “lower” facilitators. These comprise a) individual experiences of creative-relevant processes
(e.g., creative heuristics, analytical thinking), b) skill in the task domain, and c) intrinsic, synergistic, and extrinsic motivation.33

10.3.2. Facilitators of idea generation

In the following, this section outlines some specific findings on facilitators for idea generation.

As outlined above, creativity is central to the idea generation process. For the effectiveness of this heuristic process, a broadening of attention and freely associative thinking, are essential elements (Yuan and Zhou, 2008). Internal variation and diversity of organizational culture have been argued to be the enabler for innovation and organizational learning (Henderson and Stern, 2004; Keum and See, 2017; Nelson and Winter, 1982).

A key facilitator of idea generation is individualism and autonomy. This finding is outlined in various studies (Dreu and Beersma, 2005; Goncalo and Kim, 2010; Goncalo and Staw, 2006; Mok and Morris, 2012; Puccio and Cabra, 2012; Wiekens and Stapel, 2008). Cohen-Almagor (1994) refers to the autonomy of thought as self-rule or self-direction, which is central to innovation. These findings are supported by Tushman and O'Reilly (1998). The authors name personal autonomy as one of the facilitators for creative tasks in innovation. Goncalo and Krause (2010) stress that independence and competition are facilitating idea generation tasks, as they enable a willingness to diverge from group norms.

Furthermore, a positive mood is suggested to facilitate idea variation and cognitive flexibility (Ivcevic et al., 2007). This free-spirited mindset is suggested to enhance idea extractions from stored memories, which increases the likelihood for creative inferences and analogies (Morse, 2006). Thus, the individual has more available information in the idea generation stage (Lubart and Getz, 1997; Weisberg, 2006). Amabile and Pratt (2016) uses the term “affect,” which is suggested to enhance intrinsic motivation and thereby improves the performance on idea generation tasks.

10.3.3. Facilitators of idea validation

In the following, this section outlines some specific findings on facilitators for idea validation.

33 In the antecedents of their paper, the authors provide an overview of facilitators and constraints. For a more extensive review, please refer to the authors Amabile (1988); Amabile and Pratt (2016).
The research has identified some facilitators, which are expected likely to influence idea validation performance positively. For instance, Knudsen and Levinthal (2007) distinguishes two potential types of selection errors. These comprise type 1 errors, which imply the rejection of a superior alternative and type 2 errors, the acceptance of an inferior alternative. The authors argue, that hierarchical decision structures, tend to decrease the likelihood of type two errors (Knudsen and Levinthal, 2007). Similar results were argued by Csaszar (2013). Furthermore, Cropley (2006) argues that domain and methodological knowledge, are central to idea validation because it enriches the process for developing validation criteria. Additionally, this knowledge improves the subsequent exploration of the ideas generated, by providing suggestions for potential solutions. Amabile and Pratt (2016) stresses the importance of analytical and critical thinking abilities.

10.3.4. Factors with contradicting effects

In the following, this section outlines some specific findings on factors that affect idea generation and idea validation differently.

The research on creativity suggests that favorable conditions for idea generation and idea validation can also differ among them (e.g., Amabile and Pratt, 2016; Yuan and Zhou, 2008). For instance, the expectation of external evaluation is suggested to influence the idea validation process positively. Theorists argue, that this external pressure for task accomplishment, increases the individual persistence and eagerness to adhere to predefined rules and standards (Yuan and Zhou, 2008). However, the same facilitator negatively impacts the idea generation (e.g., Barts et al., 1988; Hennessey, 1989). The authors found that even the expectation of external evaluation decreases the number of ideas generated by an individual.

Adding to this argument, Amabile, and Pratt (2016) suggests that the performance-enhancing effect of extrinsic motivation might be more relevant for idea validation tasks. Furthermore, negative affect (e.g., ambivalent mood) is argued to facilitate idea validation, where it enhances the idea assessment process. This argument is consistent with the literature, which suggests that negative affect results increased the level of detail-orientation, analytical and critical thinking (e.g., Elsbach and Barr, 1999; George and Zhou, 2007). In contrast, the authors argue that positive affect increases an individual’s intrinsic motivation. This type of motivation is argued to be more relevant to idea creation because this stage incorporates the generation of novelty. Although, it is also suggested beneficial to idea validation. While there is a debate on the general implications and relation between work-related extrinsic and intrinsic
motivation, a meta-study on those two items has found that they do not necessarily oppose each other, but might mutually enable synergies (Cerasoli et al., 2014).

Finally, Keum and See (2017) finds that hierarchy of authority is detrimental to idea generation but is improving the idea validation performance.

10.4. Summary

This chapter has investigated two critical processes of organizational innovation, idea generation and idea validation tasks. The processes serve different purposes in organizational innovation and can have similar facilitators and constraints, but also underlie contradicting effects. In the following, this section summarizes the chapter’s main findings.

Idea generation

- Idea generation refers to the production of creative ideas, which are both - useful and novel.
- The cognitive-heuristic process of creativity and divergent thinking are a core ability within idea generation.
- Idea generation performance can be measured among different dimensions. The most common dimensions are ideational fluency, flexibility, originality, and elaboration.
- Key facilitators comprise freedom of thought, curiosity, intrinsic motivation.

Idea validation

- Idea validation process comprises the evaluation and assessment of ideas, which were produced during the idea generation stage, according to specified criteria.
- Convergent and analytical thinking are core abilities within idea validation.
- Idea selection is a challenging task. Both, groups and individuals generally show poor performance.
- Key facilitators comprise domain-specific knowledge, methodological knowledge, and stimuli for analytical thinking.

Figure 9 visualizes the chapter’s main findings.
Figure 9: Idea Generation and Idea Validation on focus (Source: own illustration)
PART 3 – Analysis of the effect of authority on idea generation and idea selection tasks

11. How does authority affect the individual behavior in organizations during the process of idea generation and idea validation?

In this final chapter, I relate the analysis results of authority with the process of idea generation and idea validation. The main goal of this chapter is to deduce propositions about their relation and bilateral effects. This chapter addresses the main research question of this master thesis. The generated insights contribute to the general understanding of the two concepts and further shall enable new impulses for future research.

In the following, I suggest separate propositions, first, for authority and idea generation and second, for authority and idea validation. This process follows a distinct order. First, I suggest the respective propositions, which I inferred from the analysis of chapter 4 to 10 by inductive reasoning. Thereby, I focus on the core facilitators of the innovation tasks and the authority effect on the agent’s behavior. Second, I describe the proposition’s basic idea, mechanism and provide examples for illustration. Lastly, I provide some evidence from the literature, which supports the derived propositions.

Figure 10 outlines the chapter’s main findings and analysis results. I have inserted the visualization at this position because I frequently refer to it in the following argumentation.
Figure 10: Effect of Authority on Idea Generation and Idea Validation (Source: own illustration)
11.1. Propositions for the effect of authority on idea generation

The analysis in chapter 9 and 10 has described the idea generation stage of individual creativity. The goal of this process is to generate creative ideas, which are used in the organizational innovation. The four dimension of measuring idea generation outcomes comprise quantity, variation in respect of categorical differences, level of curiosity and idea extension. Furthermore, I have commented on facilitators for the idea generation progress. These comprise freedom of thought, curiosity, intrinsic motivation.

*Proposition 1: High levels of authority, result in lower variations of the overall ideas generated.*

*Proposition 2a: High levels of authority, result in lower levels of novelty, or less radical ideas.*

The basic idea behind Proposition 1 and Proposition 2 is shown in the conflict between key idea generation facilitators and the effects of authority. Effective idea generation requires freedom of thought. This facilitator is constrained by the submission effect of authority. An individual, who is restricted in his actions, interest, beliefs, and opinions can be expected less likely to generate the highest possible number of idea variations (proposition 1) and high levels of idea novelty (proposition 2a), compared to an individual in an environment of low level of authority. At the end of this chapter, I will provide a modified version – proposition 2b.

To exemplify the idea of these propositions, I refer back to the “using mobile phones is rude”-norm, expressed in Chapter 8. Thus, in idea generation tasks, e.g., developing ideas on the future of meetings, the manager, who has vested the norm “using mobile phones is rude” with authority, can be expected less likely to address “mobile phones” as potential categorical area (variations), because he has internalized the normative aspect of authority. In other words, an agent is expected to address fewer categories in idea generation tasks (variations), because he is constrained by a filtering mechanism within his cognitions. I term this inherent conflict “Target conflict.”

Furthermore, effective idea generation requires curiosity. This facilitator conflicts with the conventionalism induced within authority relations. An individual, whose actions, beliefs and opinions are influenced by social conventions, can be expected less likely to generate curious, radical ideas (proposition 2) and address interdisciplinary categories in idea variation.
(proposition 1), compared to an individual in an environment of low level of authority. I term this inherent conflict “Scope conflict.”

To exemplify this idea, I refer to the authoritarian personality traits proposed by Altemeyer, expressed in Chapter 6. As outlined, authoritarian behavior is focused on complying with conventions and aligning with the normative influence of shared beliefs within the society. The Scope conflict refers to the idea that these personality traits are less likely to facilitate “outside of the box”-idea generation, because conventions shape and thus constrain the agent’s cognitions. This effect is supported by the irrationality aspect of authority, as indicated in Chapter 3.

*Proposition 3: High levels of authority, result in the generation of lower idea quantities.*

As Proposition 1 already argues for lower variations of ideas generated, Proposition 3 can be directly deduced by referring to the same logic as written above. The generation of the highest possible number of ideas can be expected less likely under the conditions of scope conflict and target conflict.

Furthermore, for Proposition 3, the performance of idea generation tasks is impacted by the intrinsic motivation of the subject. This facilitator is constrained by the external focus of perceived authority. An agent, who is merely extrinsically motivated, for instance by the affection and recognition of a principal, can be expected to perform worse, than individuals who are mere intrinsically motivated. I term this inherent conflict “Incentive conflict.”

An example should illustrate this idea. An employee (agent) is assumed to perform an idea generation task, such as brainstorming for new product features. Thereby, he is aware of his supervisor’s (principal) interest in a specific product design. As stated in Chapter 3, an authority relation between the employee and the supervisor includes approval seeking influence (”[…] because she believes that S1 would approve of it”)) and external focus effect (the agent internalizes the principal's external inducements) in the employee's idea generation process. He is thus likely to focus on product design, as induced by the authority of the principal. This example illustrates the principal’s passive nature of authority, as he has not directly enforced the agent behavior (power). Authority is only vested by the agent. Concluding, the employee’s task motivation is merely based on extrinsic factors. I therefore argue, that authority not only constrains idea variations (Proposition 2), but further decreases the total numbers of ideas generated (Proposition 3). I base this assumption on the findings of intrinsic motivators as central facilitators of idea generation performance (Chapter 9). Concluding, an individual, who
performs the same task under high intrinsic task-motivation (e.g., personal attachment to the product) in a low authority environment, ceteris paribus, is likely to generate more ideas.

Support from the literature

Proposition 1 and 3 are supported by some findings in the literature. Researchers argue that authority constrains the cognitive adaptability and breadth of search processes during the critical search processes within idea generation (e.g., Cardinal, 2001; Jansen et al., 2006; Keum and See, 2017).

Furthermore, (social) restrictions can further constrain the individual abilities of effective idea generation. For instance, Girotra et al. (2010) investigates the idea generation and validation performance of individuals in different environmental set-ups. The authors compared the performance of group brainstorming with a hybrid condition (first: individual phase, second: teamwork phase). They found higher idea quality and quantity levels in the hybrid condition. Similar evidence has been found by Rietzschel et al. (2006). These results can be interpreted as a constraint of group characteristics (e.g., through authority channels such as norms) on idea generation performance. Additionally, the findings might also stress the importance of intrinsic task motivation and the inherent incentive conflict (Proposition 2).

Proposition 2 is further supported by the famous research findings of Solomon Asch (e.g., Asch, 1955, 1956). The author argues that non-conformity is key to the creative process and innovation in general (Packer, 2012). Also, Feldman (1988) stresses that cultural homogeneity is detrimental to innovation, as it limits potential sources for creativity.

Other researchers have found further constraints to idea generation. Most recently, Keum and See (2017) finds that hierarchy of authority negatively affects variations and the quantity of idea generation. From a psychological point of view, the authors argue, that authority enables self-censoring mechanisms and internal filtering, which represent the scope conflict and target conflict (Proposition 1,2,3). This self-censoring mechanism is argued to reduce risk-taking behavior (Keum and See, 2017). Garicano and Posner (2005) suggests, that in an unstable environment firms should decentralize decision making to maximize the likelihood of creative idea production.

The presence of a principal can constrain an agent to communicate his ideas openly (Reitzig and Maciejovsky, 2015). Additionally, already the mere expectation of evaluation has a distinctly adverse effect on the generation task (Proposition 3) (Yuan and Zhou, 2008).

These results have also been computed and modeled in earlier work by (Knudsen and Levinthal, 2007), who argue, that hierarchical structures enforce structural conservatism and
thereby constrain idea generation and the search to local highs, which are goal-satisfying but non-optimal (Proposition 2). These findings have been implicitly suggested by early theories, such as the behavioral theory of the firm (Cyert and March, 2006).

Proposition 2 requires a further clarification. A small number of studies have found evidence against the outlined claim of the negative effect of authority on the curiosity of idea generation (e.g., Chatman and Flynn, 2001). This research stresses, that social norms can support idea creation, if it forces group members to comply with social norms, which are likely to enforce idea generation (Caldwell and O'Reilly, 2003). For instance, organizational norms could address freedom to dissent, risk-taking or tolerance for mistakes (Hornsey et al., 2006; Tushman and O'Reilly, 1998).

Based on these findings, Goncalo and Duguid (2012) suggests to separate norm content (individualistic vs. collectivistic) and conformity pressure (high vs. low) as two independent variables. The authors further include a third regressor in their studies: individual creative abilities (high vs. low). Then, in line with Proposition 2, the authors agree that high conformity pressure and collectivistic norms generally tends to negatively impact idea generation (especially on highly creative individuals). However, the authors further found that, in one scenario, individualistic norms facilitate better idea generation results in a high conformity environment and among a low creativity group (Goncalo and Duguid, 2012).

I agree with the authors that norm content is worth considering when deriving research propositions. Therefore, below, I offer a second updated version, Proposition 2b, which shall cover this thought. However, I also argue, that individualistic norms might not be sufficient to cover the general detrimental effect of high conformity (ergo high authority) on the curiosity dimension of ideas. The author's research results demonstrate and support this claim. In their study, only one out of four groups in a high conformity environment performed better on idea generation tasks compared to their peer groups.

Furthermore, groups, which are solely composed of low creative individuals are unlikely to be a realistic assumption. Therefore, I question the research’s external validity of a potentially generalizable claim of norms that facilitate idea generation. Lastly, as argued in chapter 3, authority is a phenomenon created within the agent. The experimental manipulations do not adequately cover this conceptualization when modeling conformity, power or related research concepts (Goncalo and Duguid, 2012). Therefore, I argue two maintain both propositions for future research.
**Proposition 2b:** High level of authority, result in lower levels of novelty, or less radical ideas if the authority content is detrimental to creativity.

11.2. Propositions for the effect of authority on idea validation

The idea validation stage progresses the ideas generated in the precedent idea generation process. It assesses the likelihood of success of the ideas generated, select the most promising ones among them and engage in their exploration and exploitation. Facilitators of this stage comprise domain-specific knowledge, methodological knowledge, and stimuli to analytical thinking.

**Proposition 4:** High levels of authority, result in a more analytical idea validation process (experimental constructs could be: assessment structure, factors included in the assessment).

The basic idea behind proposition 4 can be argued with the synergy effect of crucial idea validation facilitators and the effects of authority. Effective idea validation requires minimum-rational, analytical validation of generated ideas. This facilitator is enhanced by the submission effect of authority, which implies the repression of individualistic-critical behavior (e.g., by developing individual heuristics). This repression facilitates process execution, which is closely aligned with the methods of idea selection. Therefore, I denote this effect as “Focus effect,” as agents become mere task operators.

An example should exemplify this idea. I assume an agent, who works as a product manager, is selecting generated ideas out of a sample for product innovations. For simplification, this sample only includes two ideas, an incremental-innovative attribute A and a disruptive-innovative attribute B (Christensen and Matzler, 2013). Furthermore, I assume, that the agent has vested the principal with authority. The principal in this example is a specific method C of idea validation, which is assumed to facilitate successful idea validation. From a methodological perspective, the assumed authority relation has one effect. As the agent is submitting himself to the normative influence of the method, he is likely to incorporate the method as the central guideline when performing the validation task. Furthermore, he is expected less likely to engage in a critical process with the method itself and thereby jeopardize its performance (Focus effect). In other words, the agent applies the method C without questioning its overall significance or create other idea validation heuristics.
I thereby have intentionally left the operationalization of “more analytical” open to future research, as there might be several attempts (e.g., more assessment criteria, more assessment steps).

*Proposition 5a: High levels of authority result in the inclusion of more (external) evaluation criteria during the idea validation.*

*Proposition 5b: High levels of authority result in fewer selection of self-generated ideas.*

The basic idea of Proposition 5a and 5b follows the argumentation of Proposition 4. The external focus effect contributes to idea validation, by enabling the agent to include external perspectives as additional evaluation criteria during the process of idea evaluation (Proposition 5a). Therefore, I term this effect “Target effect.” Furthermore, it mitigates the likelihood for unconditional advocacy for idea’s generated by the agent during idea generation (Proposition 5b). In the research, this called self-selection bias.

An amendment to the example above should illustrate these ideas. I replace the principal (the method C) by a generalized nexus of social norms N, which are constructed by a society D. As in the example above, I assume that N is vested with authority by the agent. In other words, I suggest the agent’s behavior is merely determined by social conventions. This amendment reveals an interesting relation between authority and idea validation. The agent can be expected to include, ceteris paribus, an additional assessment factor in the idea validation process. This factor arises out of the social norms N, which are induced by the principal and are thus external to the agent (Target effect). Thus, he considers one additional factor compared to an individual in a low-authority environment L, who is merely evaluating the ideas by his own perceptions. In other words, the agent considers external factors in the idea validation, which are likely to increase the process’ complexity.

Furthermore, assuming that the idea validation has followed an initial idea generation task, the agent can be expected less likely to be subjected to the self-selection bias (selection of those ideas in a sample, that oneself has generated) compared to L. This effect arises out of the agent’s desire to conform with N - the reference point for idea validation. In other words, because the agent has vested the social norms with authority, he is less likely to promote his own ideas. However, at this point, one could argue, whether the agent is merely replacing the bias of self-promotion with another potential bias of conventionalism. However, I argue, that a bias of conventionalism is likely to enhance idea validation performance, due to the target effect.
Proposition 6: High levels of perceived authority, result in a selection of fewer disruptive/novel ideas.

The conventionalism effect of authority can be argued to facilitate idea validation performance. I expect agents to select fewer disruptive/novel ideas during idea validation tasks. Disruptive or novel ideas refer to ideas that are largely challenging the status-quo and further imply (perceived) change efforts involved in their realization (e.g., intra-organizational or social-environmental). The conventionalism effect ties the agent on the selection of those ideas, which are more likely to be implementable or generally feasible from a social acceptance point of view. This effect is called “Prune effect,” because it includes the detachment from excessive ideas.

The amended example, as explained above reveals another interesting relation between authority and idea validation. The conventionalism effect of authority increases the likelihood that the agent chooses A over B. He does so because A is likely to be related closer to the current conventional perceptions N, than B is. This effect is based on the assumption, that the N is self-reinforcing in D, thus it favors the status-quo and thereby incorporates a general adverse positioning towards change. Concluding, authority then is likely to eliminate disruptive ideas, because of its inherent conventionalism (“Prune effect”). One can now argue, whether this phenomenon is detrimental or supportive for the innovation process. If one advocates “visionary” ideas, one can argue that authority avoids risk-taking behavior, which might be central to innovation. However, from a more moderate perspective, one can argue that innovation inherently means the introduction of feasible or useful ideas. Accordingly, authority then facilitates the selection of mere pragmatic ideas.

Support from the literature

Keum and See (2017) argues that lower levels of hierarchy of authority can promote certain biases in organization members. The authors’ primary focus was the self-selection bias, during idea validation tasks. Within a two-staged research design, individuals were asked first to perform an idea generation task, and second, pick ideas from a panel of their own ideas and those of other experiment participants. The authors found that within a low-authority scenario, individuals tend to select their ideas more frequently, compared to a situation with high levels of authority. These results remained robust when controlling for idea quality. Therefore, the authors conclude that hierarchy of authority can mitigate the self-selection bias and thereby enhance idea validation (Proposition 5b).
The self-selection bias has been already suggested by previous research within behavioral decision making (e.g., See et al., 2011; Soll and Larrick, 2009). For instance, Yaniv and Kleinberger (2000) argues that individual decision-makers tend to discount the advice of peer groups, which leads to dysfunctional decision quality. These results remain consistent on the unit-level of organizations (e.g., Reitzig and Sorenson, 2013). Thus, self-selection can be expected detrimental to idea validation and needs to be controlled for within measures of control and authority.

Keum and See (2017) also finds that hierarchy of authority induces self-censoring mechanisms which are associated with the avoidance of risk-taking behavior. While this is detrimental to idea generation, it is likely to be beneficial during idea validation. The authors argue that self-censoring results in fewer selection mistakes, for instance, the selection of ideas that are non-optimal or not implementable (Proposition 4, 6) (Keum and See, 2017).

Further, Csaszar (2013) investigated the relationship between firm structure and innovation tasks. Within a computational model, the author showed that in a hierarchical or polyarchic decision structure, idea 
exploring firms are more likely to reduce the number of omission errors (type 1), while idea 
exploiting firms tend to decrease the number of commission errors (type 2) (see also Knudsen and Levinthal, 2007). These findings stress the importance of accurate idea selection performance during idea validation (Proposition 4). Csaszar (2013) further suggests that majority-rule committees are efficient in reducing both error types, compared to hierarchical and polyarchic firm structure.

Keum and See (2017) finds that hierarchical structure encourages sincerer decision making. The authors argue that hierarchical authority increases the internal filtering mechanism of individuals, as they are more concerned with organizational monitoring and evaluation, status competition and a reduced sense of control. Ultimately, this tends to increase the carefulness of idea evaluation and enables the thoughtful advocation for particular alternatives. Thereby, the overall validation performance is enhanced (Proposition 4). Aghion and Tirole (1997) has formalized this idea into a principal-agent model under imperfect information. The authors found that supervision of the principal results into less opportunistic behavior of the agent when selecting different projects (Proposition 4).

Proposition 6 is supported indirectly by Tushman and Smith (2002). The authors argue that radical innovation is often associated with individualistic, decentralized structure and entrepreneurial cultures. Damanpour and Aravind (2012), however, finds that centralization and formalization do not necessarily inhibit radical innovations.
Yuan and Zhou (2008) also argues that external evaluation or extrinsic motivators shall be applied on later stages of the innovation process, as it enhances the appropriateness of idea validation.
12. Conclusion

This paper has investigated and conceptualized authority. By performing a literature review, it has analyzed central aspects of authority. These comprise origins of authority, authority channels, authoritarian characteristics and types of authority. Subsequently, those aspects were aggregated into a model of authority (MOA). This model serves as a framework design for the process of authority and therefore, contributes to the understanding of organizational authority in general. Additionally, this paper has proposed implications of authority on individual behavior. The MOA is the first attempt of a cognitive model of authority in organizations.

After developing the MOA, this master thesis has deduced six propositions for the effect of authoritarian behavior within idea generation and idea validation as part of the wider organizational innovation process. It has thereby found that authority is likely to enhance the performance of idea validation task but might be detrimental to idea generation performance. Despite the findings, organizations must generally be careful when dealing with authority. In especially, organizational leaders should evaluate whether organizational success is dependent on generation tasks or selection/exploitation (Keum and See, 2017).

Suggestions for future research

The broadness of the research topic allows for giving a multitude of recommendation for future research. Most prominent, of course, must be the validation of the MOA. Future research should focus on developing the subparts of the model and further investigated on their interconnection. An insightful topic means to understand the level-effect of authority channels. For instance, future research could investigate, whether some authority channels are more relevant to certain subgroups in the organization. Furthermore, understanding the effect and relation of mutually present authority channels is of high scientific value.

Another interesting question focuses on how different types of organization experience authority. For instance, future research can investigate, if authority channels and the effect of authority differs on the intra-industry level, e.g., between start-ups or multi-national-enterprises. This investigation of the MOA can also be extended to the inter-industry level, where it can contribute to understanding domain-specific differences of authority. Another extension might be the intra-organizational level, where sub-divisions might reveal further systematical differences.

Despite its long tradition, authority research still leaves some aspects which are yet not fully understood. For instance, the process of losing authority – e.g., by losing the grounds of its
origin or by the emergence of another principal, is only partly explored. Furthermore, it is worth exploring, if different types of authority have distinct behavioral effects.

Another recommendation for future research focuses on the propositions derived in chapter 11. These propositions need to be tested and validated. Furthermore, as outlined, the overall innovation process comprises other process stages besides idea generation and idea validation. These can serve as another application field for the MOA. In more general, the MOA also brings the option to apply it with to other organizational concepts than innovation. This means a multitude of new possible insights and research streams.
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### Literature Framework

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