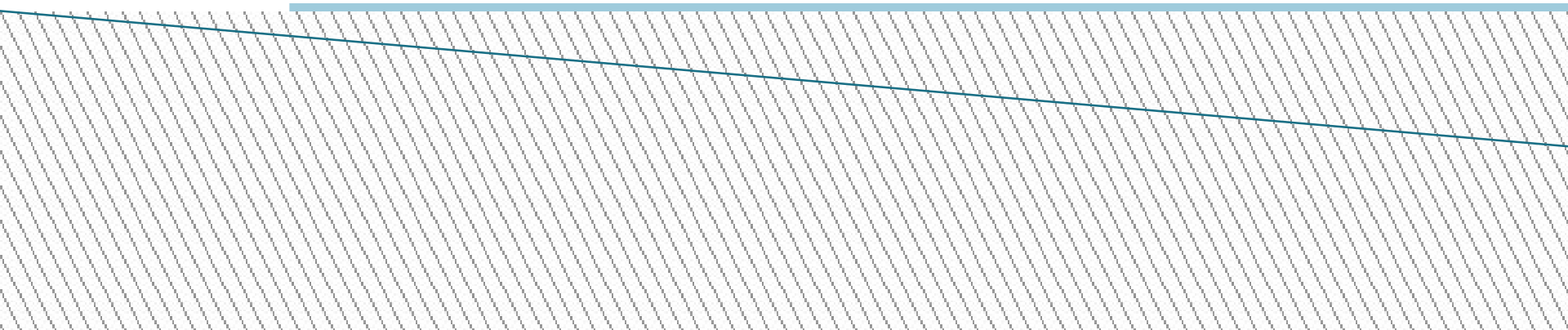# Organizations and Organization Theory

Objectives

- What is an organization?

- Importance of an Organization

- Perspectives on Organization

- Five parts of an Organization (Organization Classification) – Henry Mintzberg

- Dimensions of Organization Design

- Performance and Effectiveness Outcomes

- The Evolution of Organization Theory and Design

- Organic and Mechanistic Designs

What is an Organization?

- Are Social entities

- Are goal-directed

- Designed as deliberately structured and coordinated activity systems

- Linked to the external environment

Types of Organizations

- Large – Small

- Private– Public

- National – MNC

- Profit– Non Profit

Importance of Organization

"Organization is one of the most effective means to allocate resources we've ever seen. It transforms great ideas into customer benefits on an unimaginably large scale"

Importance of Organizations

1. Bring together resources to achieve desired goals and outcomes

2. Produce goods and services efficiently

3. Facilitate innovation

4. Use modern manufacturing and information technologies

5. Adapt to and influence a changing environment

6. Create value for owners, customers, and employees

7. Accommodate ongoing challenges of diversity, ethics, and the motivation and coordination of employees

Perspectives on Organizations

› View Organization as a **System** with a set of interacting elements that acquires input from the environment, transforms them and discharges output to the external environment

› An organization can be an **Open System**/**Closed System**

› An organization (system) is made up of several **Subsystems** which perform specific functions for organizational surival like production, finance etc.

Open System / Closed System

› An **open system** must interact with the environment to survive; it both consumes resources and exports resources to the environment

• A **closed system** would not depend on its environment; it would be autonomous enclosed and sealed off from the outside world

The Organization as an open system
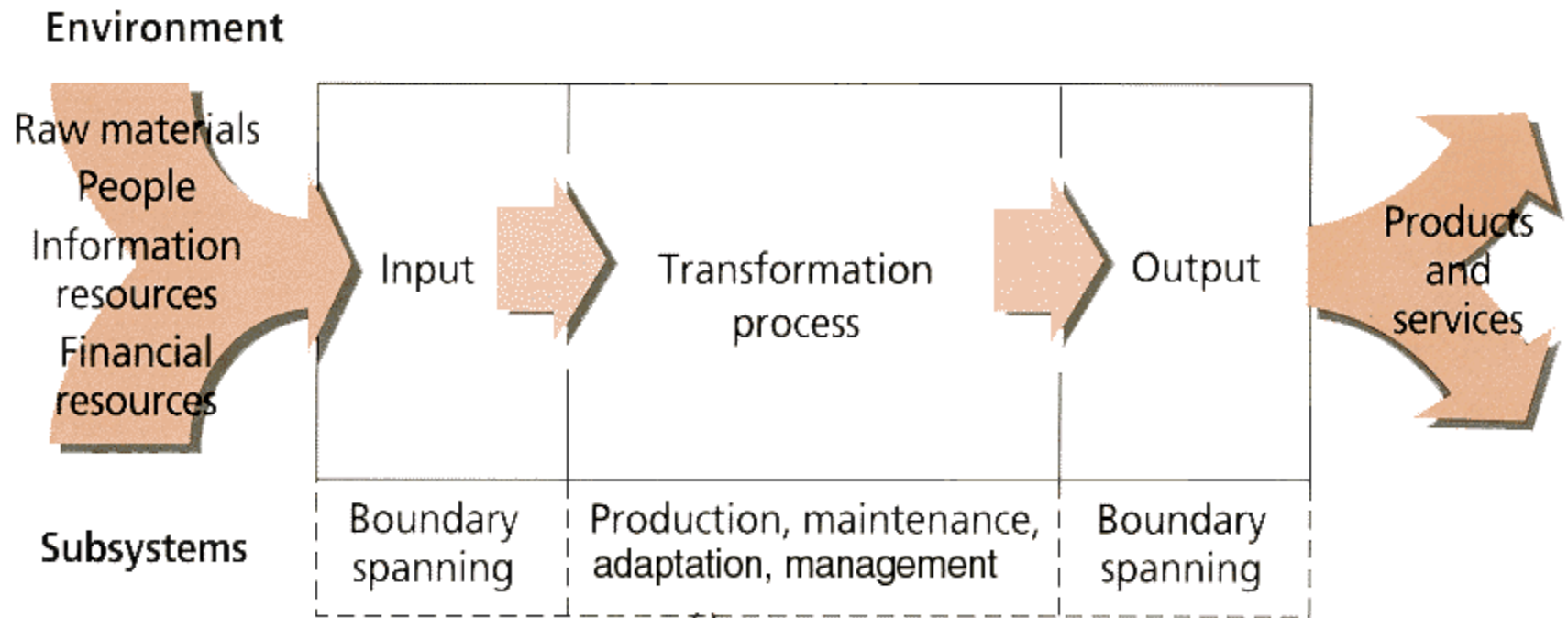
The Organization as an Open System

The 5subsytems

- **P**roduction
  - produces the product and services output of the organization
- **B**oundary Spanning
  - responsible for exchanges with the external environment
- **M**aintenance
  - maintains the smooth operations and up keeping of the organizations physical and human elements
- **A**daptation
  - responsible for organizational change and adaptation
- **M**anagement
  - responsible for coordinating and directing the other subsystems

Henry Mintzberg – Five Elements Based Model for Organization Structure

Organizational Configuration

HenryMitzberg– Five basic parts of an organization
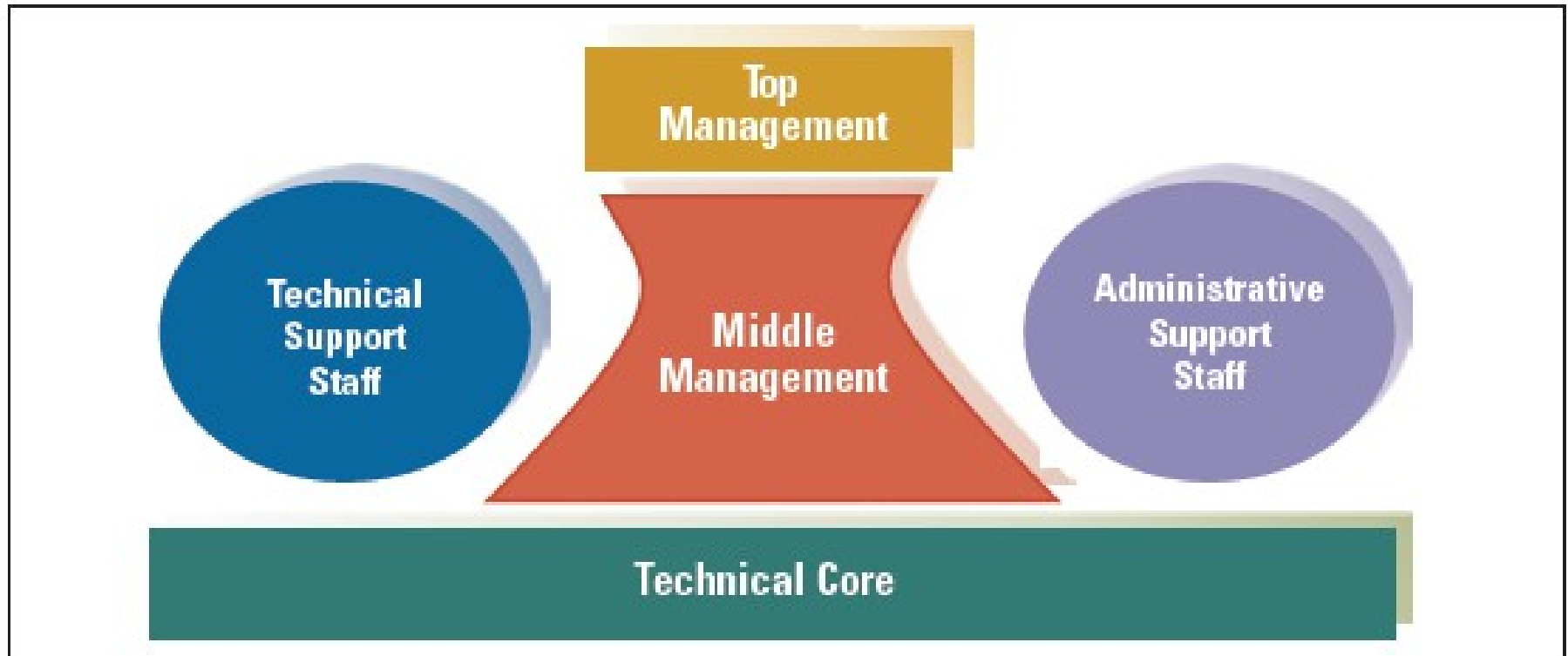
Source: Based on Henry Mintzberg, *The Structuring of Organizations* (Englewood Cliffs, N.J.: Prentice-Hall, 1979), 215–297; and Henry Mintzberg, "Organization Design: Fashion or Fit?" *Harvard Business Review* 59 (January-February 1981), 103–116.

Organizational Configuration

- **T**echnical Core
  - Includes people who do the basic work of the organization. This is where the primary transformation from inputs to outputs takes place

- **T**echnical Support
  - Helps organization adapt to the environment. R&D, Tech support engineers, Market research

- **A**dministrative Support
  - Smooth operation and upkeep. HR, Administration etc.

- **M**anagement
  - Top management provides direction in terms of strategy, goals and policies. Middle management is responsible for implementation and co-ordination

Mitzberg'sFive Organization Types

- Entrepreneurial Structure

- Machine Bureaucracy

- Professional Bureaucracy

- Diversified Form

- Adhocracy

Dimensions of an Organization

- Interacting Contextual and Structural Dimensions of Organization Design
- Richard Daft Page 30

Dimensions of an Organization

› Provides labels to describe the internal characteristics and used for measuring and comparing organizations
  - Formalization
  - Specialization
  - Standardization
  - Hierarchy of Authority
  - Complexity
  - Centralization
  - Professionalism
  - Personnel Ratios

› Characterize the whole organization
  - Size
  - Organizational technology
 - Environment
  - Goals and strategy
  - Culture

Dir   e way as personality and physical traits describe

Organizatio

Structure ar

Structural Dimensions

- Formalization
    - Amount of written documentation
- Specialization
    - Tasks subdivided into separate jobs
- Standardization
    - Formulation, publication, and implementation of guidelines, rules, and specifications for common and repeated use, aimed at achieving optimum degree of order or uniformity in a given context, discipline, or field.
- Hierarchy of Authority
    - Span of control and who reports to whom
- Complexity
    - Reveals the degree of differentiation that exists within the organization
- Centraliza
    - Top level decision mak

Characteristics of Three Organizations
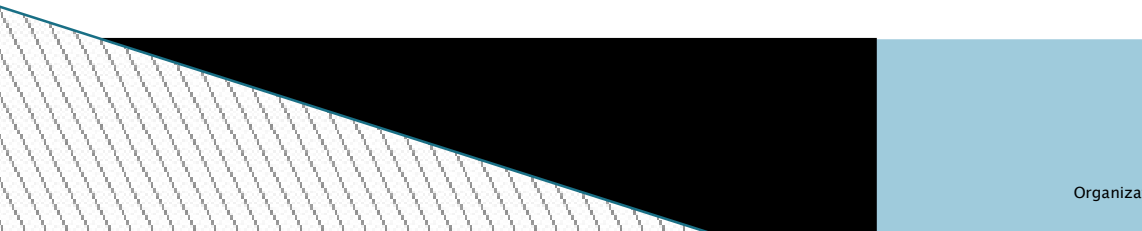
Activity

- Describe any one company you know based on its structural and contextual dimension and compare it with its competitor

Performance and Effectiveness Outcomes
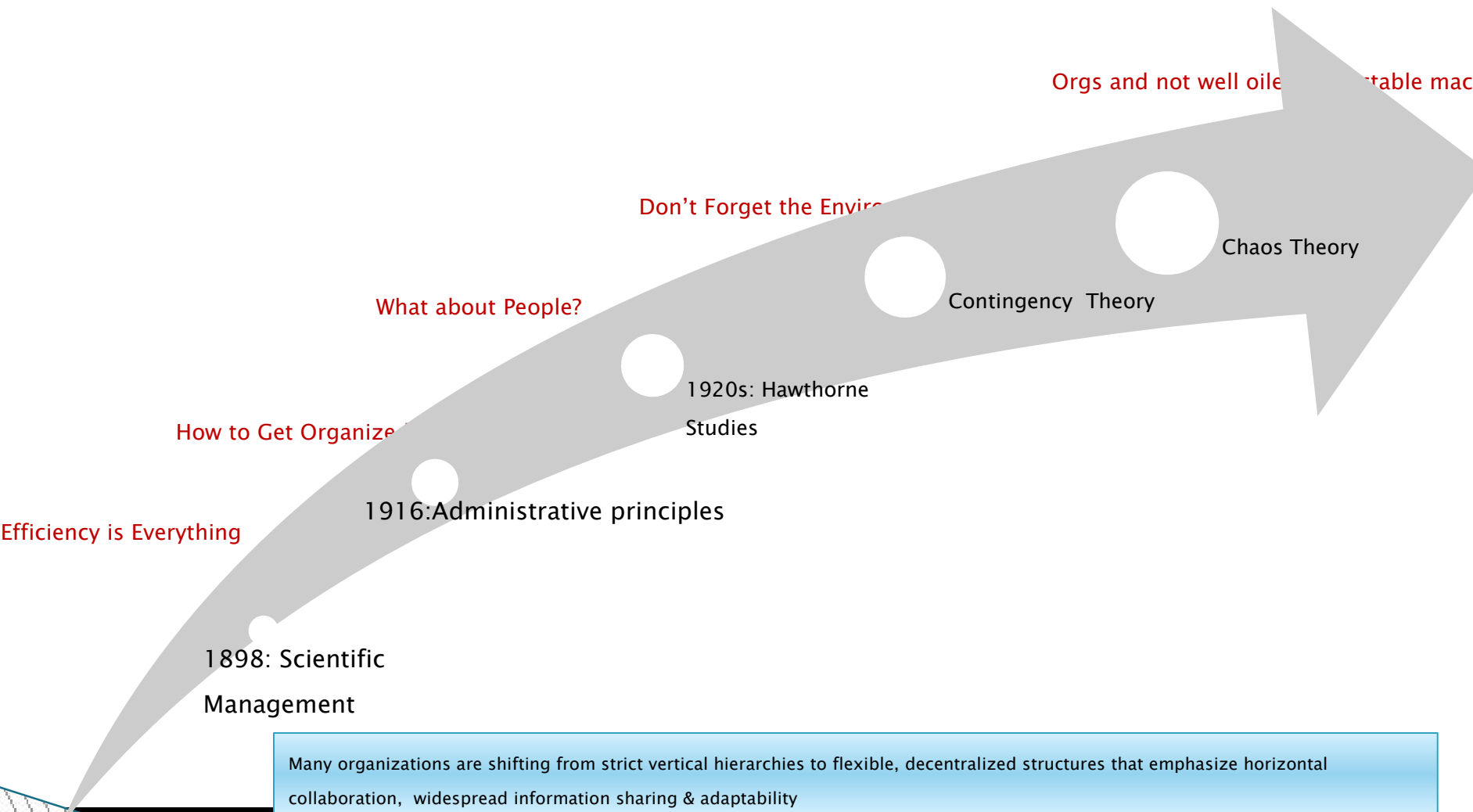
- **Efficiency**refers to the amount of resources used to achieve the organization's goals

- **Effectiveness**is a broader term, meaning the degree to which an organization achieves its goals.

- To be effective organizations need clear, focused goals and appropriate strategies

- Effectiveness is not a simple matter as**different people want different things**from the organization

Major Stakeholder groups and what they expect

OWNERS AND STOCKHOLDERS
- *Financial return*

SUPPLIERS
- *Satisfactory transactions*
- *Revenue from purchases*

COMMUNITY
- *Good corporate citizen*
- *Contribution to community affairs*

UNION
- *Worker pay*
- *Benefits*

EMPLOYEES
- *Satisfaction*
- *Pay*
- *Supervision*

ORGANIZATION

GOVERNMENT
- *Obedience to laws and regulations*
- *Fair competition*

CUSTOMERS
- *High-quality goods, services*
- *Service*
- *Value*

CREDITORS
- *Creditworthiness*
- *Fiscal responsibility*

MANAGEMENT
- *Efficiency*
- *Effectiveness*

© Cengage Learning 2013

Evolution of Organization Theory and Design

Orgs and not well oile... ...table mach

Don't Forget the Envir...

Chaos Theory

What about People?

Contingency Theory

1920s: Hawthorne

Studies

How to Get Organize...

1916:Administrative principles

Efficiency is Everything

1898: Scientific

Management

Many organizations are shifting from strict vertical hierarchies to flexible, decentralized structures that emphasize horizontal collaboration, widespread information sharing & adaptability

Historic Perspectives

- **Efficiency is Everything**
  - Scientific Management: Pioneered by Frederick Winslow Taylor

- **How to Get Organized**
  - Administrative Principles
    - Contributed to Bureaucratic Organizations

- **What about People?**
 - HawthorneStudies

- **Can Bureaucracies Be Flexible?**
  - Flexible andlean; focusedon service,quality,and engaged employees (1980s)

- **It All Depends: Key Contingencies**
  - Contingency: there is no "one best way"

Chaos Theory

- World is full of uncertainty, surprise, rapid change and confusion.

- Relationships are non-linear with numerous interconnections and divergent choices.

- Difficult for Managers to measure, predict or control.

- Organizations should be viewed as natural systems rather than well-oiled, predictable machines.
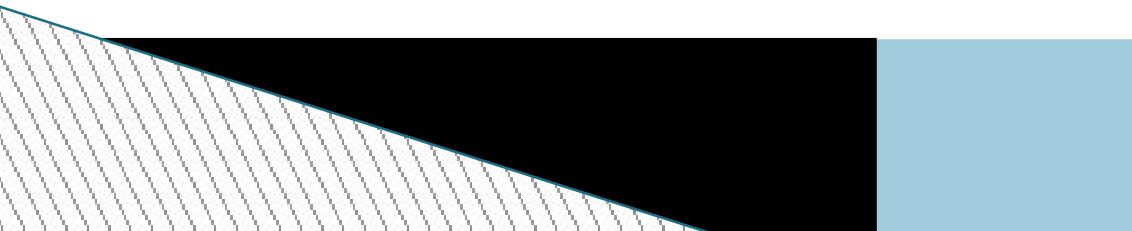
Current Challenges

- Globalization

- Intense Competition

- Ethics and Social Responsibility

- Speed of Responsiveness

- The Digital Workplace

- Diversity

Mechanic and Natural System Design

Mechanical System Design → Natural System Design

Stable Environment Efficient Performance → **Turbulent Environment Learning Organization**

Source: Adapted from David K. Hurst, _Crisis and Renewal: Meeting the Challenge of Organizational Change_ (Boston, Mass.: Harvard Business School)

Learning Organization promotes communication and collaboration so that everyone is enga... ...g problems, enabling organization to continuously experi... ...and increase its capability

Differences between Organization Behaviour and Organization Theory

- It takes a micro view
- It emphasizes on individuals and small groups
- Focuses on behaviour in organization
- Deals with group topics

- It takes a macro view
- Its unit of analysis is the organization itself
- Focuses on behaviour *of* organization
- Concerned with the organization's ability to adapt and achieve

Organizatio

Structure ar

Case– Xerox

Organization growth and decline

Organization Culture

Power and Politics

Strategic and Structural Changes