Organisation Theory

SPROM-OLF - Organisation, Leadership, and Change Management

2023 Autumn term

SPROM-OLF_HT2023 contents

1. Economic foundations; Organisation Theory
2. Leadership
3. Entrepreneurship; Teams & Projects
4. Change Management
5. Business Ethics; course summary

Organisation theory

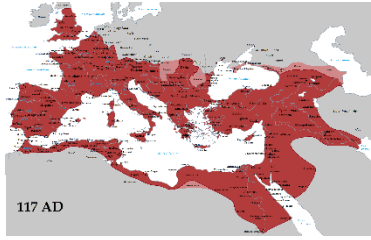
The main models/concepts in historical order

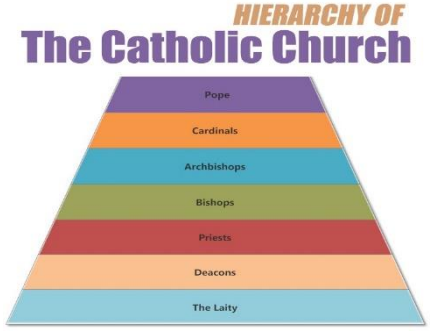
Contents

- Organisations and their historical context
- Important organisational thought & thinkers
- Conceptions of and theories on organisations

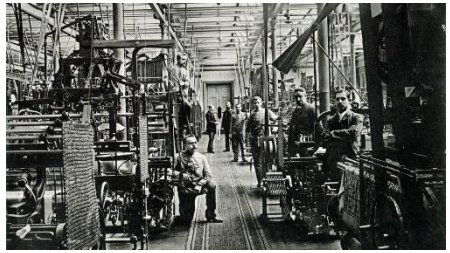
Organisation(s) before industrialisation

- Governmental, militaristic
- Leaders, but few formal structures
- Sizes were small, except for Roman Empire, Chinese empires, Catholic church
- Colonialism: East India Company
- Tensions between leaders and leaders and leaders and followers were characteristic





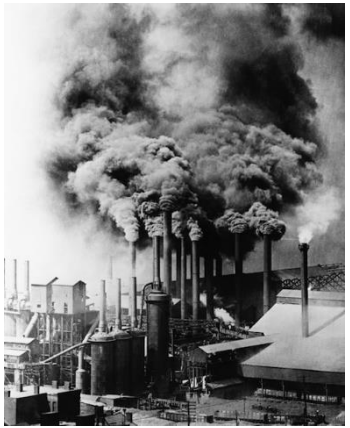
Industrialisation



- 1st Industrial revolution 1760-1840
- Hand production → mechanised production
- Steam engines, textile machines
- Rise in general welfare
- But: tough labour conditions

→ Labour unions, Luddites

- 2nd Industrial revolution 1870-1914
- Standardisation, Electrification
- Combustion engines, steel-making
- Railroads, infrastructure, telecommunications
- Productivity increases → mass unemployment

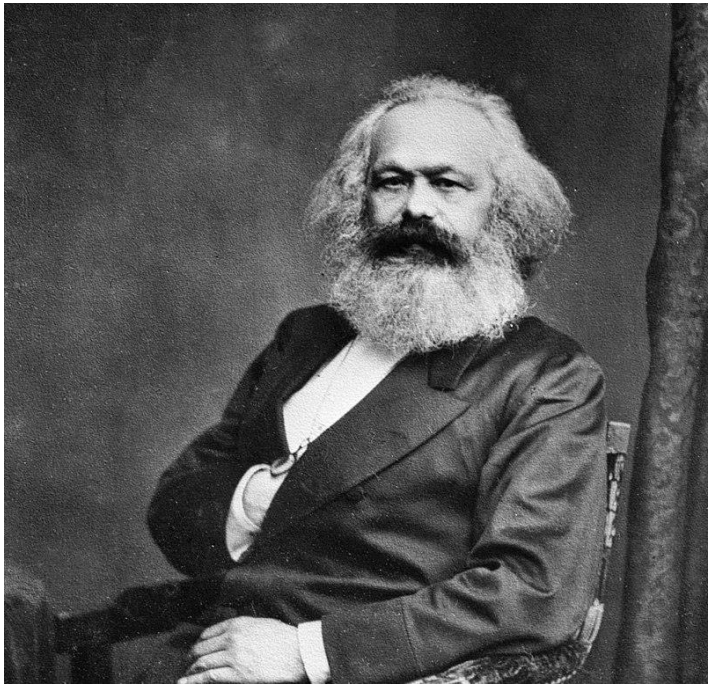


Karl H. Marx (1818-1883)

- "Capitalist mode of production"

→ alienates people from their nature

- Capital and Labour as the resulting societal "class conflict"
- → Class consciousness (bourgeoisie vs proletariat) will likely lead to social revolutions
- Testable theories about society and its conflicts



D. Emile Durkheim (1858-1917)

- Founders of Sociology and modern social science (together with colleagues Max Weber, Karl Marx)
- Division of labour → status based on merit rather than e.g. religion
- Regulation to keep balance
- Socialisation process, collective consciousness,

Max K. E. Weber (1864-1920)

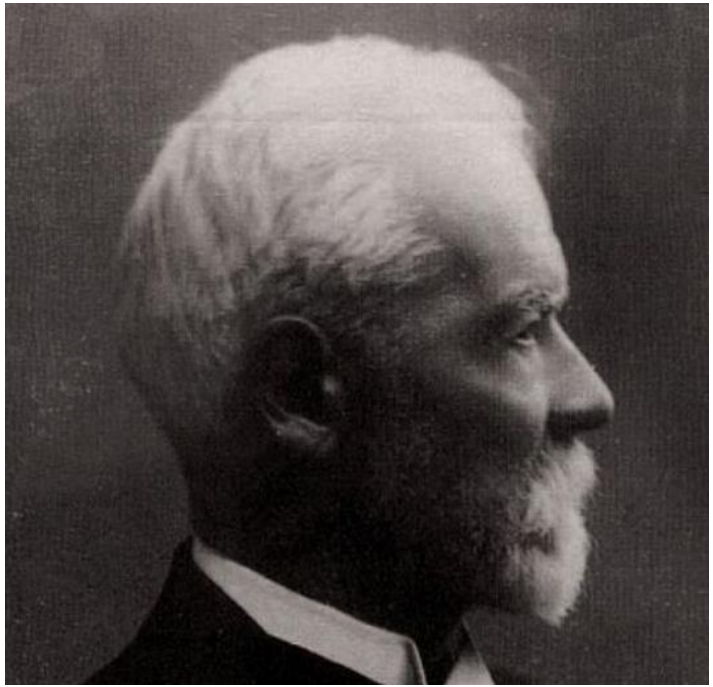
- Sociology with goal to understand societal structures objectively
- Bureaucratic model
  - Division of labour and specialisation
  - Formal recruitment based on merit
  - Uniformity in 'human resource management' principles
  - Career-orientation of employees
  - Hierarchy, responsibility and accountability
  - Abstract rules ('corporate policy')
  - Impersonal authority (rank → power), management
  - Develops it own dynamics and rationale (efficiency?)
  - Dysfunctional consequences (hierarchy goals)
- Rationalisation and intellectualisation of society → bureaucracy as a domineering "steel-hard edifice"

Frederick W. Taylor (1865-1915)

- "Scientific Management" aka Taylorism
- Efficiency driven optimisation
- Employees must follow orders of management (blue collar vs. white collar)
- Incentive structures such as "piece-rates" and punishments 'motivate' employees to high performance
- Business process design

Henri Fayol (1841-1925)

- Developed the concept of ‘Administration Industrielle et Générale’ aka Fayolism
- Primary functions
  - Planning
  - Organizing
  - Commanding (leadership)
  - Coordination
  - Control
- 14 principles



Fayol's 14 principles

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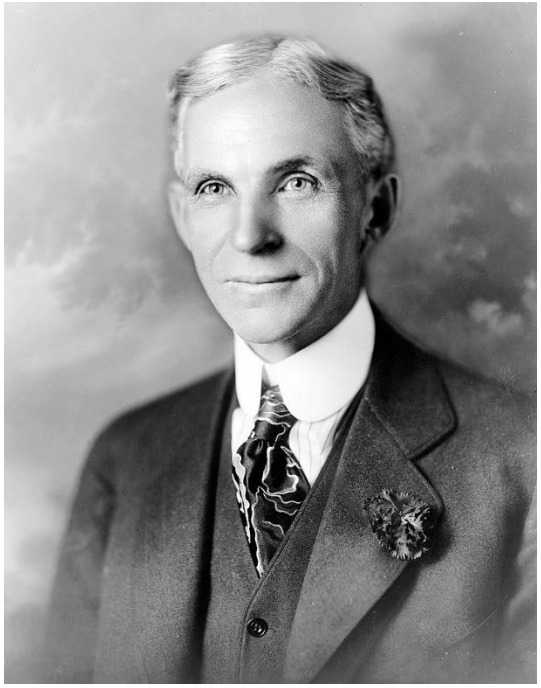
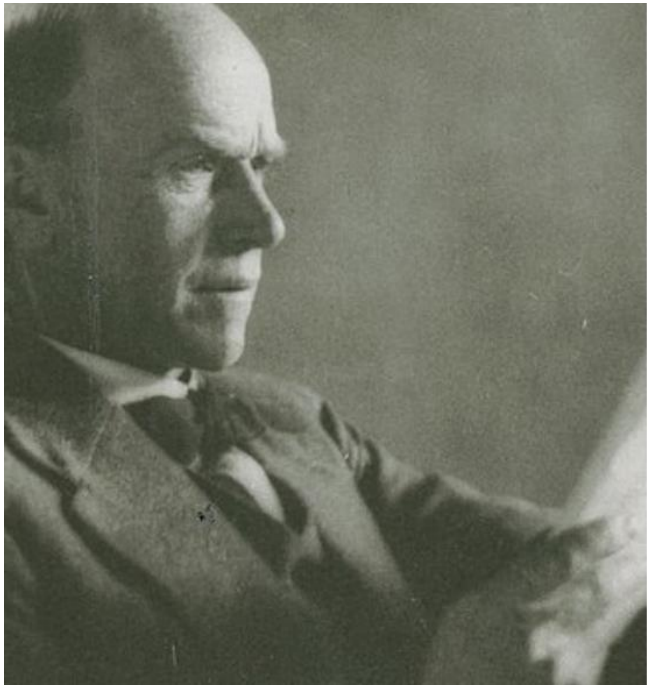
Henry Ford (1863-1947)



- Experiment-based, optimised production system aka Fordism
- Conveyor belt design for standardised industrial production
- Living wage policy, 5-day work week, profit-sharing with workers

G. Elton Mayo (1880-1949)

- Foundation of "Organisational Behaviour" aka organisational psychology aka neoclassical appr.
- Hawthorne experiments 1924-1932
- 'Human relations movement'
- (re)Humanisation of work
- Focus on workers: satisfaction -> performance
- Just another Taylorism tool?



Chester I. Barnard (1986-1961)

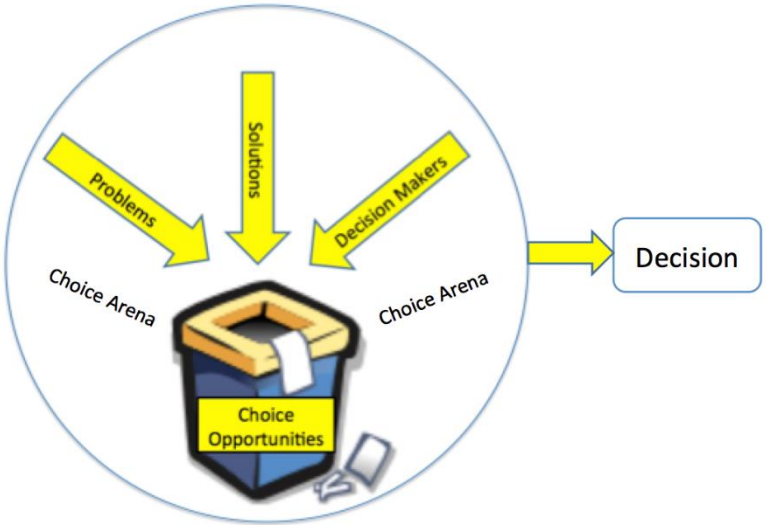
- Behavioural (decision) theory of the firm
- Organisations: systems of intentionally coordinated cooperative activities and decisions
- "Balance of inducements and contributions"
- Vitality of the organisation vs. its external environment
- Organisational learning (Cyert & March 1963)

BREAK

See you in 10min.

The garbage can model of organizational choice

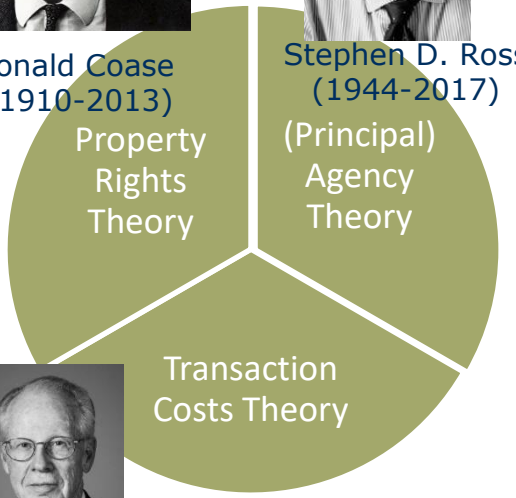
- (March, Cohen & Ohlson 1972; 1976)
- Decision-making in an "organised anarchy"
- Unclear preferences; Satisficing vs. optimising
- Open vs. closed system; attempts at stabilising the environment; organisational learning
- Learning strategies: exploration / exploitation
- First instance of big impact computational social science with multi-disciplinary impact

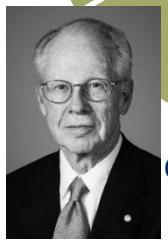


Institutional economics

Ronald Coase
(1910-2013)

Stephen D. Ross
(1944-2017)





Oliver E. Williamson
(1932-2020)

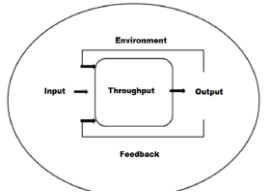
- (Re)allocation and exchange of *property rights* of production resources and assets is costly; firms reduce such costs, agents maximise utility using this institution.
- **Specificity**, **frequency** and **uncertainty** influence the *costs of a transaction* and the higher these costs, the cheaper it becomes to choose a 'hierarchy vs the market.'
- The firm as a "nexus of contracts": '*principals*' (owners) hire '*agents*' (managers, staff) to perform work, parts of contracts remain implicit, information asymmetries create options for opportunism → incentives, control!

Neo-institutional approaches

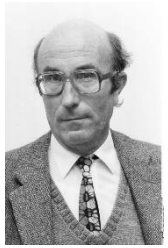
- **Macro-view: organisational fields**
- Legitimacy of formal structures
- Agents are not rational, but seek legitimacy
- Environment thus defines organisational form, structure, actions, practices
- Isomorphism as central mechanism
  - Regulative force
  - Norms
  - Imitation
- Alternative: Decoupling structure from de-facto actions

- **Micro-view**
- Firm/organisation as an institution
- Structural elements and management practices become quasi-norms
- People inside & outside trust the institution and follow its authority
- Allows organisations power to become "cultural engines" of modern society

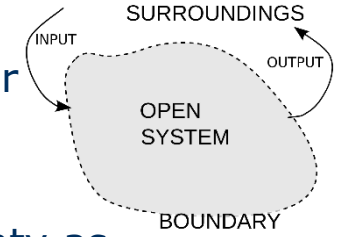
Systems theory & Cybernetics



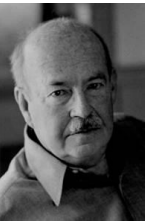
Stockholm University



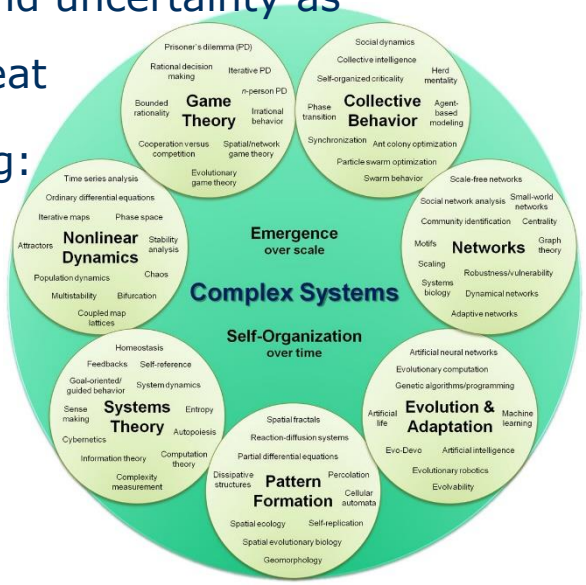
Niklas Luhmann
(1945-2008)

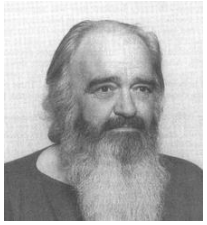


- Organisations as open, complex adaptive systems inside other complex adaptive systems with probabilistic properties
- Reduction of double contingency, of complexity, and uncertainty as central reason for organisation(s); chaos as a threat
- Continuous autopoiesis through distinction-making:
  system vs. environment, emergence, balance and viability
- Communication/interaction as basic operations
- Feedback loops, Functional equivalents, networks
- – VSM, POSIWID; Kats & Kahn 1978, etc.



Talcott Parsons
(1902-1979)

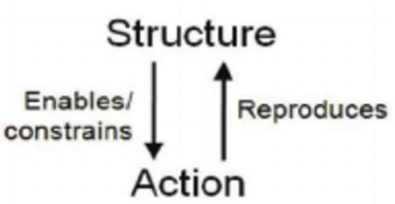




Stafford Beer
(1926-2002)

Structuration theory

- Meta theory
- Duality of structure
  - Enabling
  - Constraining
- Structure as both basic condition for and result of human action
- Dimensions of structure
  - Rules of signification (meaning making)
  - Rules of legitimation (rights obligations)
  - Allocative or authoritative resources
- Duality of technology (Orlikowski 1992)

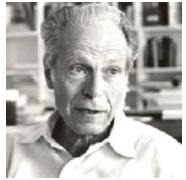


Anthony Giddens

Power & Hierarchy

- Power as authority
  - Command
  - Convince
  - Inform
- Sources (French & Raven 1959)
  - Reward (and punishment) power
  - Coercive power
  - Expert / reference power
  - Charismatic power
  - Legitimate power
- Scope of power varies (Barnard 1952)
- Instrumental, Internalisation, Identification (Kelman 1958)

Albert Hirschman
1915-2012



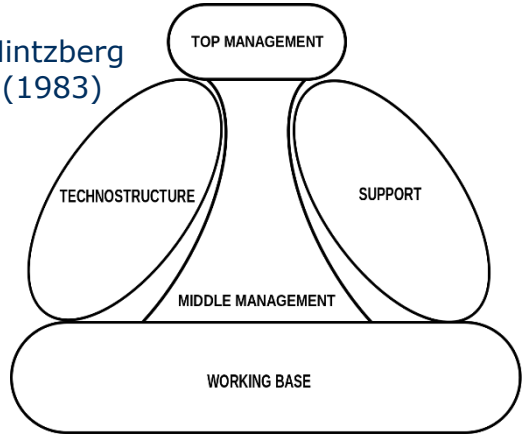
Exit, Voice, and Loyalty (Hirschman 1970)

→ "People do not leave their organisation, they leave their manager(s) & colleagues"

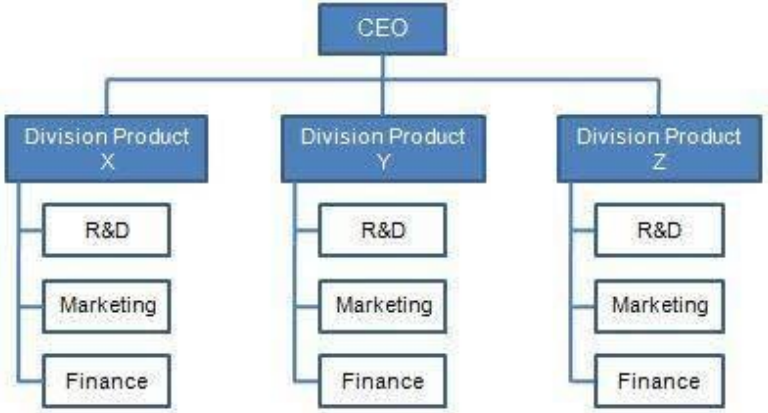
- Power as a social exchange relation
  - Reciprocity in exchange for performance
- (Mintzberg 1983; Pfeffer 1981, 1992)

Organisation structures (examples)

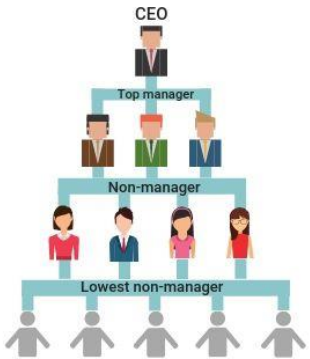
Mintzberg (1983)



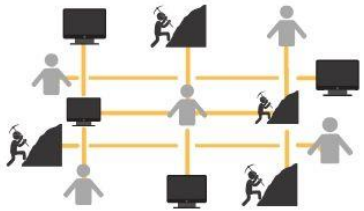
Divisional (functional) structure



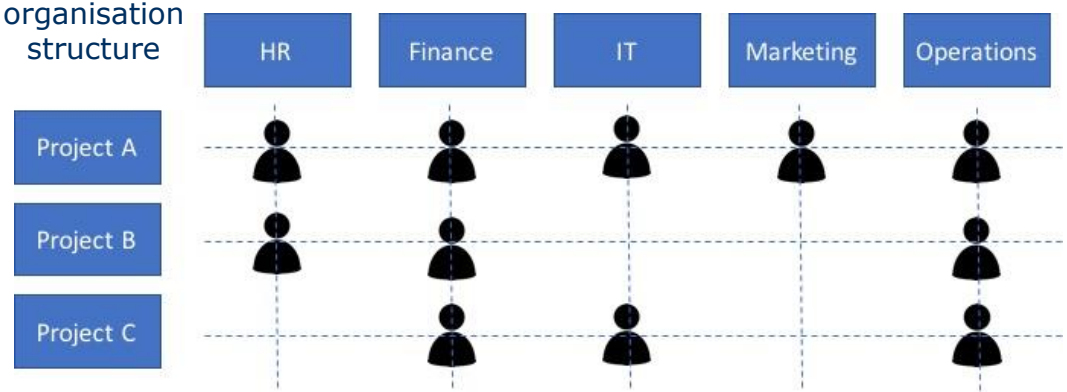
Traditional centralized system



Decentralized Autonomous Organization



Matrix organisation structure



Formal & informal organisation

- Formal (overt, intentional)
- Function-based
- Hierarchy as structure
- Determined rules and policies
- Symbolism (status and artifacts)
- Job/role descriptions
- "Chain of command" and communication

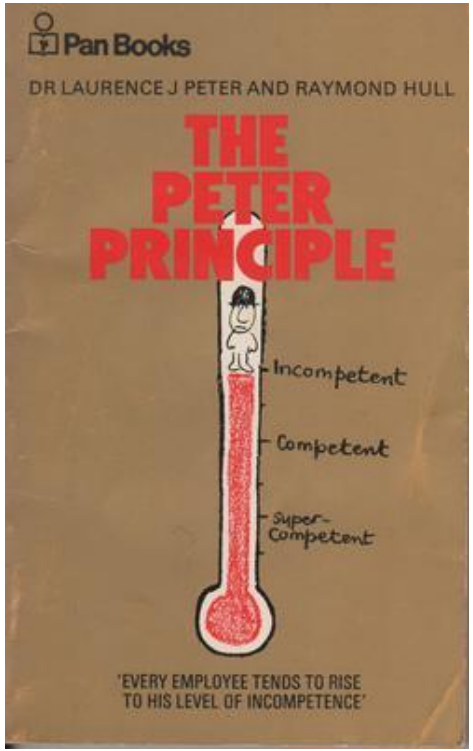
- Informal (covert, emergent)
- Relationship-based
- Social structure
- Norms, values, attitudes
- Organisational culture
- Informal groups and leaders
- Lateral communication
- Dynamic, spontaneous interpersonal relations

Peter principle (satire, but true?)

- Posts are ultimately occupied by incompetent people who rise to the top due to promotions based on previously good performance
- Push and pull as promotion mechanisms
- More active take: “Moving people where they have little influence”

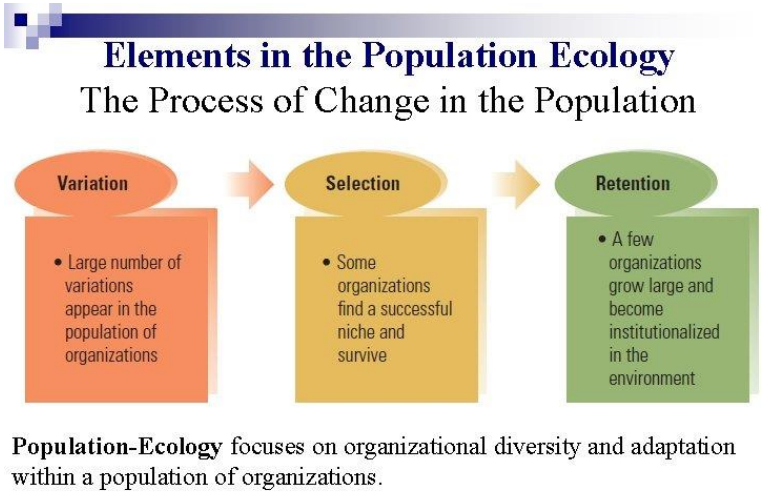
Alternative approaches?

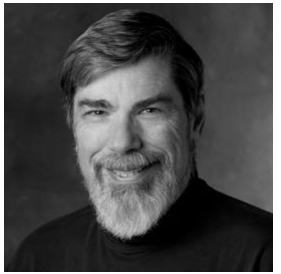
- Up or out, sack “worst” 10%, …



Organisational (population) ecology

- Darwinian research tradition
  - Unit of analysis: firm population
  - Organisational inertia
  - Survival of the best adapted 'type'
  - Competences = genes
  - Variation = mutations
  - Selection through market
- Liability of smallness, newness, adolescence/aging, imprinting of founding conditions, industry development, disruptive vs. incremental change…





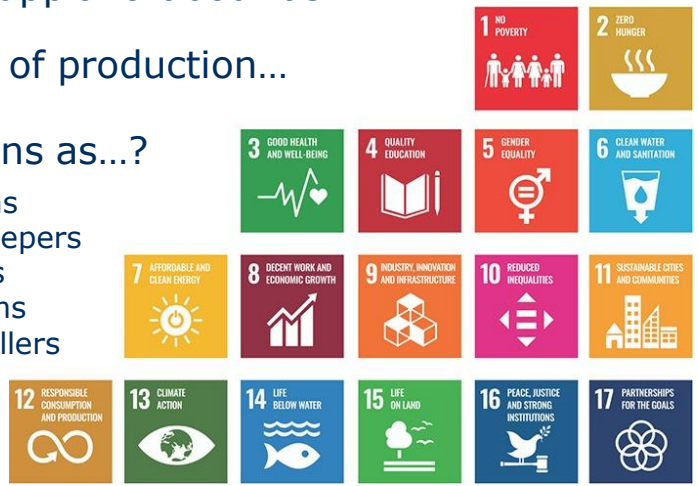
Michael T. Hannan

John H. Freeman (1945-2008)

Organisations in the 21st century

- 3rd industrial revolution (1969-): digit(al)isation of everything
- Organisations as networks
- Organisations as information holders and providers
- Organisations as agents of digitisation, digitalisation, and digital transformation

- 4th industrial revolution (2012-): Industry 4.0, automation, IoT, M2M, 3D-printing, nanotech…
- Tech may supplant labour as main mean of production…
- Organisations as…?
  - AI admins
  - Robot keepers
  - Machines
  - Organisms
  - SDG fulfillers
  - …



Reflection discussion

What of the learned rings true / makes sense?