

Contingency theory of organizational

- Tom Burns, George Stalker, Joan Woodward (1960)
- Based on Fiedler's contingency theory and path-goal theory of Robert House.
- "What you do" depends on the situation - external/internal
- There's no best way to organize.
- Organizational structure depends on the environment in which an organization operates.

Topics

- MBO
- span of management
- Organizational structure
- Centralization and decentralization of authority
- Organizational effectiveness.

Management by Objective (MBO)

- Developed by Peter Drucker (1954, "The practice of management")
- Close to concept of planning.
- Tools/techniques to achieve objective.
- It is a process through which specific goals are set collaboratively for

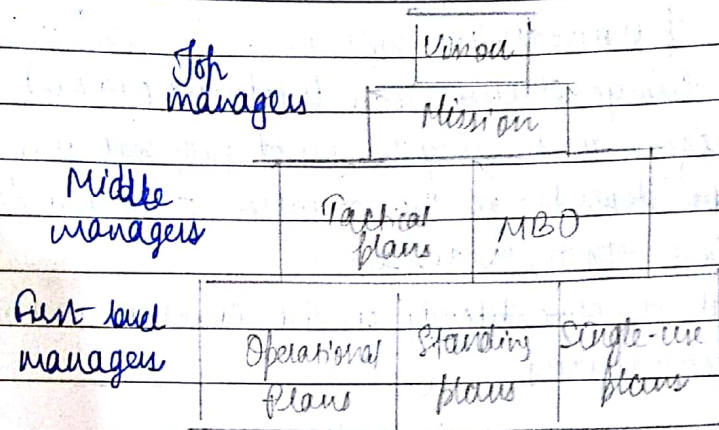
- the organization as a whole
- every unit and
- individuals within

the goals then are used as a basis for

- planning
- managing organizational activities
- assessing & rewarding contributions.

What is MBO?

- Focus of achievable goals? not easy but achievable
- aligning organizational goals and subordinate objectives.
- monitoring, evaluation and feedback throughout the hierarchy of objectives.



MBO principles

1.) Cascading of organizational goals and objectives, goals should be SMART.

~~for~~ S - Specific
 M - Measurable
 A - Achievable
 R - Realistic
 T - Time bound

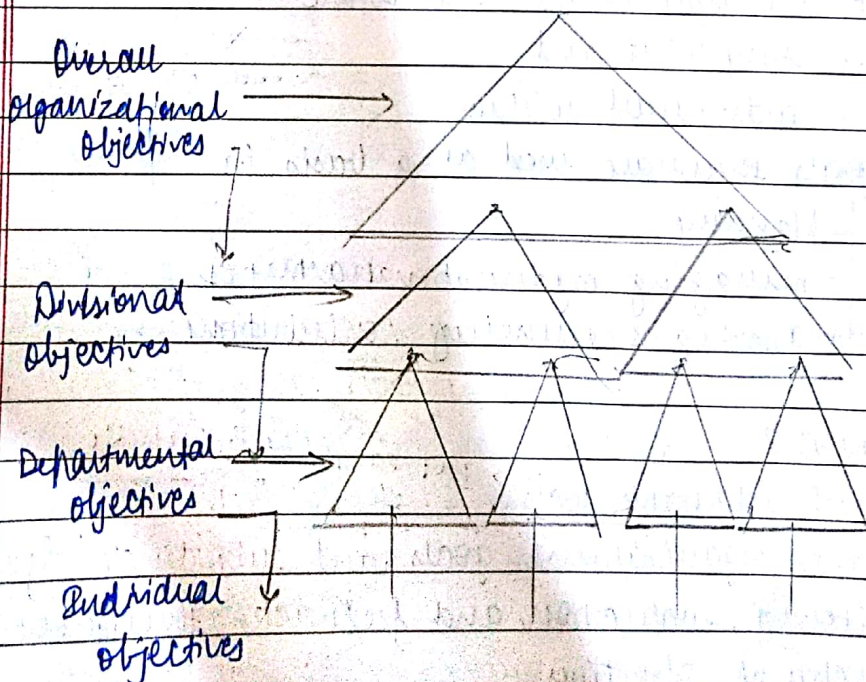
2) Specific objectives for each team member

3) Participative decision making.

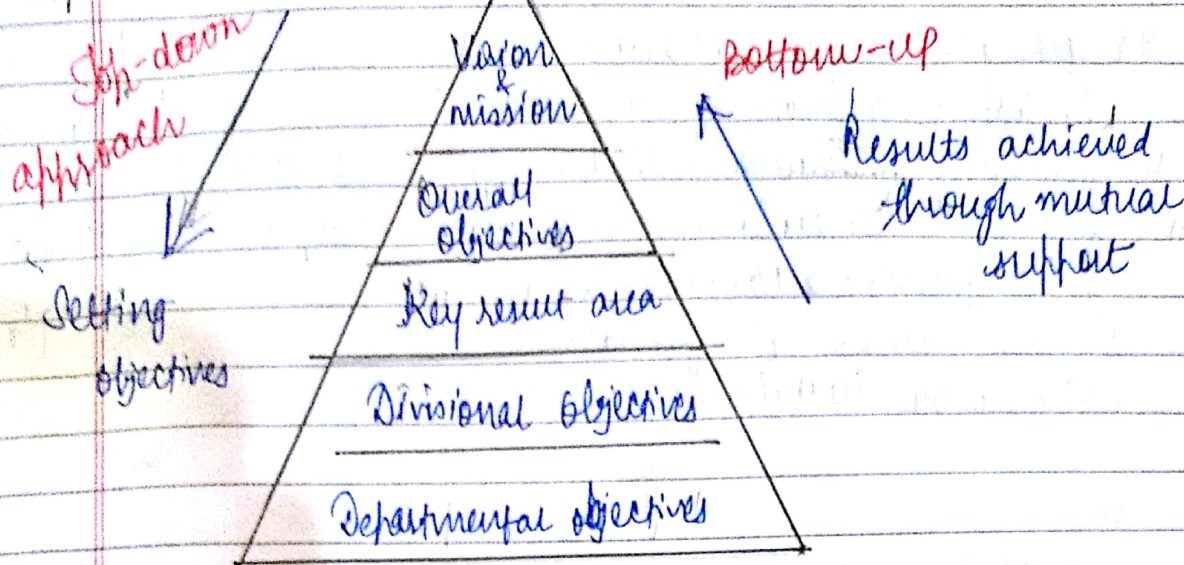
4) Explicit time period.

5) Performance evaluation and feedback.

Cascading of organizational objectives



Hierarchy of objectives and organizational levels etc



While setting objectives, ideally, top management should get info "buy-in" from lower levels to set realistic goals for a good result

Advantages -

- Focuses employees on most important tasks & objectives.
- Focus supervisor's efforts on important areas of support
- Contribⁿ to relationship building.
- Gives employees a structured opportunity to participate in decision making.
 - It fosters motivation
 - It forces managers to plan ahead

Disadvantages -

- It's time consuming and expensive
- It can be misused as a punitive device. ^{3rd} as a weapon to punish
- Focusing too much attention on easily quantifiable objectives.
- Having managers to impose subordinates their objectives.