Abstract

Regarding the nature of the decisions being made within any organization of significant size and complexity we can distinguish between routine and key (or real) decisions. Key decisions determine an organization's destiny and, hence, form a core task of an organization's management. Instead, routine decisions follow schematic rules, which allow to delegate such decisions to actors below the management level. One well-known principle of delegation applied in this context is Management by Exception. According to this principle actors in an organization are empowered to decide on a predetermined set of decision-making problems on their own responsibility as long as a decision can be made on the bases of an ex ante specified set of criteria. Only if the exceptional case occurs that such an actor is not able to reach a decision under these restrictions - something which can happen if the information on at least one criterion is insufficient for an appropriate assessment and/or if ex post the set of criteria appears to be insufficient to reach an appropriate decision - the decision is relegated to the actor's predecessor who is then entitled to decide on the exceptional case in question. While in the management literature there exists an extensive literature on the Management by Exception principle, a rigorous formal analysis of its implications for the characteristics of the architecture of an organization hardly exists - the only notable exceptions (we are aware of) are two papers by Hammond and his co-authors (1985, 1990). With the present paper we contribute to fill out this lacunae. We demonstrate how the effects of the Management by Exception principle on an organizational architecture can be analyzed in terms of the power, success and satisfaction of its members. For this purpose we apply the corresponding scores and measures as defined in van den Brink and Steffen (2013), which we extend and operationalize for the ternary decision-making problem in question. Furthermore, we provide an axiomatization of all three scores and measures applied in this paper and compare and contrast these with the axiomatization of the power score and measure for positional power in hierarchies included in van den Brink and Steffen (2012).