Nature of Organizations: Theoretical Approaches, Design Perspectives and the Impact of Leadership on Organization-Wide Systems

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Abstract

The purpose of this paper is to describe the essence of organization theory, its applications to the modern workplace and the role of leadership within organizations. Drawing from classical and contemporary literature in organizational leadership, the study develops a concise definition of organizations, their essential components and the key theories that have advanced an understanding of how organizations work. The paper relates the key theories discussed - scientific management, functions of management, rational bureaucracy, contingency theory, resource dependence, and learning organizations – to modern organizations and outlines the role of leadership in the context of organization theory. The paper sheds light on some of the challenges faced by leaders in modern organizations and provides a conceptual framework for understanding modern organizations.
Nature of Organizations

The human experience is a journey toward continually bettering ourselves and our ability to make the most of nature’s resources around us. Toward this end, mankind has seen the need to engage in social action (Weber, 1947). Rapid technological advancements have enhanced man’s ability to exploit his resources and engage in economic activity with other human beings. This has prompted the development of systems (Thompson, 1967) that facilitate the existence of “elements in relation with one another” (Krikorian, 1935, p. 120) for both social and economic interaction (Weber, 1947). Over the years, researchers have worked hard at developing an integrated understanding of the nature of organizations and the role of leaders within organizations. This paper demonstrates the writer’s understanding of the essential elements of works created in the study of organizations within the context of leadership.

What Is an Organization?

One of the enduring symbols of today’s society is the modern organization. Almost every aspect of modern life is influenced by one organization or another. Our lives are greatly influenced by the grocery stores, department stores, automobile dealerships, churches, hospitals, schools, and other businesses in our communities (Aldrich, 1979). Each of these organizations, though having unique objectives, engages in a specific set of regular activities that are common to all organizations. An articulation of the essence of organizations is essential as it enables a clear delineation of the practices, components, theories, and applications of organizations.

What, then, is an organization? The use of the term “organization” gained currency in the late 1920s and early 1930s (Dunlop, 1944). After studying the works of more than thirty writers in England and the United States who had pioneered the use of the term, Dunlop (1944) concluded that organization is “a term which applies primarily and almost uniquely to the
purposive processes of association, integration and specialization among living individual units” (p. 176). While this definition would be acceptable today, numerous studies have been undertaken which have refined the meaning of the term.

This study’s definition of organization is based on Daft (2007) but goes further in providing support for the phrases employed in crafting the definition. Accordingly, an organization is a social group (Lowie, 1914; Stern & Barley, 1996) that is oriented toward a purpose, (Mintzberg, 1981; Weber, 1947) has processes that are well-coordinated (Jesse, 1944; Fordham, 1958; McGrath, Nystrom & Patmos, 1943; Pugh, Hickson, Hinings, & Turner, 1968), and is connected to the environment in which it exists (Aldrich, 1979; Dess & Beard, 1984; Emery & Trist, 1965; Jurkovich, 1974). This definition captures the essence of what an organization is: a social group that is oriented toward a purpose, has processes that are well-coordinated, and is connected to the environment in which it exists.

Conceptual Perspectives on Organization

According to the systems view of organizations, every group is composed of component parts that make up the whole (Thompson, 1967). Organizations can be classified as either open systems or closed systems. A closed system has limited engagement with the external environment. The turbulence of modern society, however, has resulted in organizations being open systems as noted by Katz and Kahn (1966) who argued that organizations are open systems in which members interact in an “ordered way” and possess an “inherent vulnerability to forces in the organizational environment” (p. 454). Organizations find their identity in their environments. In open systems, organizations engage in “economically oriented” action (Weber, 1947, p. 158) that enables them to exercise control over a domain, meaning “the chosen environmental field of action” (Daft, 2007, p. 138).
In order to accomplish its purpose, the organization requires an inflow of resources or inputs which are transformed using a throughput process into valuable products and services (outputs) that are exported back to the environment (Katz & Kahn, 1966). This happens through the interaction of sub-systems within the organization. Every system has within it sub-systems that enable it to function well. The conversion of resources in an organization is facilitated by “patterned activities that are complementary and interdependent” (Katz & Kahn, 1966, p. 17). This shifting of dynamics within organizations is essential as it enables the organization to pursue its purpose. Effectiveness in executing this purpose depends on the theory of organization utilized by management. What is a theory of organization?

*Theories of Organization*

Simply put, a theory is a systematic way of thinking about elements in a set and their relationship to one another and the external environment (Mark, 1996, p. 19). A theory of organization, then, is a standardized approach for defining the components, purpose, processes and environments of organizations. Management literature has uncovered more than ten different theories of organization. This paper examines six of these theories.

*i) Scientific Management*

This theory emerged from experiments that were conducted at a steel company with the goal of enabling employees to reach their “highest state of efficiency” (Taylor, 1911, p. 11). The organizational leader’s objective should be to avoid “systematic soldiering” (p. 20), a situation in which employees deliberately work slowly after discovering the amount of required daily output. The leader realizes this objective by finding the best methods “through a scientific study and analysis of all the methods and implements in use” (p. 25) which enables the leader to fully plan out the work of every workman (p. 39).
On the worker’s ability to understand scientific management, Taylor (1911) says, “the workman who is best suited to actually doing the work is incapable of fully understanding this science, without the guidance and help of those who are working with him or over him” (p. 26). This view has been refuted by modern theories which advocate for empowerment and the knowledge worker (Easterby-Smith, Araujo, & Burgoyne, 1999; Hesselbein, Goldsmith, & Somerville, 2002). Scientific management advocates for intense supervision, arguing that almost everything that workers do must be preceded by “one or more preparatory acts of the management” (Taylor, 1911, p. 26) that enable workers to accomplish their tasks. This, he said, was the essence of scientific or task management.

**ii) Functions of Management**

At the same time that Frederick Taylor was developing his theory of scientific management in the United States, Henri Fayol was working on an administrative theory in France, giving two key lectures on his theory in 1900 and 1908, and publishing it in an industrial bulletin in 1916 (Fayol, 1949, p. v). Industrial enterprise comprises of six activities: technical, commercial, financial, security, accounting, and managerial activities (p. 3). Management deals with the operation of the enterprise. To manage is “to forecast and plan, to organize, to command, to coordinate and to control” (p. 6) the activities of a business.

According to Fayol (1949), there are fourteen principles of management: division of work, authority, discipline, unity of command, unity of direction, subordination of individual interests to the general interest, remuneration, centralization, scalar chain (line of authority), order, equity, stability of tenure of personnel, initiative and esprit de corps (pp. 21-41). This theory was further developed by Gullick (1937) who coined the term “POSDCORB” (p. 13) that sums up the functional elements of management. The functions of management, then, are
planning, organizing, staffing, directing, coordinating, reporting and budgeting. The success of any organization depends on how well it plans for and implements these activities. After all, “managing means looking ahead” (Fayol, 1949, p. 43). Managers should classify the organization’s activities according to functional lines and deploy workers who are specialized in each of these specific activities. Mooney (1937) stated, “organization concerns procedure, and the attainment of any human objective must ever depend, in great measure, on efficient forms of procedure” (p. 98).

**iii) Rational Bureaucracy**

This theory advocates for a rational “system of abstract rules” that bind the members of the “corporate group” together under an “administrative organ” (Weber, 1947, p. 330). This view envisions an ideal type that all organizations should endeavor to become. The focus of all activities within the group becomes the bureaucracy. Katz & Kahn (1966) define bureaucracy as “a rational social device for dealing with problems by legitimizing a role system” (p. 103). This role system should encourage specific rules, division of labor, hierarchy, technical training, separation of the organization’s property from personal property, and written documentation of rules, acts and decisions (Weber, 1947, pp. 331-332).

A rational role system enables members of the organization to engage in the business of the organization with a clear focus on its goals. Modern organizations have avoided the bureaucratic model due to problems that have been evident in bureaucratic organizations. Johnson (1993) stated that bureaucracy causes organizations to fail to deliver satisfaction to their customers and employees. A bureaucratic system is slow and does not respond fast enough in an environment that changes rapidly. Given the dynamic environments of today’s world, most organizations embrace a contingency model.
iv) Contingency Theory

According to this theory, situations and variables within an organization’s domain impact it differently and the best course of action is that which suits that particular moment (Feldman, 1976; Luthans & Stewart, 1977). Organizations are more effective when they are able to respond adequately to contingent factors in the environment. These contingent factors include the “age and size of the organization; its technical system of production; various characteristics of its environment, such as stability and complexity; and its power system, for example, whether or not it is controlled by outside influencers” (Mintzberg, 1989). Particular functions within the organization should be handled based on environmental elements.

Contemporary organizations operate in unique environments that affect organizational life both directly and indirectly. Sorge (2002) specified these environments as the task environment, which “relates to everything that bears on the immediate attainment of the organizational goal” and the general environment, which “is less specific with regard to the task or goal of the organization” (p. 6). Leaders and managers must develop an ability to adapt to various factors in these environments. This becomes difficult since these factors or contingencies “are not subject to arbitrary control by the organization” (Thompson, 1967, p. 24). Modern research continues to explore new concepts for navigating these challenging times of uncertainty.

v) Resource Dependence

As already noted, contingency theory addresses how organizations respond to situational variables in the environment. Every organization needs resources in order to carry out its operations. These resources are derived from the environment. The resource dependence theory addresses how organizations maximize their power by “altering their structure and patterns of behavior to acquire and maintain needed external resources” (Ulrich & Barney, 1984, p. 472).
All organizations face uncertainty due to the competition for scarce resources. They gain or lose power based on their access to these resources. Mintzberg (1983) posited three reasons that resources are a base of power in organizations because they are essential, in short supply and irreplaceable (p. 24). If the bulk of such needed resources fall in the hands of competitors who cooperate, the survival of the organization that is outside the coalition will be in jeopardy. To avoid such a scenario, “interorganizational relationships” (Van de Yen & Walker, 1984) are formed between organizations. These relationships become an avenue for the acquisition of resources and maintenance of an organization’s power base.

vi) Learning Organization

The need for greater adaptability to different within organizations has prompted many organizations to trend towards building learning organizations. A learning organization is able to navigate the challenges it encounters since it is “skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights” (Garvin, 1993, p. 80). The organization maintains a constant flexibility and nimbleness that enables it to adjust quickly to diverse situations, problems and environmental challenges. An organization’s effectiveness and efficiency will depend on how fluid it is in times of uncertainty.

The need for learning organizations has been enhanced by the development of the “knowledge worker” (Drucker, 1965). Organizations today require employees who are knowledgeable at their tasks. According to Drucker (1965) organizations have long made the switch from manual industrial work to knowledge work. Knowledge work requires learning employees. Today’s organizational leader should lead organizational learning (Goldsmith, Morgan, & Ogg, 2004). For business organizations, employees within the organization should be committed to learning what they need to know in order to make the organization effective.
Applications of Organization Theory

Organizations have various elements that enable them achieve their purposes. Managers and leaders use organization theory in shaping the elements of the organization. These elements assist in “reading the organization’s mind” (Mintzberg, 1989). An organization’s effectiveness depends on how well its leaders apply theory to these elements. These include:

i) Structure

Structure refers to the internal workings of an organization and implies a “configuration of activities that is characteristically enduring and persistent” (Ranson, Hinings, & Greenwood, 1980, p. 1). These activities are carried out by individuals. It is impossible for one person to run an organization, hence the need for an “operating core” that serves as “executors” of the organizations goals (Mintzberg, 1983, p. 114). The writer has been part of the operating core of a number of different organizations. One current assignment is the responsibility of being an adjunct instructor. This facilitates the output end of education to students in the college.

Every organization exists for a specific purpose and engages in social action that is oriented towards that purpose (Weber, 1947). The writer volunteers for an organization known as Winners Walk Tall (WWT), a non-profit organization that equips volunteers who go to local schools to teach social skills to youth. To ensure an efficient operation, WWT has developed “chains of authority” (Mintzberg, 1983) which form the structure of the organization. There volunteers are the main executors of organizational operations at the ground level and report back to volunteer coordinators who oversee different school assignments.

ii) Tasks

Organization theory addresses the role that people play in carrying out the tasks of the organization. Mintzberg (1981) itemized the tasks of an organization into five basic parts that
represent groupings of organizational tasks: “operating core,” “techno-structure,” “support staff,” “middle line,” and “strategic apex” (p. 105). The key leader occupies the strategic apex of the organization and seeks individuals to operate the core of the organization. Depending on their skill levels, these individuals are assigned different tasks in the organization. Some take up supervisory tasks in the middle of the organization while others may be support or technical staff. Assigning tasks in a manner that enables worker effectiveness is essential for efficiency.

In real-life organizations there are job descriptions which detail different tasks and the “span of control” (Mintzberg, 1989, p. 104) for each employee. At the writer’s place of employment a written job description is handed out on the day to new staff on being hired. This details the essential tasks that the employee has responsibility for. Some organizations offer a complete organizational chart, what Mintzberg (1989) refers to as an “organigram” (p. 342). Many of today’s organizations, however, are moving away from the use of organization charts due to their tendency to encourage “worship at the altar of administrative science” (Mintzberg, 1983, p. 135). A key implication of organization theory regarding tasks is the tendency of highly bureaucratic organizations to rely heavily on organization charts.

iv) Strategy

Organization is oriented toward a purpose (Weber, 1949). To attain their purpose organizations have to position themselves in environments that many times have competitors and harbor many uncertainties. Leaders of modern organizations are particularly prone to turbulent contexts (Zaccaro & Klimoski, 2001) and need to develop a strategy for attaining their purpose. At WWT, we have had corporate sessions during which all the volunteers along with top management have engaged in brainstorming to develop ideas on the organization’s direction. This has required reviewing past operations and developing new ideas for the future.
Mintzberg (1989) suggested, “Strategies are both plans for the future and patterns from the past” (p. 27). At WWT, the management team is currently considering its plans for the future due to limited funding. An economic downturn in the country has adversely affected donations into the organization. One temporary measure that has helped has been a return to an old practice in the organization. Volunteers have continued to engage in the organization’s purpose wholeheartedly by preparing their teaching materials their own offices rather than at the organization’s offices. WWT had to develop new software and supply it to the entire core of volunteers for this purpose. It is an espoused value in the organization that volunteers will do whatever it takes to continue serving the youth in our local schools.

Leading Dynamic Processes in Organizations

As stated earlier, modern organizations operate in dynamic environments. Leadership plays a crucial role in ensuring that organizations survive the various challenges that confront them. Zaccaro & Klimoski (2001) argued that “positions of leadership are established in work settings to help organizational sub-units to achieve the purposes for which they exist within the larger subsystem” (p. 6). Leaders play many crucial functions within an organization. These functions are summarized here under four key objectives that leaders undertake in organizations.

i) Leaders Use Influence to Cultivate Organizational Culture and Ethical Values

Schein (2004) posits that as an organization develops certain values and practices become embedded within its organizational life and become the “shared basic assumptions” (p. 17) of how the organization functions. Leaders have a primary role as executives and can easily recognize and shape organizational culture. Leaders will achieve their goals more effectively when they cultivate an organizational culture that is based on theories that suit the organization.
According to Duncan (1989) identified seven key things that leaders can do to influence the culture of the organization, including “plan symbolic acts,” “reinforce the importance of the client,” and “emphasize cooperativeness” (p. 235). Leaders must be careful in how they act because every little deed has an impact on the organization’s culture. At WWT, volunteers have embraced the saying, “Actions speak louder than words”. Leaders use their position to communicate values and inspire employees to embrace the bigger picture of the organization’s goals. At National College, the reward system is an essential tool for cultivating values. Different gifts are provided at the end of each term to instructors who excel in their work.

ii) Leaders Use Approaches that Encourage Change and Innovation

Organizations in today’s business environment are being forced by both internal and external pressure to move away from systems that do not enhance worker effectiveness (Kotter, 1996). The writer is currently working at a college that has recently been pressurized by the State Board of Regents to implement new measures for assessing faculty development. Leadership at National College has worked hard to “establish a sense of urgency” (p. 35) within the organization for needed changes. At the writer’s regional campus, the Campus Director has been effective in “removing structural barriers” (p. 103) by empowering the departmental heads to drive the change efforts. For instance, Heads of Department are now in charge of evaluations instead of the Business Manager. This has resulted in better processing of faculty development plans and will have an impact on in-class observations.

iii) Leaders Use Decision-Making to Identify and Solve Problems

Zaccaro & Klimoski (2001) noted that “the operation of leadership is inextricably tied to the continual development and attainment of” (p. 7) organizational goals. In order to do this, leaders have to make decisions for the organization. Butler (1991) specified three implications of
organizational decision-making: the existence of choice and uncertainty, the intention to act and the participation of a number of decision-makers (p. 42). The size of the organization determines how decisions will be made. Leaders frequently make decisions through teams and decision groups (Yukl, 2002). Teams and groups scan the organization’s environment to identify problems that face the organization. The group or team works together to select solutions for the organization. In some cases leaders may make rational individual decisions (Butler, 1991, p. 43).

iv) Leaders Use Power and Politics to Manage Organizational Conflict

Conflict exists within organizations because “action within it is oriented intentionally to carrying out the actor’s own will against the resistance of the other party or parties” (Weber, 1947, p. 132). The role of the leader is to use power and politics to reduce conflict. Mintzberg (1983) defined power “as the capacity to effect (or affect) organizational outcomes” (p. 4). The outcomes of an organization are usually shared amongst departments that are prone to conflict. Lencioni (2006) refers to departmental politics as “silos” and defines them as “barriers that exist between departments within an organization, causing people who are supposed to be on the same team to work against each other” (p. 175). Leaders can use their position and authority to resolve organizational conflict and enhance collaboration between individuals.

Conclusion

The key accomplishment of this paper is to outline the dynamism and diversity of organizations. In looking at the definition of the term, organizations were presented as having different forms yet sharing the same basic characteristics. The paper discussed six theories that revealed a gradual shift in thinking on the nature of organizations over the last century. The use of theory in a real-life organization was explored and the role of leadership in applying theory on organization-wide systems examined. Organizations are indeed dynamic and diverse in strategy.
References


