

Week 3 Lecture

21512 Understanding Organisations:
Theory and Practice



Dr/ Rebecca Dong UTS Business School

Learning objectives

At the end of the session, you should be able to:

1. Connecting the past to the present: organisational theories in the 'modern' time
2. Describe briefly the concept of organisational performance and its key elements
3. Sharing a basic vocabulary about organization design: structure, hierarchy, span of
4. control, authority, goals, environment, staff & line units etc.
5. Types of organizational structure.



**Reflection Of
the lecture 2:
Classical theory**

Figure 2.1 Sources of inspiration for the perspectives of OT

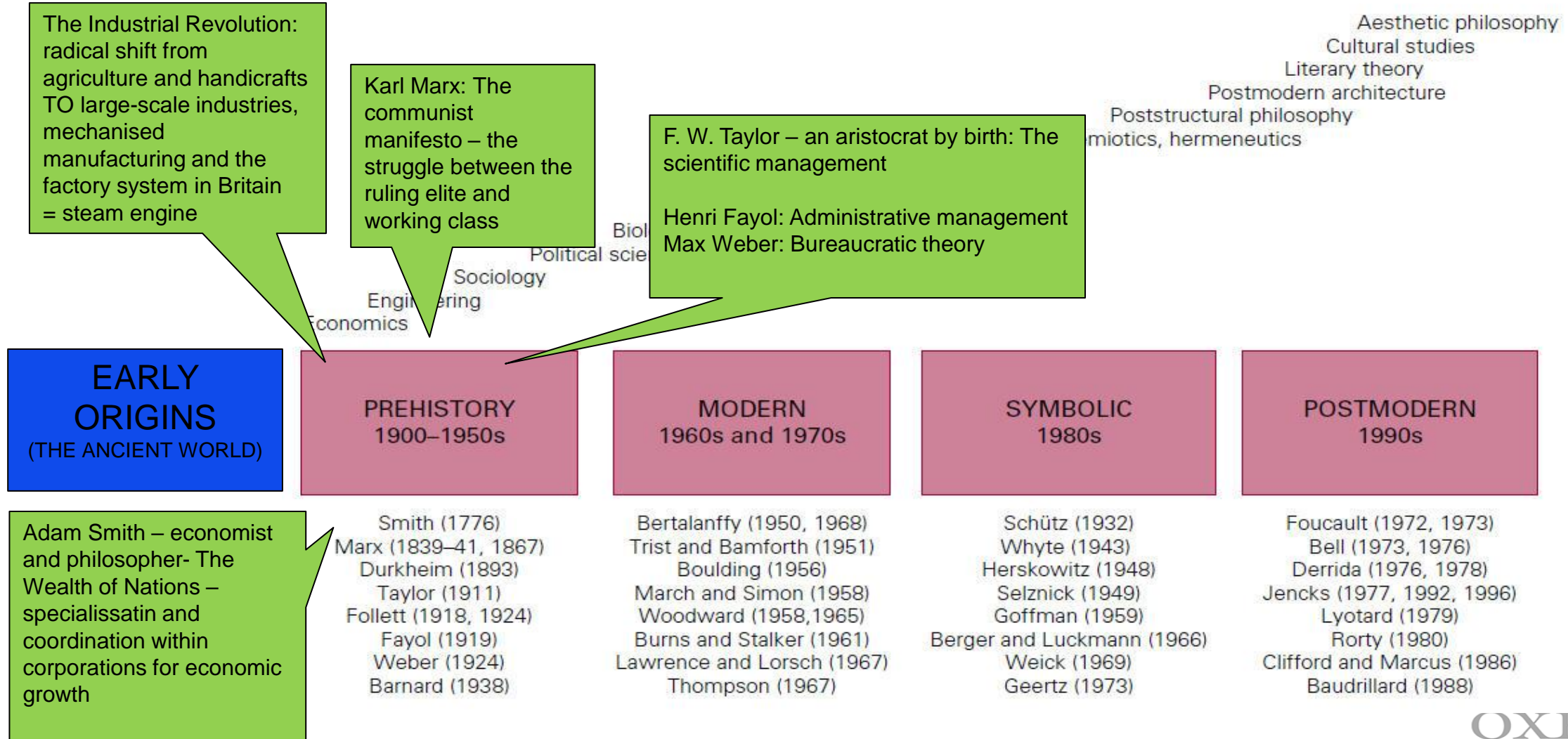
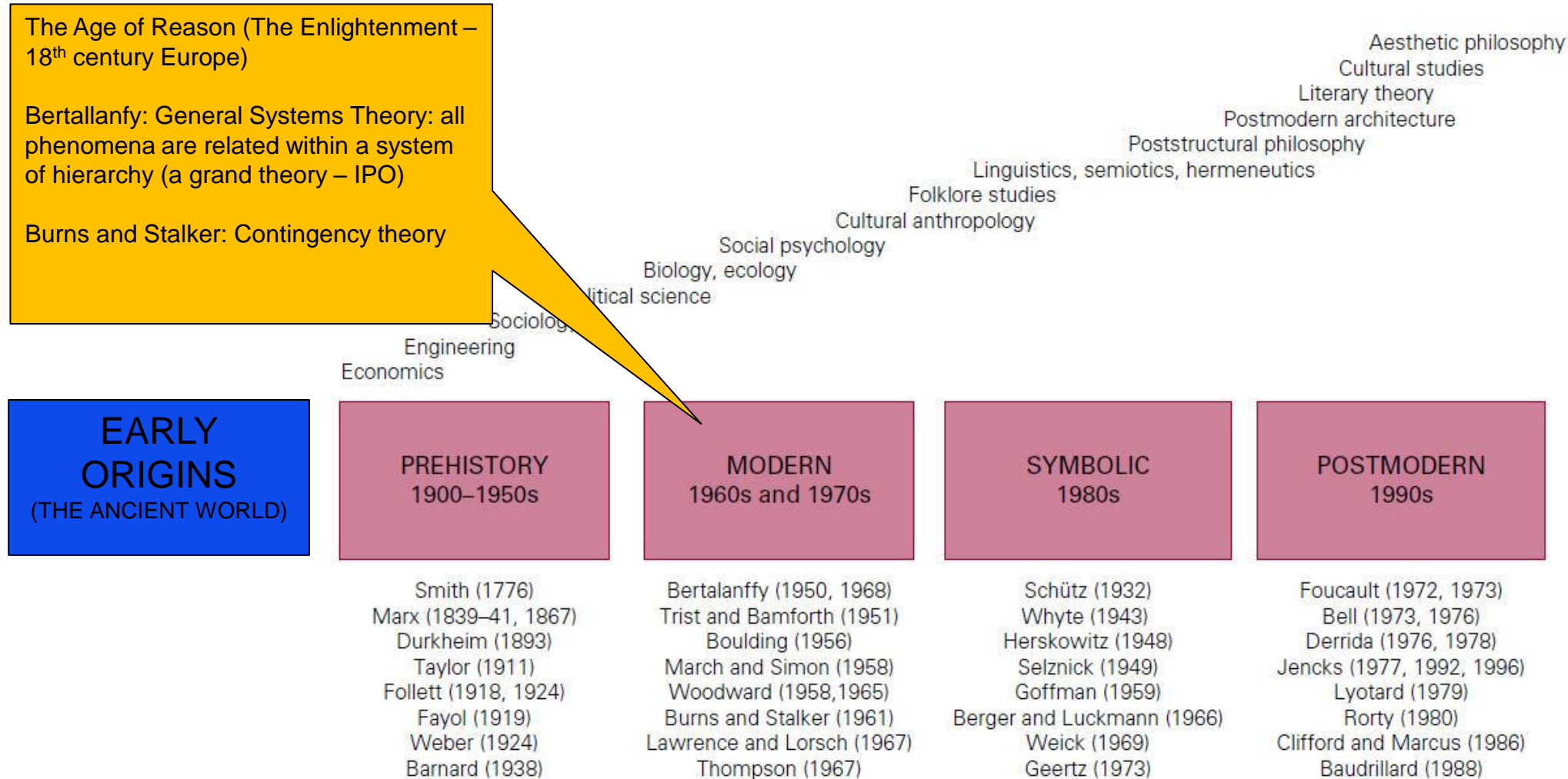


Figure 2.1 Sources of inspiration for the perspectives of OT



Historical roots of modernist organization theory

The 'Enlightenment project' was an intellectual and creative movement concerned with a new understanding of humanity.

It asserts that human beings can be free from the authority of the irrational power of monarchies and religion.

We can use our powers of reason to obtain a true understanding of ourselves and society.

The ideal of Enlightenment science is to use sensory observation – sight, touch, taste, hear, smell – to capture the nature of the world and through the application of 'reason' develop and test theories about the world.

The emergence of science meant that we could understand both natural and social phenomena through its lens.

Historical roots of modernist organization theory – Classical Theory of organization

The classical Theory of organization was an outcome of the Enlightenment project. There are two streams of thought in Classical Theory:

1. The problems of living in a world in which the factory system was beginning to emerge and commerce was becoming an increasingly important force.
2. The emergent role of the manager or supervisor as the means of controlling the factory.

The key interests in Classical thought were:

- The changing role of labour and property in shaping organizations.
- The role of organizations in the transformation of society from agrarian to industrial.
- The concept of [Division of Labour](#) lay at the very heart of classical thinking about organizations.

As factories developed employees undertook minute tasks that contributed to the whole in the interest of efficiency.

The Evolution of Organization Theory and Design

Historical perspectives provide insight into how organization design and management practices have varied over time in response to changes in society.

Historical Perspectives:

Efficiency is Everything

Scientific management: Scientifically determined jobs and management practices improve efficiency and labor productivity.

How to Get Organized

Administrative principles: The design and functioning of the organization as a whole

Contributed to development of bureaucratic organizations

What about People?

Hawthorne Studies: Positive treatment of employees improves motivation and productivity.

Can Bureaucracies Be Flexible?

1980s: Corporate cultures valued lean staff, flexibility, learning, rapid response to the customer, engaged employees, and quality products.

Current day: Flexible organizational design approaches are still prevalent.

Modernist organization theory: back to the future?



Radical modernism: Trellick Towers, London



Modernism for the people: Park Hill Flats, Sheffield



Leisure modernism: De La Warr Building, Bexhill-on-Sea



Business modernism: Scandinavian style

Four forms of modernist architecture

Comparing modernist architecture and management

Architecture

- Revolutionary - it discards uses of new materials and technologies.
- Highly structured and ordered.
- Tends to be linear and form always fits function.
- Modernist architecture is a statement of the **intellectual rigour of modernism**. Every aspect of the design is carefully analysed.

Management

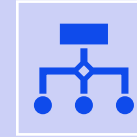
- Revolutionary in that it discarded old forms of organization.
- **Highly structured and ordered.**
- Adoption of the **idea of a hierarchy** based on expertise.
- The design and management of the organization are based on ideas of **scientific rigour that require intellectual effort and commitment.**

Comparing modernist architecture and management

Architecture

- Modernist architecture is dependent on **scientific approaches** to design.
- Because of this it becomes increasingly professionalized and specialized.
- As it developed, modernist architecture became a global phenomenon, both in developed and in developing nations. It became the universal language of architectural style and design.

Management



Emphasis on functionality and purity of form rejects previous forms of organization.



Professionalization of the middle and senior occupations within the organization.



Modernist organization and modernist management become, over time, a global phenomenon.

Organization Design in Action

Current Challenges

- Globalization
- Intense competition
- Sustainability, the green movement, and ethics
- Speed and responsiveness
- Digital organizations and big data analytics

Organization design provides tools to understand, design, and manage organizations more successfully.

Modernist organization

Modernist organization theory claims to be global; it can be translated into any culture.

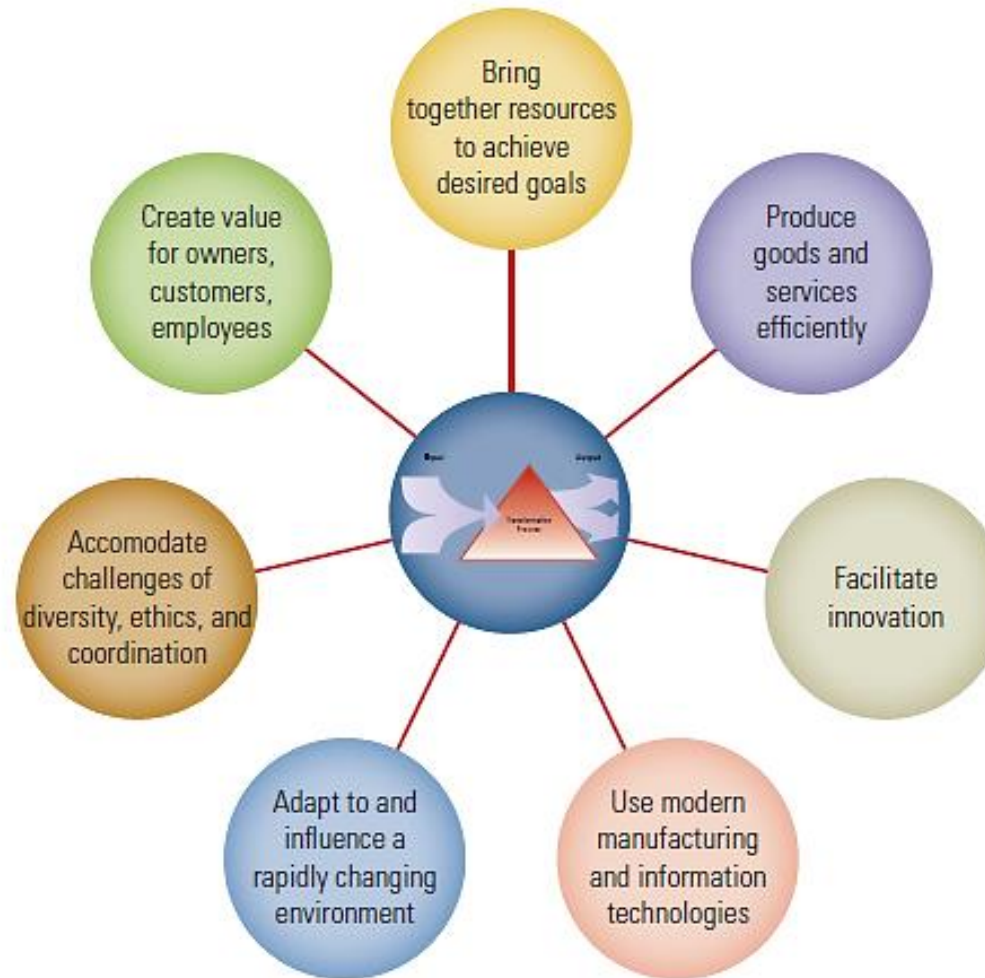
The modernist organization was revolutionary in its emphasis on order, rationality, and impersonal equity. The modernist organization can be portrayed as a force for the general social good

- It can also be portrayed as evil, as a machine for dictators
- It can be aesthetically satisfying or brutalist.
- Deeply embedded within modernist organization theory is the professionalization of the language of organization and of management.



"Transformation is making WHO Eastern Mediterranean Region a modern organization that is effective and having an impact on peoples' lives."

Importance of Organizations



Organisational Performance And Goals

‘An organization is the rational coordination of the activities of a number of people for the achievement of some **common explicit purpose or goal**, through division of labor or function, and through a hierarchy of authority and responsibility’.

Schein, E. (1970) Organizational Psychology, 2nd ed, Englewood Cliffs, NJ: Prentice-Hall.

But on the other hand...

‘We can ask an individual about his goals or purposes, but it is difficult to approach an organization in the same way. It seems doubtful whether it is legitimate to conceive of an organization as having a goal **except where there is an ongoing consensus** between members of the organization about the purposes of their interaction’ “

Silverman, D. (1970) The Theory of Organizations, London: Heinemann

Aspects of Organization

They are social artifacts: They are created and maintained by our collective human social interaction.

They have disputed goals: Organizations are created by people to serve some purpose but this does not mean that every member of a particular organization shares those goals.

They are social structures: The pursuit of particular purposes usually requires that human activity is structured, coordinated and often controlled by a group, in some way – but others may well resist this structure.

They have ambiguous boundaries: It is difficult to identify where organizations start and finish and what goes on 'outside' can affect what happens 'inside'.

Goals Types and Purposes



Can an organization have goals?

To talk of organizations as having goals can be **misleading**:

- It creates an impression of consensus.
- Whose goals are being accorded priority in such a definition?
- Organizations do involve some groups attempting to ensure that their particular purposes are imposed upon, or influence, the organizational behaviour of others.
- The pursuit of these purposes usually entails the exercise of power and control by some members.
- This, of course, can lead to covert and overt forms of conflict as people might resist these attempts at controlling, coordinating, and influencing their behaviour whilst they try to pursue their own purposes.

Organizational Stakeholders

Stakeholders: People who have an interest, claim, or stake in an organization, in what it does, and in how well it performs

Inducements: Rewards such as money, power, and organizational status

Contributions: The skills, knowledge, and expertise that organizations require of their members during task performance

Stakeholder	Contribution to the Organization	Inducement to Contribute
Inside		
Shareholders	Money and capital	Dividends and stock appreciation
Managers	Skills and expertise	Salaries, bonuses, status, and power
Workforce	Skills and expertise	Wages, bonuses, stable employment, and promotion
Outside		
Customers	Revenue from purchase of goods and services	Quality and price of goods and services
Suppliers	High-quality inputs	Revenue from purchase of inputs
Government	Rules governing good business practice	Fair and free competition
Unions	Free and fair collective bargaining	Equitable share of inducements
Community	Social and economic infrastructure	Revenue, taxes, and employment
General public	Customer loyalty and reputation	National pride

Organizational Effectiveness: Satisfying Stakeholders' Goals and Interests

An organization is used simultaneously by various stakeholders to achieve their goals

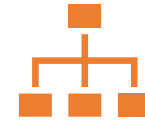
Each stakeholder group is motivated to contribute to the organization

Each group evaluates the effectiveness of the organization by judging how well it meets the group's specific goals

Organizations exist to satisfy stakeholders' goals

But which stakeholder group's goal is most important?

In the U.S., the shareholders who are the owners of an organization's accumulated wealth/capital have first claim in the value created by the organization



Authority

The power to hold people accountable for their actions and to make decisions concerning the use of organizational resources



Shareholders

The stakeholder group with ultimate authority over the use of a corporation's resources

Organizational Effectiveness: Satisfying Stakeholders' Goals and Interests

Evaluation of the organization

- Shareholders - Return on their investment
- Customers - Product reliability and product value relative to their price
- Managers/Employees - Compensation, working conditions, career prospect

To be effective, an organization must at least minimally satisfy the interests of all the groups that have a stake in the organization.

Problems that an organization faces as it tries to win stakeholders' approval

- Choosing which stakeholder goals to satisfy
- Deciding how to allocate organizational rewards to different stakeholder groups
- Balancing short-term and long-term goals

Top Managers and Organizational Authority

The board of directors - Monitors corporate managers' activities and rewards corporate managers who pursue activities that satisfy stakeholder goals

- Inside directors - Hold offices in a company's formal hierarchy
- Outside directors - Not full-time employees

Corporate-level management

The inside stakeholder group has the ultimate responsibility for setting company goals and objectives, for allocating organizational resources to achieve objectives, and for designing the organization's structure

- Chain of command: The system of hierarchical reporting relationships in an organization
- Hierarchy: A classification of people according to authority and rank

The Top-Management Team

The CEO's Role in Influencing Organizational Effectiveness

- Responsible for setting organizational goals and designing its structure
- Selects key executives to occupy the topmost levels of the managerial hierarchy
- Determines top management's rewards and incentives
- Controls the allocation of scarce resources such as money and decision-making power among the organization's functional areas or business divisions
- The CEO's actions and reputation have a major impact on inside and outside stakeholders' views of the organization and affect the organization's ability to attract resources from its environment

❑ COO

Reports directly to the CEO – together they share the principal responsibility for managing the business
Exec. Vice Presidents—Oversees and manages the company's most significant line and staff roles

The Top-Management Team

Other Managers

- Divisional managers: Managers who set policy only for the division they head
- Functional managers: Managers who are responsible for developing the functional skills and capabilities that collectively provide the core competencies that give the organization its competitive advantage

Allocating Rewards



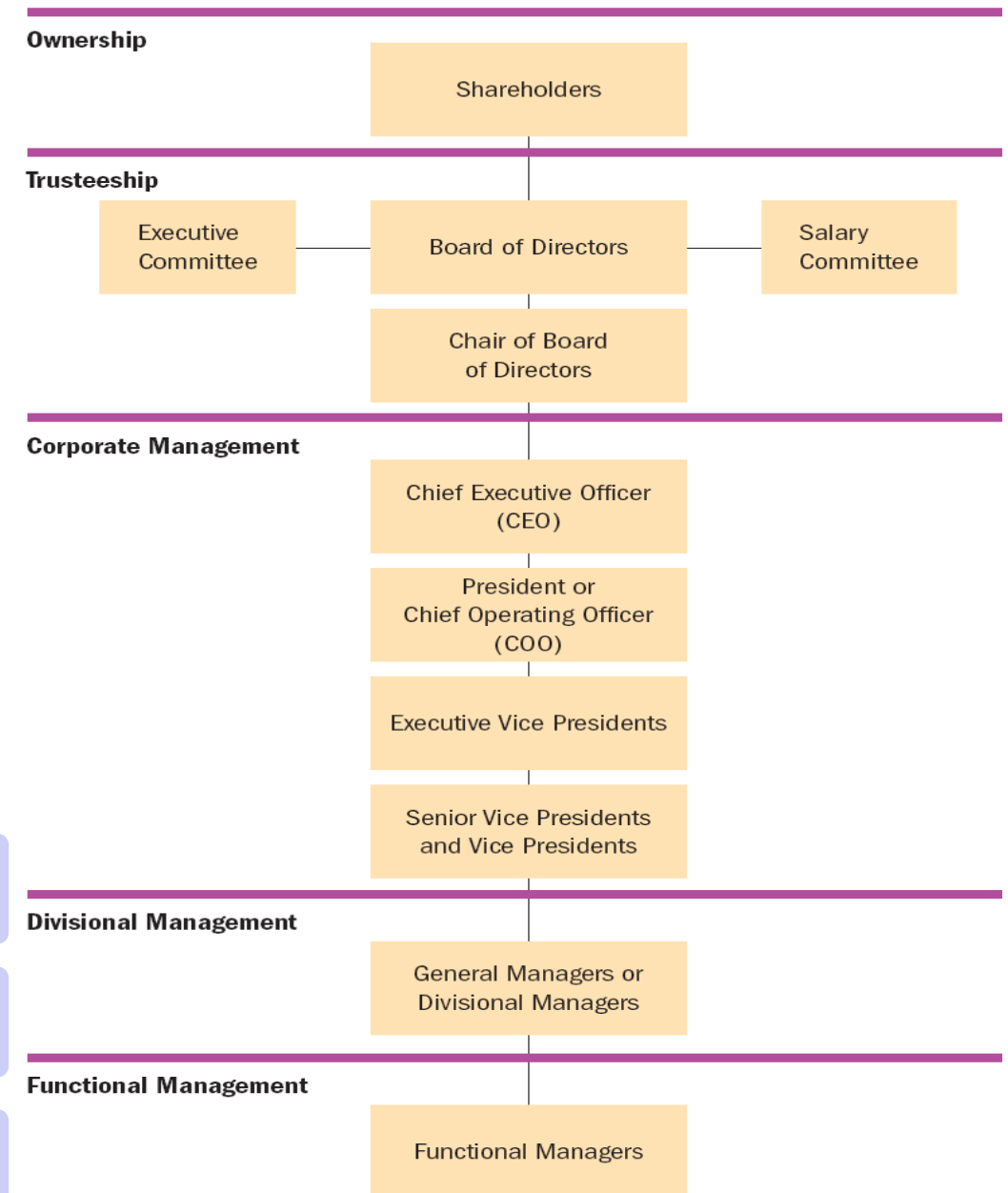
Managers must decide how to allocate inducements to provide at least minimal satisfaction of the various stakeholder groups



Managers must also determine how to distribute “extra” rewards



Inducements offered to shareholders affect their motivation to contribute to the organization



Managers

Line-role

- Managers who have direct responsibility for the production of goods and services

Staff-role

- Managers who are in charge of a specific organizational function such as sales or research and development (R&D)

Top-management team

- A group of managers who report to the CEO and COO and help the CEO set the company's strategy and its long-term goals and objectives

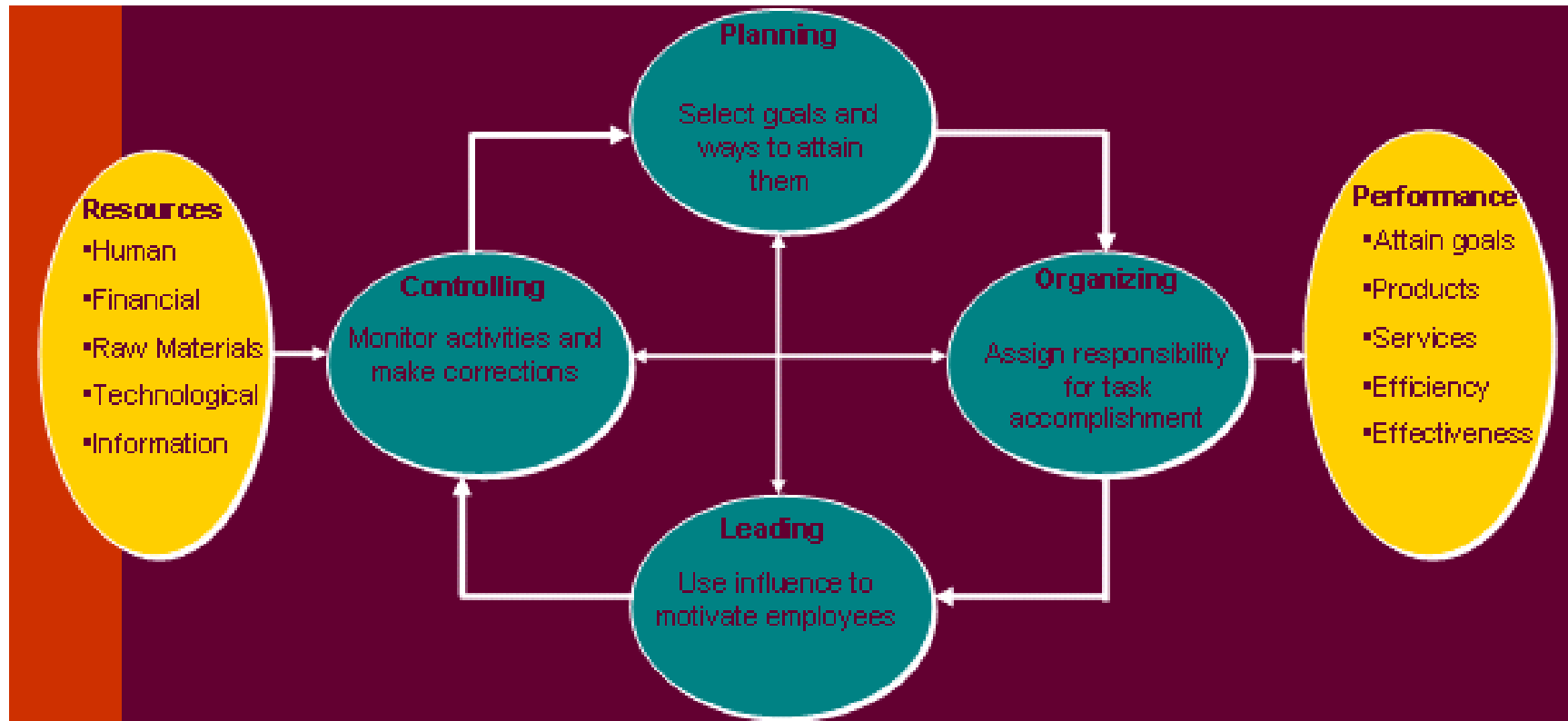
Corporate managers

- The members of top-management team whose responsibility is to set strategy for the corporation as a whole

Organisational Performance

Attainment of organisational goals in an efficient and effective manner

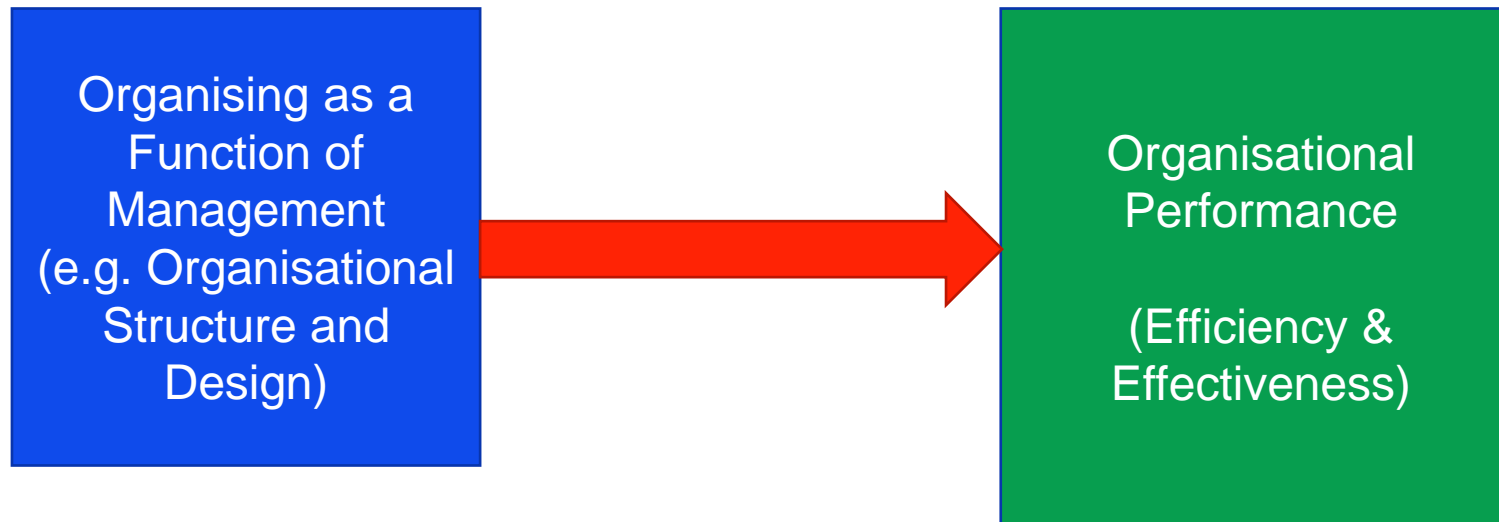
The Process of Management



Organisational Performance


Organisation	social entity that is goal directed and deliberately structured
Effectiveness	degree to which an organisation achieves a stated goal a measure of goal attainment <i>“Are we hitting the target?”</i>
Efficiency	use of optimal resources (raw materials, money, and people) to produce the desired volume of output a measure of resource optimal utilisation <i>“How are we hitting the target?”</i>
Performance	organisation’s ability to attain its goals by using resources in an efficient and effective manner

Model: Organising and Organisational Performance



ORGANISATIONAL PERFORMANCE

Efficiency-Effectiveness Matrix



GOAL ATTAINMENT	HIGH	EFFECTIVE BUT INEFFICIENT <ul style="list-style-type: none">•Goals achieved•Resources wasted•Good revenue but high cost•Marginal profit or loss	EFFECTIVE AND EFFICIENT <ul style="list-style-type: none">•Goals achieved•Resources well-utilised•Good revenue and low cost•Good profit
	LOW	INEFFECTIVE AND INEFFICIENT <ul style="list-style-type: none">•Goals not achieved•Resources wasted•Poor revenue and high cost•Loss	EFFICIENT BUT INEFFECTIVE <ul style="list-style-type: none">•Goals not achieved•No wasted resources•Poor revenues and low cost•Marginal profit or loss

POOR **RESOURCE UTILISATION** GOOD



Principles of organization design



Case study:

Organization of the future: Rewriting new rules for organization design

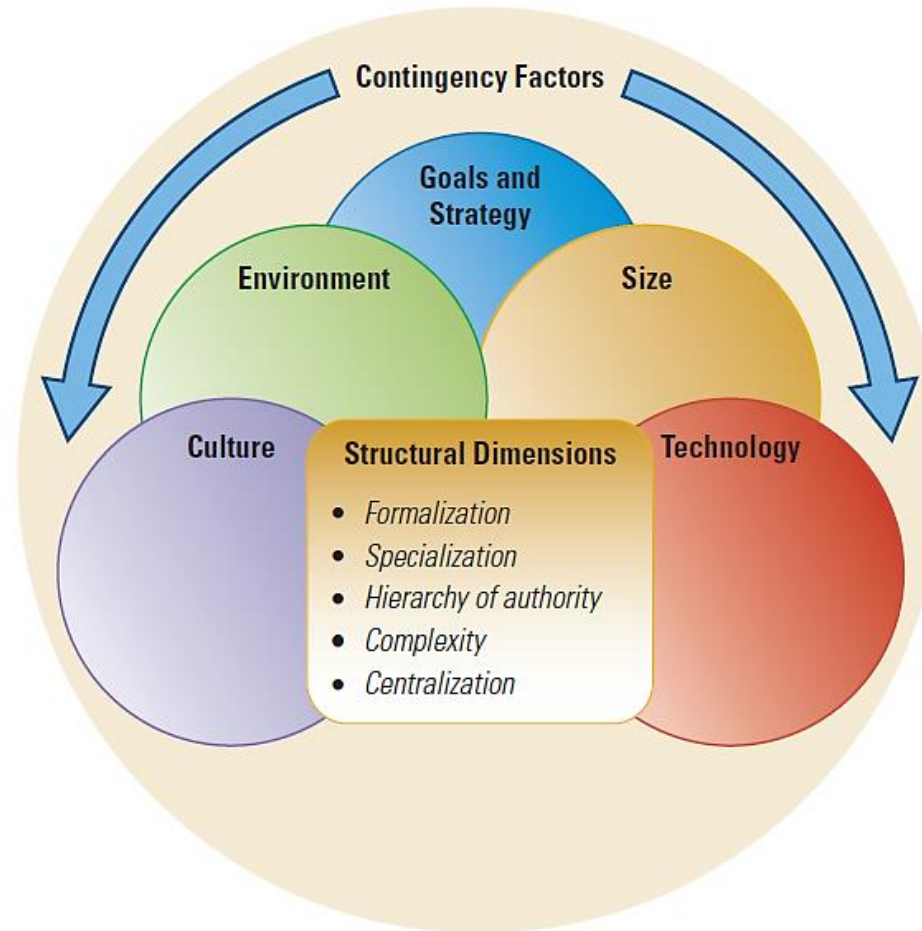


Don Miller, a managing director in the Human Capital practice of Deloitte Consulting LLP, explains how organizations are redesigning themselves to be both efficient and adaptable to disrupt and compete in the fourth industrial revolution – [the digital age](#). It's not just about using technology—it's about a fundamental mindset shift in how organizations are rewriting new rules for organization design to purposefully break down traditional hierarchies in favor of dynamic, team-centric, flexible structures. Watch and learn about four ways to get started redesigning your organization for the digital age.

Interacting Structural Dimensions of Design and Contingency Factors

Structural Dimensions

Formalization
Specialization
Hierarchy of authority
Complexity
Centralization



Contingency Factors

Size
Organizational technology
Environment
Goals and strategy
Culture

Organizational structure

Organizational structure defines:

- key **roles** (including **line** and **staff**) and **areas of responsibility**;
- how roles are grouped in different **units/departments**
- the **chain of command** (hierarchy and reporting lines)
- the **span of control** of each role (how many report to a specific role)

The formal (designed) structure is represented in a diagram, the **organization chart**

Basic structural forms

Functional (“U form”)

Grouping people/units who perform similar (functionally specialised) tasks

↳ *Low overheads and high efficiency, but rigid*

Divisional (“M form”)

Organisation is split into autonomous business units

↳ *Higher overheads, but more responsive*

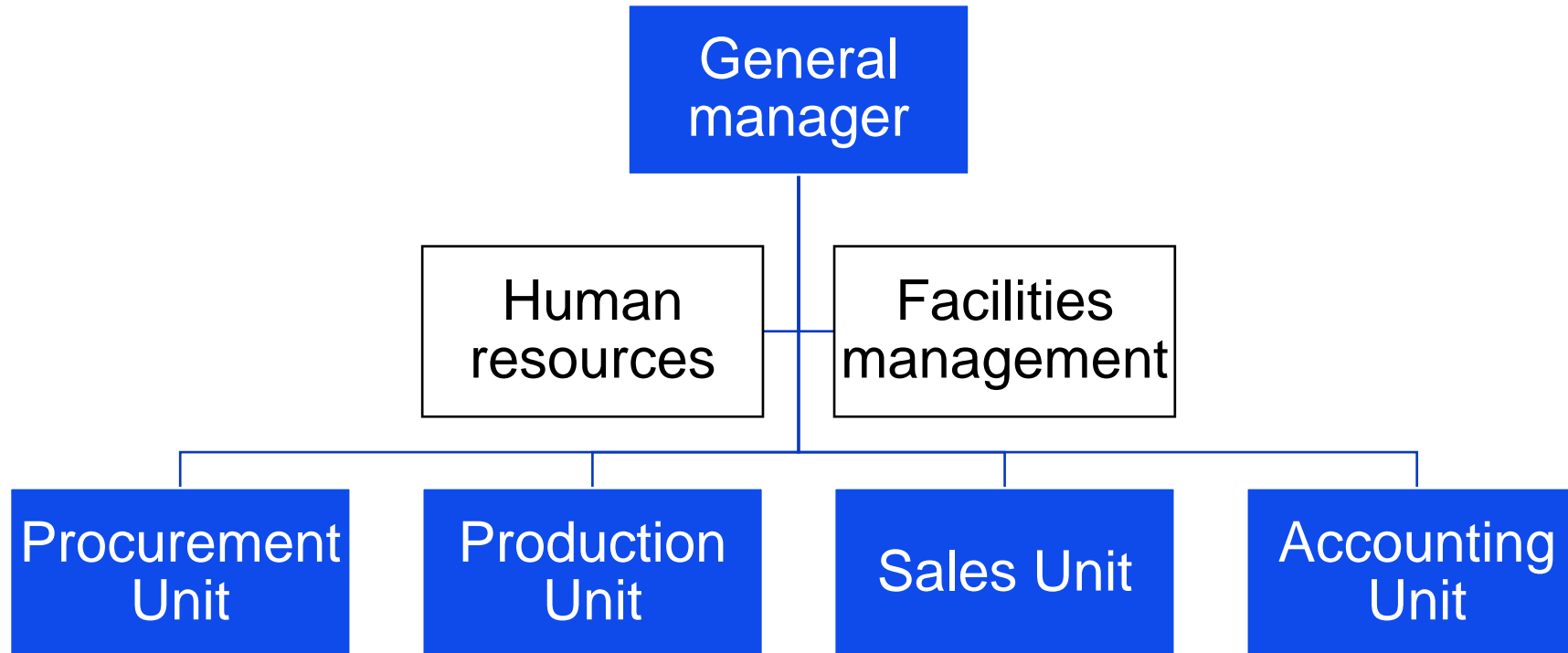
Matrix

Units are differentiated along two or more dimensions (each person reports to 2 or more bosses)

↳ *Higher flexibility, but very demanding for staff members*

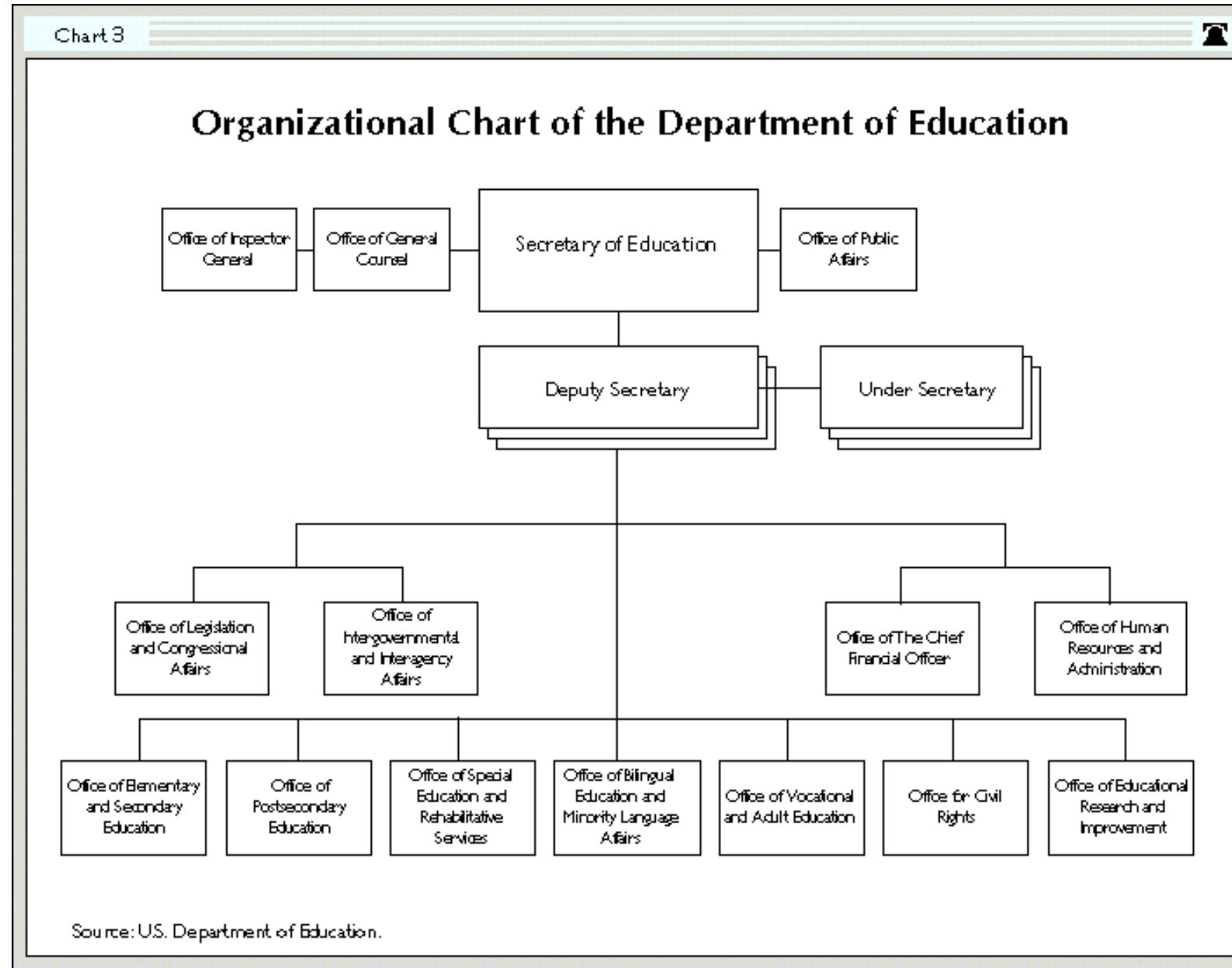
Functional structure

Generic example

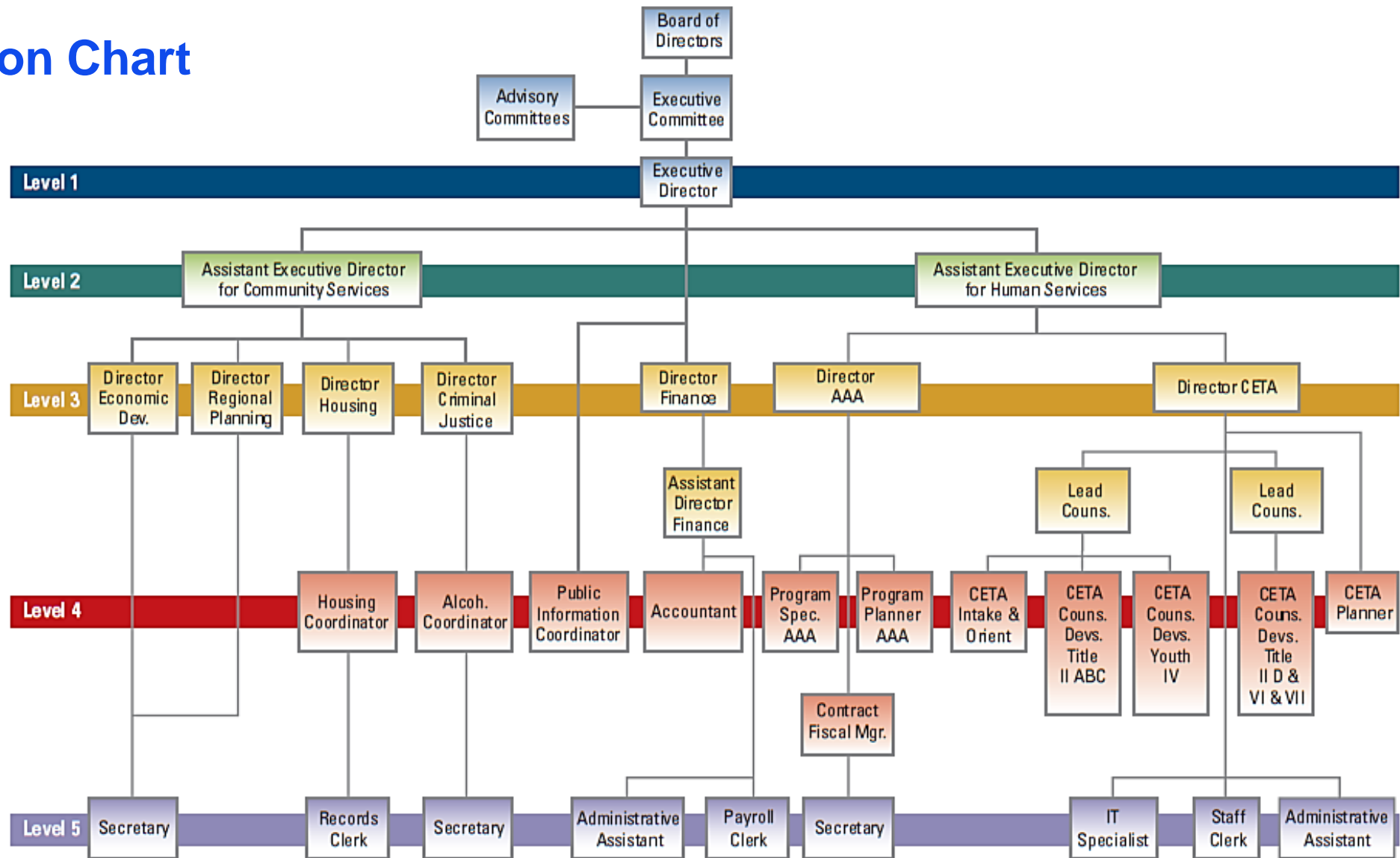


Functional structure

Real-life example



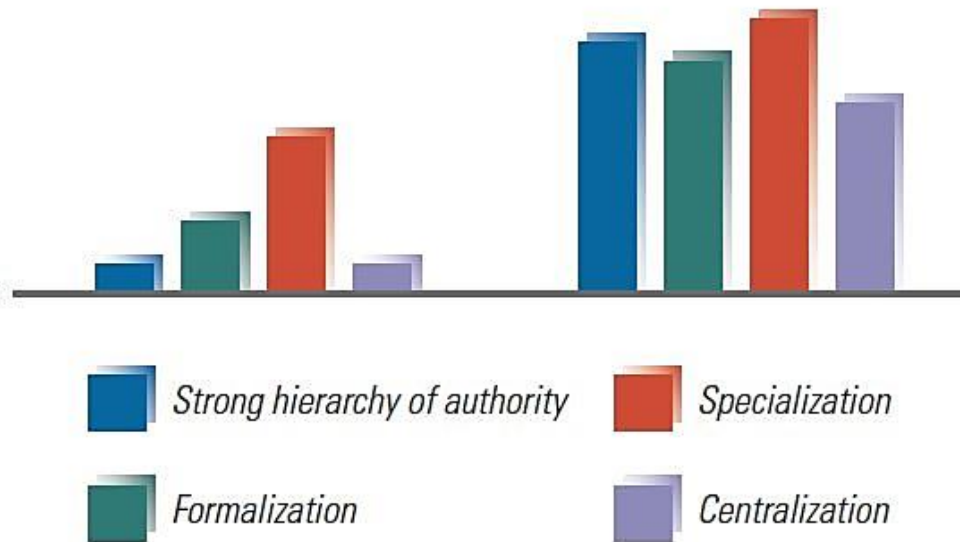
Organization Chart



Differing Characteristics of Two Organizations

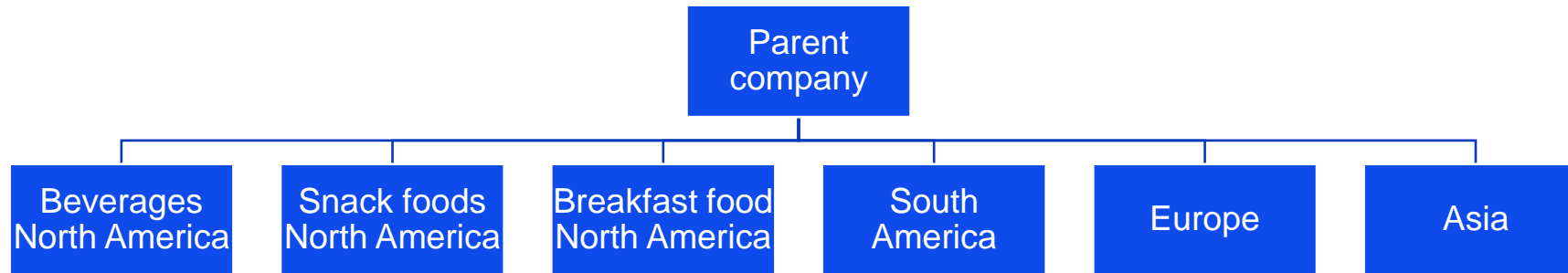
Company:	Valve Software	Walmart
Technology:	Software development	Retailing
Size:	360 people	250,000 plus people
Goals:	Innovation	Efficiency

**Structural
Characteristics:**



Divisional structure

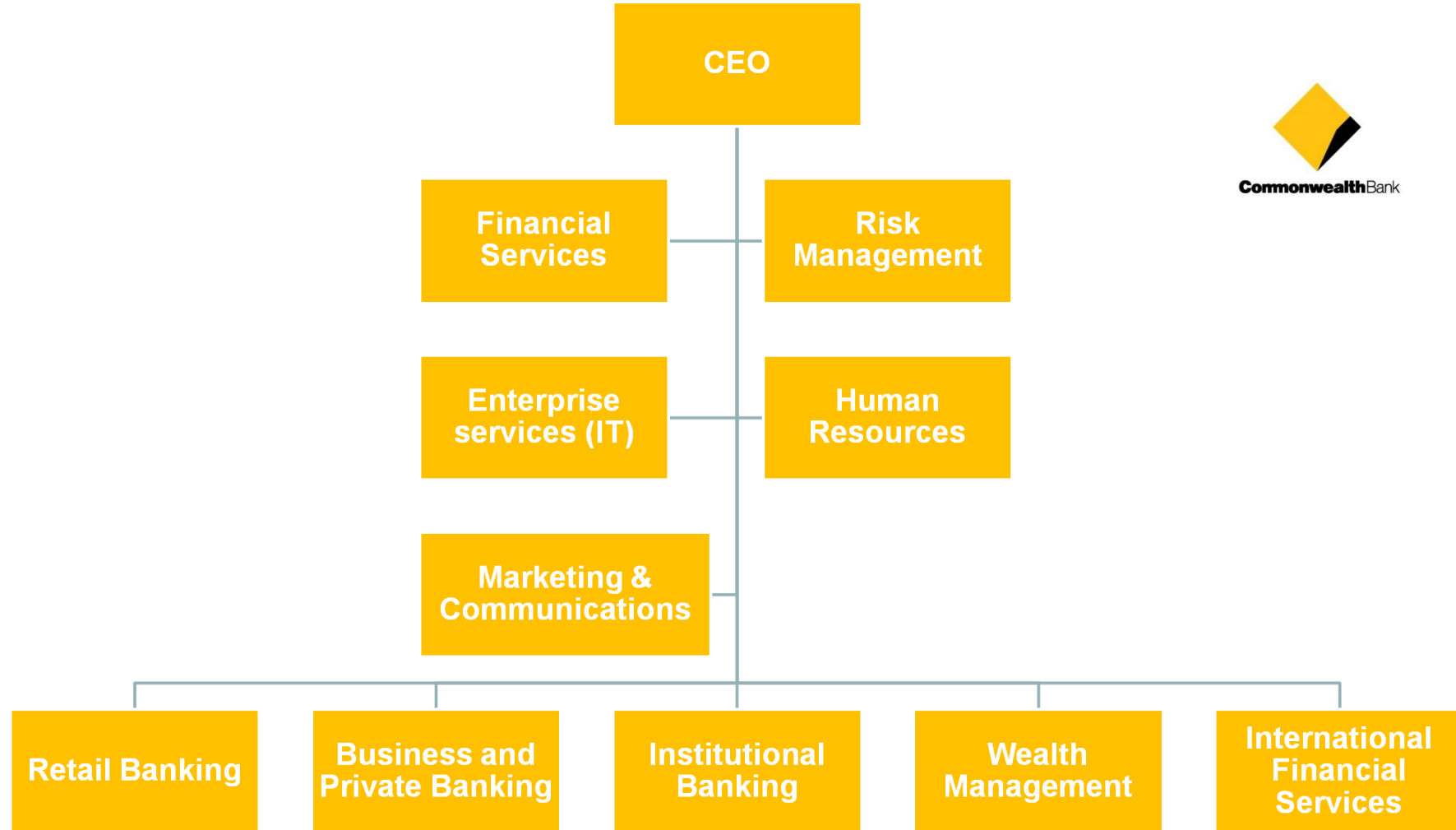
Generic example



Can you guess which Multinational company has a structure very similar to this one?

Divisional structure

Real-life example



What a matrix structure is?

Accommodates multiple cross-functional groups

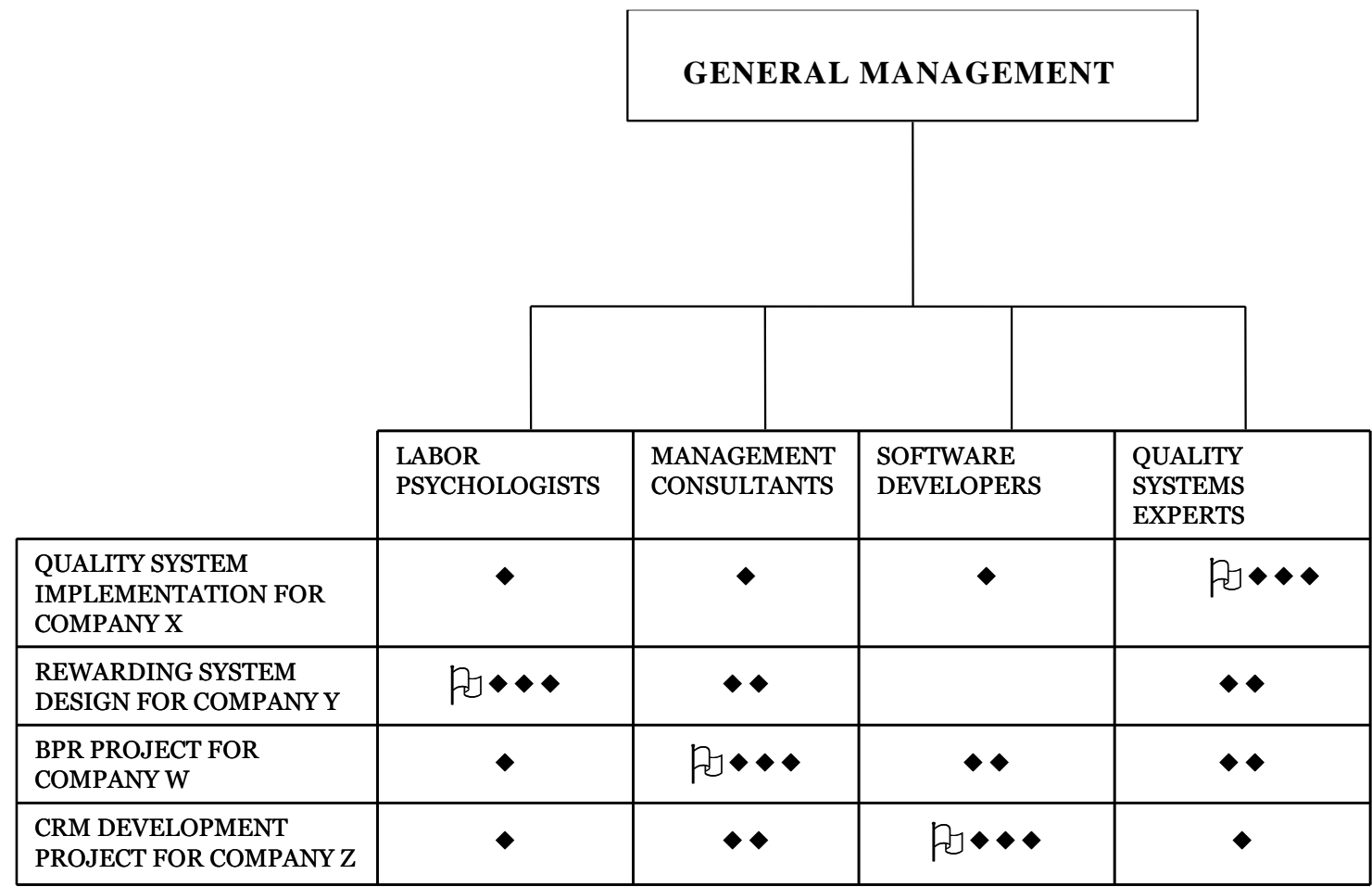
Reporting relationships are set up as a grid

Effective for developing new activities and for coordinating complex multiple interdependencies


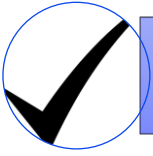
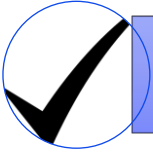

Requires a different skillset than the traditional hierarchical model

Matrix structure

Generic example



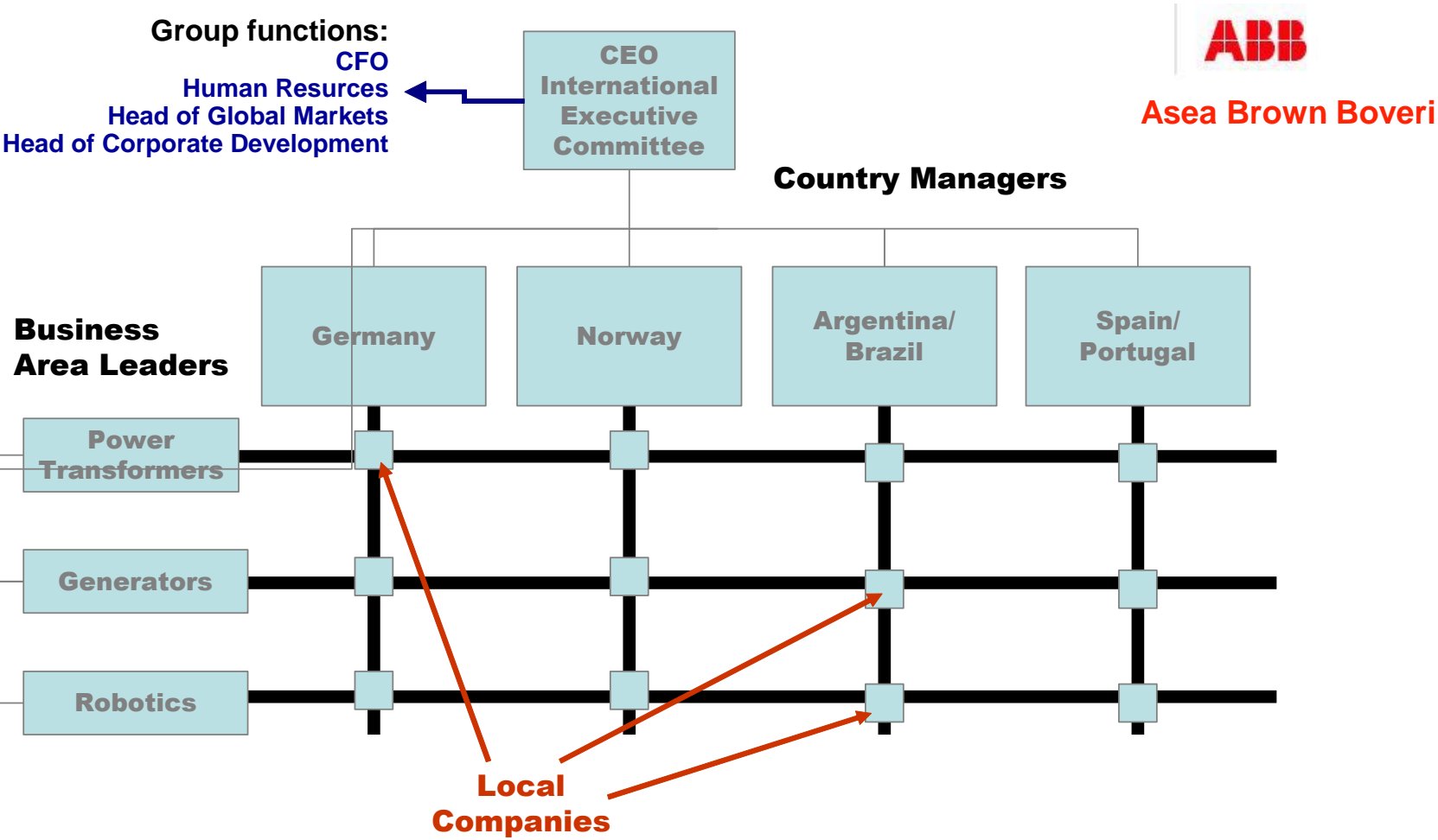
Pros/cons of matrix

-  1. A flexible resource pool
-  2. Less downtime for resources
-  3. Sharing knowledge across the organization
-  4. Develop broader individual capabilities

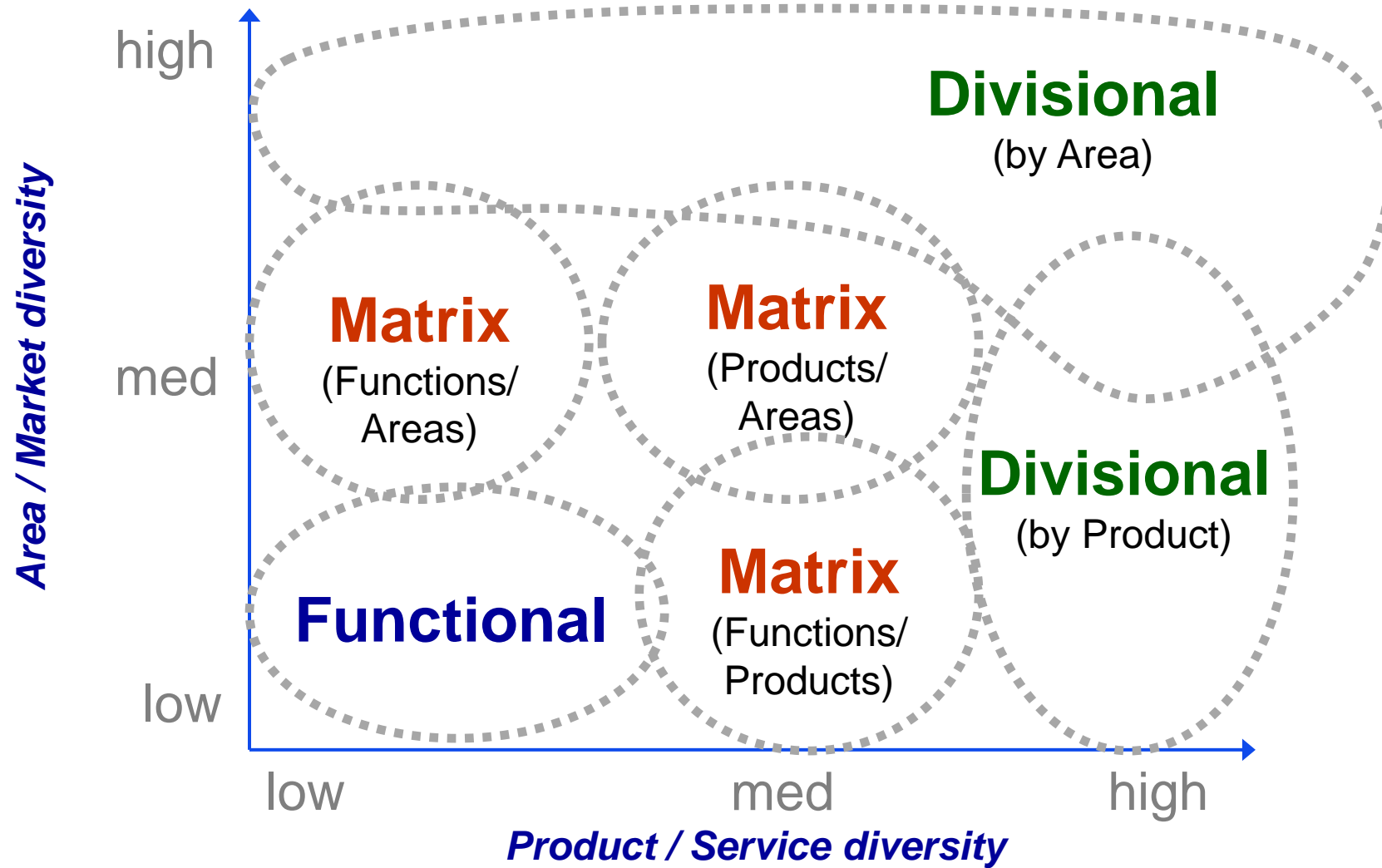
-  1. Ambiguity and conflicts
-  2. Stress
-  3. Inefficiencies

Matrix structure

Real-life example

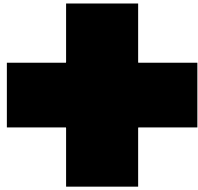


Structural design fit



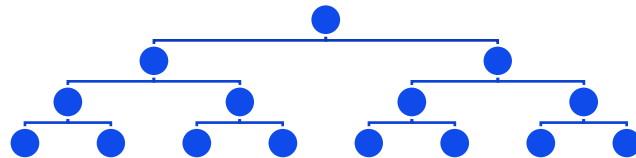
Hierarchy problem: how flat?

Configuration = hierarchical levels + span of control



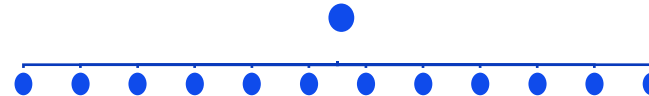
Tall structures:

- Large complex organisations
- Long chain of command
- Narrow span of control
- Vertical communication takes time

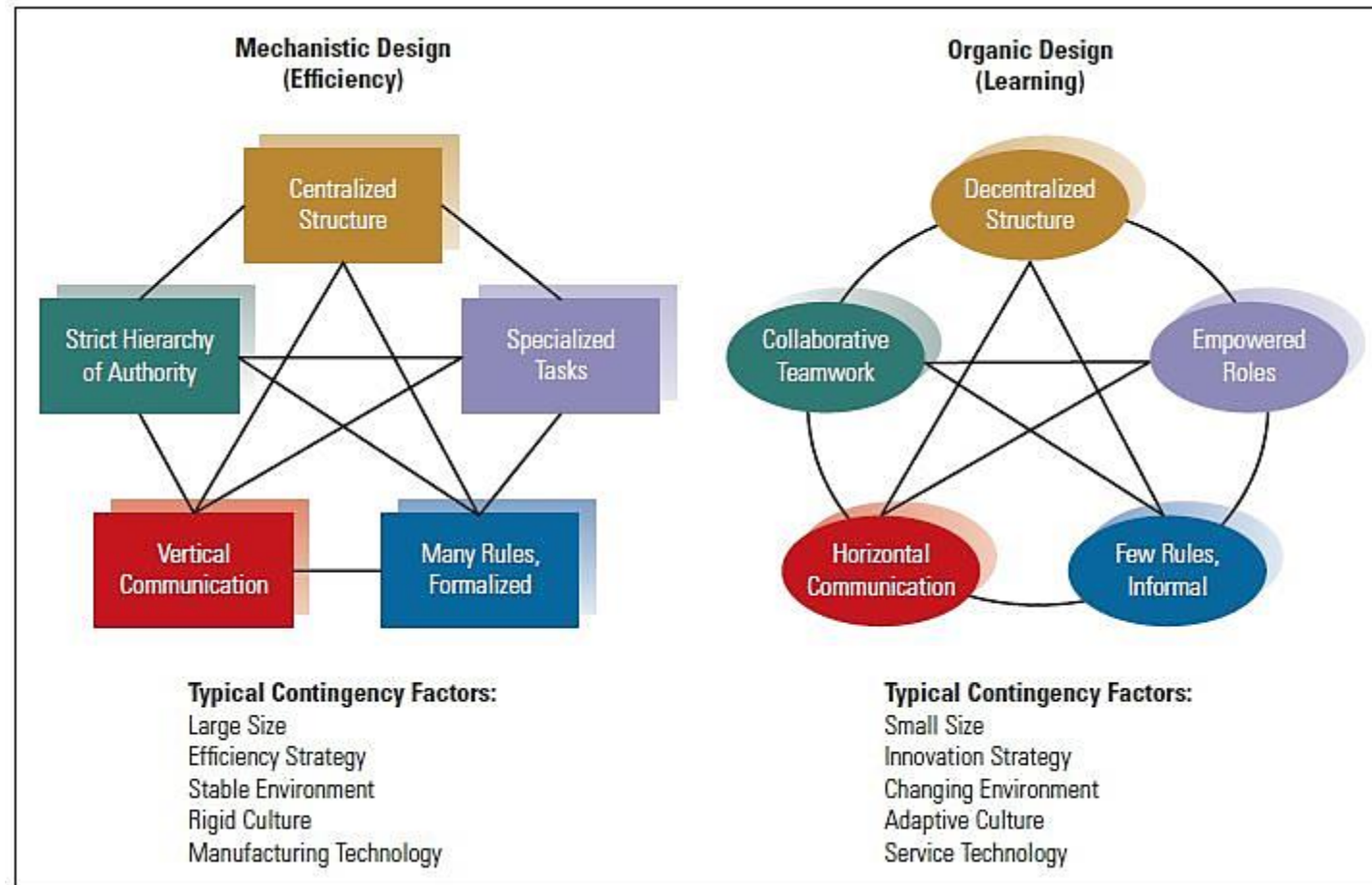


Flat structures:

- Simple, small organisations
- Short chain of command
- Wider span of control
- Heavy managerial workload – many subordinates!



Organic and Mechanistic Designs



The Contrast of Organic and Mechanistic Designs

- Mechanistic: Organization design is machine-like, with standard rules and procedures and a clear hierarchy of authority
- Organic: Organization design is looser and free-flowing, with a decentralized decision-making authority

Depends upon:

- ☐ Centralized vs. decentralized structure
- ☐ Specialized tasks vs. empowered roles
- ☐ Formal vs. informal systems
- ☐ Vertical vs. horizontal communication
- ☐ Hierarchy of authority vs. collaborative teamwork

The Emerging Bossless Design Trend

- A few organizations have shifted to an extremely organic, “bossless” design, with no job titles, no seniority, and no managers or executives.
 - People work together on an equal basis, and no one gives or takes orders from others.
 - Costs may be lower due to reduced overhead.
 - Money must be invested in ongoing employee training and development.
 - The culture must engage employees and support the non-hierarchical environment.

Hierarchy problem: optimal span of control

Contingencies to determine 'optimal' span of control:

1. Similarity of functions
2. Geographic contiguity
3. Complexity of functions
4. Control and direction required
5. Coordination required
6. Planning required



Any questions?



Stay connected!

 @UTSBusiness

 @UTS_Business

Contact ME

 Rebecca.Dong@uts.edu.au

