UNIT 2 THEORETICAL FRAMEWORKS

Objectives

After reading this unit, you will come to understand:

• organisation theory

• historical perspective

• approaches to understanding organisation structure

Structure

2.1 INTRODUCTION

The organisation is a somewhat young science compared to the other scientific disciplines. (Ivanko, 2013) Explanations of the growth of organisational theory typically begin with Taylor and Weber. Still, as Scott (1987) cites, organisations were present in the old civilisations, which can be traced back to the Sumerians (5000 BC). They went through their maturation phase with Taylor, Fayol and Weber, enduring to appear to the present with modern management methods and principles.

Designing an effective organisational system should be scientifically based and forward-looking (Burton & Obel , 2018). The rise of agile and temporary organisations rising after the pandemic are certain cases that force the experts to explore the problems. The direct correlation between the firm's design and performance makes it necessary to determine how an organisation should be designed (Doty, Glick, & Huber, 1993). Organisation theories come from organisation practices and, continually, support practices. According to Nicholson (1995), organisation theories refer to "a series of academic viewpoints which attempt to explain the multiplicities of organisational structure and operating process". In other words, organisation theories are knowledge systems that study and describe the organisational structure, function and operation and group and individual behaviour in organisations.

2.2 HISTORICAL PERSPECTIVES

The work on organisations theory started in the 1850s, and the roots can be found in Gulick's (1937) study on the "Notes on The Theory of Organising". During the 1950s, there was an advent of studies that were carried out that started promoting and talking about the modern organisational theories and the comparison of organisation theories. Starbuck (2003), in totality, concluded that organisation theory comprises "scientific management, industrial psychology, industrial engineering, modern organisations, neo-classical approach".

Organisational theories can be broadly classified as Pre Classical Era, Classical Theory, Neo-Classical Theory, and Modern Theory.

2.2.1 Pre-Classical Era

The classical organisation theory emergence can be dated back to 2900 BC. As a concept, it was reflected in the way the Egyptians used to set up, build and managed pyramids (Kitana, 2016). The conceptual models built around this time gave rise to various theories that revolved around organisation working.

Robert Owen (1771-1858) was one of the eminent contributors who worked toward managing human resources. During this time, the work environment in the factories was impoverished, and the work burden was extreme due to the industrial revolution. Stretching working hours and the contribution of children towards the production made Owen realise the importance of the well being of workers at the workplace. He paid heed to the fact that the employees at the workplace are as important as the emphasis on the production standards and machines. The importance of the workers' well-being can be a decisive factor that could work towards the enterprise's success. Thus, after evaluation of the conditions at the workplace and towards 1817- Owen introduced "8-hour day, 8-hour labour, 8-hour recreation and 8-hour complete rest". Instead of maintaining strict discipline at the workplace and indiscriminately deciding on labour related matters, Owen came up with the idea to manage employees and consider them for decisions. Therefore Owen is called the father of personnel management.

Adam Smith (1723-1790), popularly known as the father of modern economics, was the first to emphasise the need for specialisation as an essential factor for productivity. Division of labour placed relevance to the distribution of tasks according to specialisation, which will help attain effectiveness and efficiency in production. The "invisible hand principle" placed substantial importance on the linkage of organisational goals with labour incentives. He suggested that it is essential to bridge the gap between personal goals and the organisation's goals. This will benefit the employee's self-interest and the group well being. All of this, as Smith suggests, will drive a nation's economic progress.

Charles Babbage (1792-1871), a professor of mathematics at Cambridge University, observed that mostly the organisations relied on assumptions, conjecturing and suggesting when it came to decision making. He, therefore, emphasised the importance of logic, science and principles. The reason behind the same was relying on facts rather than fiction. This, in turn, shall lead to accuracy and an increase in productivity. Famously known as *the father of modern computing*, he relied on the specialisation of work and profit-sharing as the mechanisms for better productivity.

The industrial revolution posed severe challenges when it came to changes in the social and technological environment. Formal hierarchical organisations emerged to cater to the rise in demand and the resultant supply needs. The engagement of a large population in the organisations now needed special attention in proposing general theories.

2.2.2 Classical Organisation Theory

The classical theory was the leading theory prevalent in the 1930s, but its structure and design are evident today. The rise in the demand for machines and production led to coordinated working methods. Due to the revolution, there was a need to use large machines that could cater to the high demand. The workplaces depended largely on coordinated and capital intensive work processes. Therefore, the earlier designs did not work well considering the market and the external factors. The entire organisation is viewed as a machine, and the workers are considered different parts of that machine. The logic behind the theory was that to build on the firm's efficiency; it is essential to work towards the efficiency of all the workers. The scholars usually focused on the top-level efficiency in the organisation.

The classical organisation theory includes three schools of thought: scientific management, bureaucratic management, and administrative management.

Foundational Pillars of Classical Organisation Theory

The organisation is built on four foundational solid pillars: division of work, scalar and functional processes, structure, and span of control.

Division of Work:

The primary pillar, division of work, implies that the work process should be separated into distinct tasks undertaken by an expert individual. There is no repetition in the job performed, and the individual's skill set is utilised effectively. Adam Smith pioneered this concept in 1776 as one of the essential principles in the assembly line used primarily for mass production.

Scalar and Functional Process:

It is essential to maintain a clear communication channel known as the scalar principle (chain of command) to establish authority and command. There should be a clear communication channel to adhere to the unity of command

principle. It ensures that the authority flows in a single direction from the top hierarchical chain to the bottom.

Structure:

Implementation of the organisational goals and objectives needs to be a certain level of specification in which the functions occur. Two basic structures ensure how the relationships are maintained. The most crucial aspect of classical organisation theory is how a worker is placed. Each worker is placed in a particular position with a specific role and task to perform. Finally, organisational effectiveness is determined by how efficiently the functions will be performed according to the set structure and defined responsibility.

Span of Control:

The primary purpose of having a span of control is to fix the number of subordinates managed by one supervisor. There is a wide span of control with many subordinates under one manager. It can also be called an *operative span* since it is mainly observed at the operational level. A narrow span of control implies having a few subordinates under one manager. It is also called an *executive span* since it is seen at the top or mid-level management. It all depends on the nature and context of the organisation as to which span of control will be most productive.
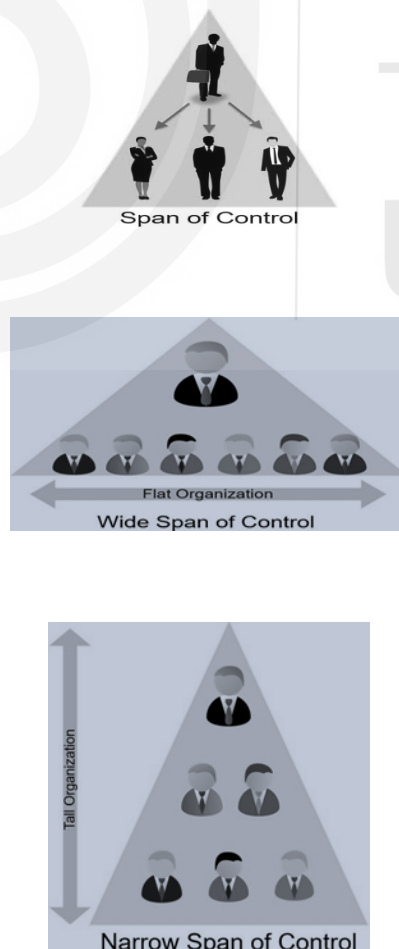

Figure 1: The emergence of bureaucratic organisations

Different Schools of Thought

1) The Scientific Management Approach

The scientific management theory was propounded by Frederick Winslow Taylor, known as the father of the Scientific Management movement. It was successfully moved forward by Frank and Lillian Gilbreth, Henry L. Gantt and Emerson. Taylor also published many books like "Shop Management" and "The principles of Scientific Management", which have enticed worldwide attention.

Taylor used the famous time and work-study to plan and manage work in the organisation. According to Taylor, it is necessary to systematically analyse, design and investigate how the work gets allocated and performed. Taylor promoted industrial engineering and management. To achieve simplification and efficiency in procedures, he suggested that stress be minimised, and the training of the workers should be based on specific analysis and scientific methods (Taylor, 1947). There should be collaboration to do the work, eradicating any conflict. He also suggested that the traditional boss culture should be eliminated. Some of the characteristics of scientific management are given below:

Table 1: Characteristics Of Scientific Management

• **Objectives:** It focuses on developing each man's most excellent efficiency.
• **Method:** It attempts to find the best way of doing a job at an economical cost.
• **A definite Aim:** It is another main characteristic of scientific management. Scientific management is organising, directing, conducting and controlling human activities. Hence, there must be a definite aim before the managers organise, perform, and manage the human activities to achieve that aim.
• **Approach:** It is a systematic, analytical and objective approach to solving industrial problems.
• **Systematic:** Scientific management is a systematic approach to management that ensures that all activities are carried out methodically.
• **A Definite plan:** Before starting and working, there must be a definite plan before, and the work is to be done strictly according to that plan.
• **Discards old methods:** It discards the age-old methods of rule of thumb and hit or miss approaches.
• **Cut down on Wastages:** The focus of scientific management is to cut the waste of time, materials, machines, etc. All avoidable production components are removed, and a genuine attempt is made to attain the highest production at the minimum cost.

- **Emphasis:** It emphasises all production, men, material, and technology factors**.**

- **Techniques:** It implies scientific practices in work methods, recruitment, selection and training of workers.

- **Changes in attitude:** It includes a complete change in the mental attitude of workers and management.

- **A Set of Rules:** There must be a set of rules following the laid plan to achieve the objectives.

- **Specialisation**: Scientific management entails severing work into small parts, each part being assigned to the skilled individual. It leads to better and more work being done in less time.

- **Scientific Selection of Personnel:** People have different capacities and attitudes and therefore must be selected for the jobs best suited to them**.** The salary, wages, etc., are to be decided as per the work performance of individuals.

Henry Gantt

Henry L. Gantt was an American mechanical engineer and management consultant and is best known for developing the Gantt chart. To work, plan and manage projects, it is a graphical representation. Gantt worked with Taylor on different projects, and later when he started as a consultancy engineer, he launched assessing the incentive plan as given by Taylor. He argued that providing differential rates yields a minimal motivational impact, and therefore, it was suggested that a bonus system be introduced. Gantt finally came up with the idea that workers that finish a day's work shall be incentivised with a 50 cent bonus. Subsequently, he came up with a secondary source of motivation: every supervisor who makes sure that a worker reaches the daily standard will be eligible for a bonus. To add to this, if all the workers attain their standard, an additional bonus will be provided. Therefore, there will be motivation for better productivity as well as training. A chart system mentioned the workers who attained the standard in black while those who fell short in red. The Gantt chart has been issued since the 1920s, even today. Later on, two charting devices were also created to manage complex organisations, namely the Critical Path Method (CPM) and Program Evaluation and Review Technique (PERT) (Geraldi & Lechter, 2012).

Frank Gilbreth & Lillian Gilbreth – Their theory reflected on increasing worker morale because of its apparent physical benefits and demonstrates management's concern for the worker.

Weber's Bureaucratic Approach

German Sociologist, Max Weber, believed that bureaucracy was an ideal weapon to harness human and physical resources. As suggested by Weber, the organisationsare based on the concept of formal organisation based on different principles (Weber, 1947). In the early 20th century witnessing the mushrooming growth of factory set-up, Weber observed the need for rationality and proficiency (Weber, 1968). There are clearly defined rules and regulations and occupancy of specific marked roles. The employees have to strictly abide by the hierarchical set-up and obey the authority system. Rules, regulations, rigid hierarchy and specialised functions are essential features of bureaucracy. It is the epitome of a structural relationship to control. Certain features that outline the Weberian bureaucracy are as follows:

1) Purely hierarchical arrangement

2) There is the considerable power of a manager over his subordinates

3) The decision making follows a chain of command

4) The top management clearly defines the critical tasks

5) There is an existence of a top-down approach where the manager controls the subordinate

6) The reward system consists of bonuses and monetary compensation that is designed and decided by the top management

7) There is a robust centralised communication system that consists of giving orders and instructions

8) Existence of fixed standardised procedures that ensure task completion and monitoring

9) The rules are primarily law-like that cater to efficiency in a rational manner

Weber said bureaucracy was the best-known means yet conceived to achieve 'imperative control' over human beings.

Table 2: Characteristics of Bureaucracy promoted by Max Weber

Sl. No	Characteristics of bureaucracy	Meaning
1.	Division of labour	"Jobs and tasks should be simple and clear cut. Tasks should be performed only by a specified worker to avoid repetition."
2.	Authority	"The structure is such that the lower levels are controlled and managed by the higher ones. That is how supervision takes place."
3.	Formal selection	"The staff recruited in the organisation should be certified with a qualification. There should be the

		recruitment of workers with an appropriate level of education and training."
4.	Formal rules and regulations	"To maintain discipline and a proper code of conduct, it is important to rely on a formal set of rules laid in the organisation."
5.	Impersonality	"All the biases need to be removed to maintain a standard where rules are followed and avoid attachment with personal preferences."
6.	Career orientation	"Managers work within limits under a fixed salary; therefore,they need to be driven for their career. They are professionals and work with a drive."

Source: Adapted from Robbins and Coulter (1999). *Management*. 6th Edition

Fayol's Administrative Theory of Organisation

Henri Fayol (1841 -1925) was a French engineer who proposed the fourteen principles of management that served the organisation. These administrative principles emphasised how the order shall be followed and the grouping of different activities and are still ruled by managerial processes today. It is also believed that organisations are influenced by management principles even today. Without the administrative set-up, an organisation will only be limited to a group of individuals working towards a common goal. Fayol's 14 principles are presented in a tabular format.

Table 2: Fayol's 14 Principles of Management

S/N	Element of the principle	Explanations
1	**Division of Work**	Skills and knowledge help in attaining specialisation. It helps the employees in achieving efficiency and increased productivity. A specific employee can perform the tasks at a particular time. This is how specialisation helps in the division of work. There is less repetition and more productivity (Uzuegbu&Nnadozie, 2015).
2	**Authority**	Authority and responsibility are two sides of the same coin. Therefore, whenever an employee is given the right to exercise authority, by default, the responsibility arises. In totality, it reflects that there exists the right to command the lower level employees so that they can perform their job better. In such cases, the superiors are responsible for all their actions. (Pathak, 2014)

3	**Discipline**.	The organisations' core reflects the need to maintain proper discipline and conduct. The organisation can maintain discipline, which is possible only through remarkable leadership skills. If the management demonstrates exemplary leadership, adherence to the code of conduct can be easily maintained (Achinivu, Okwu, Wey, Akpan, &Fasan, 2017).
4	**Unity of Command**	Any worker in the organisation should receive orders and commands from only one boss. This is primarily to remove confusion and lines of command that are conflicting. This principle is thoroughly questioned for contemporary organisations simply because of the rise in matrix, project and agile organisations that emphasise mostly temporary groups. The groups are mostly made keeping in mind the skills needed and the goal achieved. Similarly, the leaders can be chosen. The group leader may not be the only manager that the employees have. According to the official roles, there might be different managers (Uzuegbu&Nnadozie, 2015). Therefore, there is a need to modify this principle keeping in mind the current realities of the organisations. Although it is not unusual for organisations to receive orders from different superiors, Fayol stressed the timing and observed that only one command should be issued (Nwachukwu, 1988).
5	**Unity of Direction**	Organisations have fixed objectives that need to be attained in a certain period. The unity of command comes together with unity of direction. The unity of direction asserts that the goals and objectives should be achieved in a particular direction. Even if different managers give commands, they all should be towards a single order (Drucker, 1954).
6	**Subordination of individual interest to the general interest**	All the employees enter and work in an organisation to satisfy their personal goals, for instance, shelter, food, entertainment and investing, but what is important to note is that a common goal binds them. The organisation's common goal can be increased profits, turnover, and achieving a standard. Management, therefore, should emphasise organisational interest.

7	**Remuneration**	Despite the process, timing and method of remuneration- it is important to note that the efforts put in by the workers should be emphasised and fairness in pay maintained. The compensation paid should satisfy both the organisation and the employee (Mtengezo,2009).
8	**Centralization (or Decentralization).**	The bureaucratic form of organisations places all the decision making powers on the managers. Centralisation thus focuses on reducing the role of the subordinates in taking decisions. Contemporary organisation structures like start-ups maintain a free-flowing structure, and therefore a lot of decisions can be taken by the subordinates. Depending on the organisation's context, Fayol observed that superiors should be responsible. Still, at the same time, there should be a lot of room to improve and complete the job in the best way possible.
9	**Scalar chain (Line of Authority)**	Famous as the scalar chain, the principle implies that a set mode of communication should flow from the top to the bottom levels of the hierarchy. This principle is primarily necessary for the maintenance of unity of direction. The number of steps in the scalar depends on the work and the organisation's design. According to Fayol, "Organisations should have a chain of authority and communication that runs from top to bottom and should be followed by managers and the subordinates". A proper communication channel is vital to be drawn to figure out how the communication should be flown in case of any priority work (Bhasin, 2016).
10	**Order**	It is crucial to use the raw materials in the most efficient way possible. This will help reduce unnecessary wastage and attain productivity most quickly with minimum time waste. This way, an organisation's material order is maintained. On the other hand, the social mandate is upheld by careful selection and maintenance of organisation design and personnel.Every material and each individual should be placed in the appropriate place and position (Rodrigues, 2001).

11	**Equity**	A "combination of kindliness and justice" is needed in running a business. Apart from remuneration and benefits, each demands fair and proper treatment by the superiors. Treatment of the employees should be free of any form of discrimination and prejudice. This principle needs to be followed and maintained at each level of the organisation despite the context (Okpara, 2016). According to (Mtengezo,2009), equity means "the combination of fairness, kindness & justice towards employees". This principle implies that to achieve loyalty, the employees, in return, should be treated fairly by the organisation.
12	**Stability of Tenure of Personnel**	The employees' basic needs need to be taken care of, which means their job security and growth trajectory shall be well thought out and promised. If these factors are not taken care of, it may lead to unprecedented high employee turnover.
13	**Initiative**	The authority placed with the managers mustn't be abused. Therefore, there should be some room for the employees to initiate. This, in turn, can be a source of strength for the organisation. The employees may learn from their mistakes. Meanwhile, the managers can always be present to guide the employees whenever needed to ensure implementation (Okpara, 2015).
14	**Esprit de Corps**	Espirit de Corps is the "intensity and depth of feelings which brings job and fosters support amongst members of a group" (Boyt et al. 2005). According to Merriam Webster, "esprit de corps is the common spirit existing in the group members and inspiring enthusiasm, devotion, and strong regard for the group's honour".It can be described as the collaboration that can be evident from the employees and comes from the informal bonding in the organisations. It can be described as a "valued asset among organisational members who do not have formal authority over each other" (Homburg et al., 2002).

Source: Adapted from Gabriel, J.M.O. (2020): *Principles and practice of management for a successful business* (in press).

Criticism of the Classical Theory

The classical theory suffers from some limitations. Some of its disadvantages are given as follows:

1) Human nature is multifaceted. It is tough to understand. The primary drawback of the classical theory is that it always assumed human beings as a part of the huge machine, thus, neglecting the need to relate and belong.

2) Another drawback was that increasing monetary incentives could only increase productivity. The primary source of motivation is thus assumed to be financial terms.

3) Therefore, the theory emphasised formal structures and relationships and considered the organisation fixed and rigid.

4) This theory did not emphasise the decision-making processes.

5) The environment and the context in which the organisation operates are open; therefore, time and again, the environmental factors will influence how the organisation functions and operates.

6) It allows capital intensive economies.

7) Classical theory is primarily derived from observation rather than analysis, logic, and facts.

8) It is founded on mechanistic assumptions.

2.2.3 The Neoclassical Approach

The neoclassical approach is bifurcated into two schools of thought: the human relations school and the behavioural school. The human relations school focused on how the relationships operated within the groups. On the other hand, the behavioural school focused on the way individuals operated and behaved. It implied that the workers work in a system that influences their behaviour and actions in a crux.

Human Relations Theory

From 1924 to 1932, at the Hawthorne plant in Chicago, Elton Mayo conducted experiments in different phases like "illumination, relay assembles, interviewing programs, and the bank-wiring observation room experiments". The experiments' primary intent was to determine if working conditions and other issues reflected the productivity levels. The study concluded that despite the pay and other incentives, the social and psychological factors mattered at the workplace, i.e. the feeling of being associated and belonging. These experiments thus demonstrated the following:

- The performance of the employees did not solely rely on monetary incentives; instead, it strongly depended on the conditions prevalent in the workplace that catered to belongingness, a positive environment and communication.

- It did not cater to the fact that workers are only driven by monetary benefits and the emphasis on the individual's interest.

- There was an increase in productivity with a change in the lighting in the room and welfare facilities. Also, over 20,000 employees showed improvement in the production levels and how managers treated them. The expression of encouragement yielded positive results.

- The importance of the informal groups and the influence of the same in the workplace showed positive results.

- Lastly, it negated that individuals are selfish regarding their interests, thus criticizing the "rabble hypothesis". The results showed that social dynamics were fundamental when it came to productivity.

Behavioral Science Theory

Group behaviour and interpersonal relations have significantly influenced how human beings work and operate. With the work of sociologists and psychologists contributing to the behavioural science literature, it remains evident to treat human beings and their elements as a part of the social system. Human relations shed light on the individual's morale, and behavioural science, on the other hand, emphasises the workers' social relationships and roles.

The motivation models were suggested by Herzberg and Vroom soon after Maslow proposed the hierarchy of needs model. Scholars like McGregor and Argyris contributed that an individual who has attained the self-actualisation need can contribute to management development. The motivation was highly emphasised, and the task that an individual undertakes acts as the primary source of motivation. Unlike the earlier theories, behavioural science scholars focused on employees' need to enjoy their work and not be done out of imposition. Therefore, the individuals are invested in their jobs and a safe and friendly environment. They consider themselves an essential factor in the growth of the organisation.

The behavioural science theory sheds light on new insights that focus on developing better ways to think and operate. It believes in the employees' interpersonal relationships, and the ideas put forward by the employees are taken into consideration. The factory builds a friendly environment where the employees and their relationships are highly regarded.

Therefore, the workers operate in a given context and cannot be treated in isolation. Thus, the workers are a part of the group and should be seen as a cohort.

- Social affiliation is a priority for individuals; therefore, the need to bond and relate plays a crucial role. The salary and other incentives hold less importance than the need for belongingness and connectedness.

- The social bonding and interactions formed out of the grapevine networks of communication influence the way workers behave and operate in any given circumstances.

- At times, rumours, misleading information and assumptions take the lead and form a strong argument that works against the organisation. Therefore, the organisation needs to work with these groups to collaborate and bring social bonding as a matter of opportunity.

Foundational Principles of the Neoclassical Approach

The fundamental principles of the neoclassical approach are as under:

- **The individual**: Any human being continues to interact with the social context every day. Thus, it can't be argued that any employee can be solely treated as a mechanical tool. Each individual has distinct desires other than the security need fulfilment.

- **The workgroup**: The neoclassical approach focused on the social relations prevalent in any organisational set-up. The informal ties that operate under a formal hierarchy form 'groups' that help in providing synergies.

- **Participative management**: The organisation that encourages employees to participate in the decision-making process helps them cultivate a feeling of belongingness. It allows the organisation to increase its productivity and effectiveness.

- The segregation of different departments and specification of **unity of command**:

The organisational structure benefits in several ways, as mentioned below:

- ✓ Clear communication patterns where a concept of scalar chain signifies how the communication between two colleagues can occur.

- ✓ The management can quickly establish how the roles are built and allocate formal duties and authority prescribed.

- ✓ The coordination structure can help better arrange work tasks and responsibilities.

- ✓ There is clarity on control and decision-making responsibilities.

2.2.4 Modern Theories

Modern organisation theory is a culmination of the classical models, social and behavioural sciences. The scholars argue that the organisation is an open system that adapts and modifies itself according to the changes in the environment. Each scholar pointing out a theory seeks to give a unique

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thought when considering the system. The main essence of bringing modern theories into action is considering the whole organisation in its totality. The illustrative books in the field are March and Simon's (1958) *Organisations*, and Haire's *Modern Organization Theory*. It is crucial to study the different components involved in the system analysis: the systems' interactions, processes, and goals (Scott, 1961).

Systems theory talks about considering all the parts of the organisation and working towards collaborative functioning. Therefore, the modern approach also reflects the general system theory and points out that each time there is turbulence that the organisation faces- there needs to be a mechanism to mould every time. The interaction of the employees, communication and the zeal to work towards the goals and objectives play an essential role in fulfilling the organisational interests for the long term (Hicks & Gullet, 1975).

- *The systems approach*: Organisations as described comprise a system of interconnected and mutually dependent subsystems. The subsystems can individually have their sub-sub-systems. Thus, the organisation is a sum of parts, systems and processes. The three essential elements are described as under:

- *Components* include the individuals in the name of employees and the formal-informal sets of communication structure and relationships. The different patterns and clusters of behaviour arise due to the hierarchical structures. The roles and responsibilities as specified, and lastly, the environment that consists of PESTLE (political, economic, social, technological, legal, environmental) factors in which the employees work and complete their roles and responsibilities.

- *Linking processes*: The correlation between different subparts of the organisation needs to be established, and the interaction between them is dependent on communication, balance and decision analysis. To develop and maintain relationships, it remains evident to systematically establish coordination between different functions and roles. The middle ground needs to be set to structure the other system parts. Decision making is required to show how individual decisions are intertwined in the organisation process.

- *Goals of organisation*:The goals may differ according to the vision and mission statements of the organisation. The variety is goals may range from the focus on growth, stability or diversity. The interaction between the parts of the organisation that helps in achieving reciprocity in individual needs keeping in mind the organisational goals, is required.

- *Socio-technical approach*: The approach is based on the fact that any organisation operates on people, the environment and technology. The employees gather the inputs and convert the same into output with the help of obtaining materials from the environment and using tools and

technology to transform them into the final product/service. Therefore, a balance is thus needed in the social, technological, and economic systems.

- *The contingency or situational approach*: The contingency resources are utilised when there is any turbulence in the environment. It implies that considering economical, environmental and legal changes in the social context- different guidelines are required suited to the change. A universal set of guidelines does not apply to any dynamic environment (Hellriegel & Slocum, 1973).

Speaking of the concept of equilibrium as a coalescing element in all systems, Easton says, "It (equilibrium) leaves the impression that we have a useful general theory when in fact, lacking measurability, it is a mere pretence for knowledge." "The inability to quantify and measure universal organisation elements undermines the success of practical tests to which general system theory might be put. "(Scott, 1961)

Fundamental Assumptions of the Modern Organisational Theory

A few fundamental assumptions of the modern organisational theory are presented below: (Shafritz, Ott, Jang, 2005).

- "Organisations are rational institutions whose primary aim is to implement established objectives; rational organisational behaviour is achieved best via well-defined rules and formal authority systems. Organisational control and coordination are key for maintaining organisational rationality".

- "There is a 'best' structure for any organisation, or at least a most fitting structure in light of its given objectives, the environmental conditions surrounding, the nature of its products and services, and the production process technology".

- "Specialisation and the division of labour increase the quality and quantity of production, particularly in highly skilled operations and professions".

- "Most problems in an organisation result from structural flaws and can be solved by changing the structure".

The basic principles are similar: "to achieve organisational efficiency, rationality and increasing the production of prosperity regarding tangible goods and services".

Mechanistic and Organic Systems (Tom Burns & G. M. Stalker)

Burns and Stalker observed whether the changes in the technological and market environments influence how the firm's structure and management processes operate. Using twenty manufacturing firms' data, the scholars bifurcated the environments into "stable and predictable" and "unstable and

unpredictable". The observation was that the firms could be divided into mechanical and organic firms.

The mechanistic firm is rigid and mainly cannot be changed. It can be easily found in a comparatively stable and predictable environment. Its characteristics are:

- The tasks of the organisation are divided into different functions and specialisations. Once the fragments are made accordingly, the priorities can be set relating to the entire organisation.;

- A hierarchical structure of authority, communication and responsibility can be set.

- The main point of knowledge of the entire organisation is stuck at the top of the hierarchical set-up. However, there is significance being given to the knowledge, skill and experience belonging to a specific set of employees rather than being general to the entire firm.

- The vertical interactions between a superior and a subordinate can be observed from the structure.

The organic organisation has a free-flowing set-up with space for changing environmental conditions. This set-up is efficient for quick responses each time any turbulence occurs. Its characteristics are:

- The employees work towards the tasks common to the entire organisation, whereas there is a continuous adjustment to regular interactions. Therefore, there is change in the definition of individual functions.

- There is a control authority network and communication structure

- For communication purposes, the direction is lateral.

- Knowledge and skills may be stored anywhere in the organisational structure

- The ad hoc location has the centre of authority and communication;

- Status and prestige attached to affiliations valid in industrial and technical settings external to the firm.

Mechanistic and organic forms are the opposite sides of the spectrum, and, in specific organisations, a mixture of both types can be observed (Lam, 2011).

Adhocracy: Organisational Structure Without Structure

Introduced by Warren Bennis, it refers to the formation of project teams with a loose structure. The existence of flat structures with a continuous formation of project teams is the sole idea behind adhocracy. Alvin Toffler popularised this in the book "Future Shock". He gave a name to these organisations, which were then famously called "kinetic". Later in 1979, Henry Mintzberg

mentioned the same idea in his book titled "structuring of organisations" and again in 1989 as "Mintzberg on Management".

His earlier work identified "five archetypical organisational structures" later revised to six.

- *Entrepreneurial Organisations* are "small, informal, with the loose allocation of roles, but frequently strong leadership from a single chief executive".

- *Machine Organisations* are "excellent at repetitive tasks like manufacturing, placing the efficiency of the process at their heart, and formalising everything".

- *Diversified Organisations* "create a central administrative function to serve a range of operating units that are more or less autonomous. The degree of autonomy seems to vary in cycles, with the current process creating a high degree of centralisation".

- *Professional Organisations* "might also be called knowledge organisations. They use the skills and knowledge of their highly trained workforce to deliver fairly standardised services".

- *Innovative Organisations* are "flexible, informal and multi-disciplinary, allowing them to adapt and innovate. Mintzberg saw these as increasingly succeeding over competitors in the future".

- *Missionary Organisations* "have a clear mission that provides the basis for strategic choices and employee motivation".

2.3   SUMMARY

Organisational theories help us study an organisation, its designs, structures and behaviour of individuals or groups. The scholars of the late nineteenth and early twentieth century have contributed to the various theories that are crucial for the management of organisations. However, the results were not as consistently expected in certain situations, especially in the twentieth century. With the advent of new changes, new perspectives and thinking gave rise to modern-day theories. The classical management theory was crucial for the old times and is prevalent in creating today's organisational structures. To maximise efficiency, the management needs to consider all the principles of management and theories of organisation.

2.4   SELF-ASSESSMENT QUESTIONS

1) Write the essence of organisation theories developed during the pre-classical era. Is there any lesson that modern-day managers can learn from those theories?

2) How are the fundamental assumptions of the classical mangement theorists different from the neo-classical management theorists?

3) Write the merit and demerits of different approaches to organisational structures.

4) As a practising manager, which particular approach do you find more hands-on?

2.5 FURTHER READINGS/ REFERENCES

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