

part one

introducing your companion



How to Use the Book

This book provides a concise summary of the main topics, theories and issues in organization theory (OT). It also provides guidelines on how to make sense of course material, why it is important, and how to apply the theories and concepts to the design and management of organizations. It does not replace your textbook or lectures, which will go into the various aspects of organization theory in more detail, but it is designed as a supplementary text to be used to facilitate learning and enable you to get the most from your textbook and lectures. It also provides you with essential help revising for your course exams, preparing and writing course assessment materials, and enhancing your knowledge and thinking skills in line with course requirements. You may want to glance through it quickly, reading it in parallel with your course syllabus, and note where each topic is covered in both the syllabus and the Companion. The Companion will help you to anticipate exam questions, and gives guidelines on what your examiners will be looking for. It should be seen as a framework in which to organize the subject matter, and to extract the most important points from your textbooks, lecture notes and other learning materials on your course.

There are a number of textbooks on organization theory and not all of them take the same approach. Some deal with OT from a systems and contingency perspective (e.g., Child, 2005; Daft, 2007; Jones, 2007), some take a critical or postmodern perspective (Hassard and Parker, 1993) or a multiple perspectives approach (Hatch with Cunliffe, 2006; Morgan, 1997; Scott, 1992). Your textbook might be an edited volume, with chapters written by different authors (e.g., Clegg and Hardy, 1998; Reed and Hughes, 1992). It's impossible to cover all of the variations in this Course Companion. But we will focus on what is generally regarded as mainstream OT based on structuralist (organizations as objects) and contingency approaches, which formed the bulk of organization theory (and still does in the US) until 20 years ago, when European

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organization theorists began to explore different perspectives. This work began to address critical issues in organizations and organization theory, previously unconsidered: gender, race, ethnicity, the relationship between knowledge and power, organizations as socially constructed rather than objective entities, technoscience, the role and legitimacy of organizations in society, Marxist critiques, and so on. We will look at some of these contemporary approaches to OT in each chapter. If you are using a structuralist contingency-based book, this might whet your appetite to look at alternative approaches. If you are using a non-structuralist contingency book, this might help you make sense of some quite challenging concepts and ideas! Whichever textbook you are using, this Course Companion will help you fit all the pieces together and understand how OT actually applies to 'real' organizations. Whichever textbook you are using, the basics are the basics: you should read the Companion in parallel with your textbook and identify where subjects are covered in more detail in both your text and in your course syllabus.

Having taught Organization Theory for over 20 years to both undergraduate and graduate students, I understand the problems, issues and concerns that students have about the topic. These include: OT is an overly theoretical subject; that there is a lot of information to grasp; that the terminology is confusing; and that OT has no practical relevance. The book addresses these concerns, and is designed around my experience of what you need to know to get the most from the learning experience, deal with the problems you might encounter in trying to understand OT, and help you navigate the course assessment process. So use it as a study guide. Part 3 provides some great information on study skills in general: how to organize yourself to get the most out of lectures, to contribute effectively to seminars, and how to study for and write papers and exams. It's a good idea to read Part 3 before your course starts, because then you can be proactive in managing your learning process. It will make life much easier!

Part 2 relates specifically to organization theory. It provides a framework for understanding the field, reviews the essentials of OT, and offers a way of integrating the various topics. Each section takes one or more of the main topics covered in OT textbooks, and focuses on: 'What do I need to know about *[the topic]* – and why?'

In order to answer this question, the chapters cover:

- 1 Key concepts: a summary of the main theories, key themes, issues and what you need to know about the topic. How these fit together to help managers understand, design and manage organizations more effectively. Practical examples to aid your understanding

and emphasize how managers use, or could use, the theoretical material.

- 2 Contemporary approaches: current ideas and different approaches and theories relating to the topic.
- 3 An integrative case: to help make the concepts more meaningful and help you understand how to apply them.
- 4 Using the material: study tips and potential essay questions with ideas about how to answer them.
- 5 Taking it further: Key questions, alternative approaches and debates on the topic.

You can use Part 2 in one of two ways, and this will depend on your preferred method of studying. You might find it helpful to read each section *before* you read your textbook and attend class or seminars. This will give you an overview of the topic prior to getting into the more detailed material in your textbook. Sometimes, if you understand the overall context and why the topic is important, it's easier to fit in the details. A second approach might be to read your textbook first, and *then* read this book, to help you pull out the key issues and apply the concepts. Find the approach that makes most sense to *you*.

Part 3 provides some great information on study skills in general: how to organize yourself to get the most out of lectures, to contribute effectively to seminars, and how to study for and write papers and exams. It's a good idea to read Part 3 before your course starts, because then you can be proactive in managing your learning process. It will make life much easier! There then follows a glossary of terms and references.

Before we jump into our introduction to organization theory, I want to offer a general guideline that I give to all of my OT students:

Keep up with your reading as assigned by your instructor – there is a lot of material, and if you get behind it's difficult to catch up. Your lectures will also make a lot more sense if you know what the main theories and ideas are before you attend. And if you don't understand any of them – you can then ask.

What is Organization Theory (OT) and Why Study It?

OT is a range of theories and models that attempt to explain how organizations function and relate to the environment. The driving force

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behind OT is the idea that if we understand this, then we can design organizations in such a way that they operate:

- Efficiently – utilizing their resources in a cost-effective way
- Effectively – achieving their goals
- Responsibly – in a way that respects the community, society and the environment.

OT differs from organizational behaviour in three main ways: OT focuses on organizations – OB on people in organizations; OT takes a macro organizational perspective – OB looks at more micro behavioural processes; OT is concerned with structures, systems and processes – OB with the perceptions and behaviour of individuals and groups.

The term ‘organization’ implies that there is some sort of structure and order to the way things are done, and definitions often centre around the idea that organizations are entities in which individuals coordinate their actions to achieve specific goals. They can be small family-owned businesses or multinational corporations, for-profit or non-profit, private or public, service or product oriented, government agencies We experience organizations on a daily basis as we go to college, buy a house, travel on holiday, eat in a restaurant, or visit a hospital. However, even though we come into contact with various parts of an organization (customer service, administration, accounting, etc.), we probably don’t think about how these parts work together, unless we have a problem – when we don’t receive the expected service, or the product we’ve purchased is faulty – which means something in the organization isn’t functioning the way it should be.

Many students think OT is a particularly theoretical and abstract discipline, when in fact it’s quite the opposite. Many of the theories are based on studies of what happens in organizations, so they are grounded in practice. And even though they may not be aware of it, managers use organization theory every day as they think about ways of organizing the work in their department (division of labour), about how the work needs to be coordinated with work in other departments (integration), about how to create a work environment that encourages organizational members to work together towards goals (culture), and so on. But unless they have studied OT, they might not have the explicit and systematic knowledge to enable them to do this in the most effective way. So OT gives managers a range of theories, concepts, models and tools, they can use to diagnose problems and help their department and organization function more effectively.

It's particularly important for managers to understand the various elements involved in designing effective organizations – how to create a structure and culture that balance external and internal demands, allows the organization to create value, and ensures its long-term survival. Ineffective organization structure reduces productivity and competitiveness, and can lead to low morale as employees struggle to achieve their goals. An effective organization structure and design allows organizational members to:

- Deal with contingencies such as changing technology, markets and competition.
- Gain a competitive advantage by developing the core competencies and strategies to enable them to outperform other companies.
- Work in an effective, supportive and responsive environment.
- Increase efficiency and innovation.

Let's begin with an example.

You own and manage a restaurant in your local town, which can seat up to 80 people, and is open for lunch and dinner. You serve an international cuisine, the price range of an entrée is moderate to high, and you offer elegant décor and a romantic atmosphere. You employ a staff of 30 people, which includes an Assistant Manager, chef and cooks, bar staff, waitpersons, cleaner and a cashier.

There is currently no real competition, with only a McDonald's and a Chinese restaurant in the town, but you hear rumours that there may be a new chain restaurant opening soon...

You are already using organization theory in considering:

- 1 What's going on in terms of legal requirements, the national and local economy, competition, the availability of a skilled labour pool, etc., that might affect your restaurant (i.e., *the environment*).
- 2 How to best organize the work and coordinate the activities of your employees to make sure your customers enjoy their dining experience and return again and again (*structure and design*).
- 3 What equipment you need, and how to design your restaurant layout so that you are using the space you have most efficiently and aesthetically. In other words, waitstaff have easy access to customers and the kitchen, and customers find the dining atmosphere and experience a pleasant one (*technology*).

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- 4 How you want staff to interact with each other and the customers (*culture*).
- 5 How you are going to manage the organization (*power, control, decision making, making changes*)

We will use this example throughout the book to illustrate the concepts in each chapter and to show how you can apply them in organizations.

Studying Organization Theory

When teaching OT, I emphasize three issues that students find helpful:

- We are studying individual topics, but everything is interrelated
- No theory is complete, no one theory applies in every situation, nor is it an accurate description of the way organizations really are – theory is a lens or framework for viewing the world.
- When reading about the theories, think about how they might apply to organizations with which you are familiar – either as an employee, a customer, a student or a volunteer.

Interrelatedness

Whichever textbook you are reading, and whoever is teaching the course, you will be studying OT as a number of topics, perspectives or issues. It's important to keep in mind that even though you might be studying these separately, everything interrelates. One way of thinking about OT is as a jigsaw puzzle in which all the pieces have to fit to form the whole picture.

So while you might be discussing one aspect of OT per class – structure, control, environment – try to relate the topics to each other. For example, the organization's environment will influence which structure will be most effective; structure and culture are closely linked; the forms of control that are most appropriate will depend on the structure and culture, and so on. As we work through each topic we will emphasize this interconnectivity. OT starts to make sense from both a theoretical and a practical perspective when you understand that everything needs to fit together for an organization to be effective.

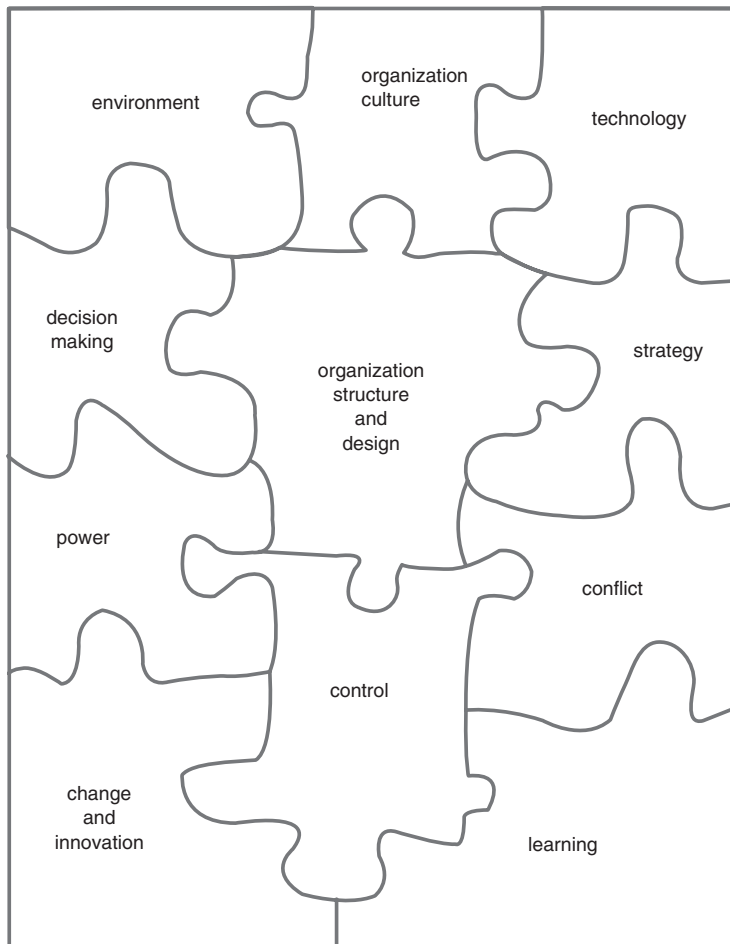


Figure 1 An overview of OT

Theory as a lens

Also, remember that while many of the theories are based on actual studies of organizations, they offer a lens, or way of thinking about organizations, rather than describing the way organizations *really* function. In other words theories are a researcher's (or group of researchers) way

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of analysing what they see. You will find that different theories will offer different ways of thinking about the same issue, some are contradictory, and some might be more helpful than others when trying to understand an organization you are studying or are working in. Each organization operates under its own unique set of circumstances. Theories are most useful if you use different ones to give you different perspectives on what might be happening in your organization. This is the value of OT – by using different lenses you will broaden your understanding about how organizations can be designed and managed in more effective ways.

The application of theories

Finally, as you read your textbook, look for practical examples of the ideas you are studying. If you are currently employed, think about how the theories relate to your own organization. If you are a full-time student, think about your experience as a customer, a patient or a client. Look for examples of various organizations on the Internet. Most large companies have their own websites, which include information on their goals, vision statements, business strategy, policy statements (e.g. social responsibility). At the end of each section I will suggest further resources – so check these out, they can make abstract concepts more real.

A brief History of organization theory

Organization Theory has a long history and draws on a number of academic disciplines; sociology, economics, political science, philosophy. Your textbook may or may not discuss the history of OT, but it is important in giving you an overview of work in the field, and in understanding why OT scholars take different approaches. Table 1 summarizes the main approaches, their focus, key scholars and the main principles you need to know.

Early work in the field was not classified as Organization Theory, because OT wasn't recognized as a discipline until the 1960s.

Classical and scientific management (1900 onwards)

Classical and scientific management perspectives emerged at a time when big business was growing along with a concern for increasing

Table 1 A Brief Summary of the history of OT

	<i>Aurhors</i>	<i>Focus</i>	<i>Main principles</i>
<i>Classical & Scientific Management</i> (1900 ->)	Smith (1776) Marx (1867) Taylor (1911) Fayol (1919) Weber (1924)	The role of organizations on society, influence on work and workers (sociological). The most efficient structure, way of organizing (people and work) and managing, based on scientific principles.	Clear division of labour and routine work. Formalization. Hierarchy and managerial authority. Standardization. One best way.
<i>Systems & Contingency Theories(Modernism)</i> (1950 ->)	Parsons (1951) Gouldner (1954) Boulding (1956) March & Simon (1958) Woodward (1965) Trist and Bamforth (1951) Burns and Stalker (1961) Lawrence and Lorsch (1967)	The need to study organizations as complex systems with interrelated parts. Utilizes an input-output model. Contingency theory emphasizes there is no 'one best way' and suggests that management and organizational practices will depend on the characteristics of each situation.	All parts need to fit to optimize efficiency. Balance inputs and outputs. System needs to adapt to changing environment Stable ... environment ... unstable Mechanistic ... structure ... organic Control ... culture ... commitment Routine ... technology ... complex
<i>Social Construction</i> (1960s ->)	Berger and Luckman (1966) Goffman (1971) Boje (1991) Law (1994) Weick (1969, 1995)	Organizational realities are constructed in social interaction, through shared meanings, artifacts, symbols, stories etc. We need to study organizations as social, historical and linguistic processes.	Enactment, sensemaking. Organizations as communities. Technology as processes of social construction and structuration.
<i>Postmodernism</i> (1980 ->)	Foucault (1972) Lyotard (1984) Harvey (1990) Cooper and Burrell (1988) Hassard and Parker (1993)	Questioning mainstream ideas of organizations, their purpose, their form, how they operate. Uncovering assumptions about what is right and acceptable, to expose inequalities and oppression.	Organizations are systems of power relations, where some groups are oppressed by others. Organizations are arenas of disorder, conflict and contradiction.

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efficiency through the standardization of production. They draw on the work of both academics (sociologists, administrative theorists and economists) and practitioners interested in finding ways to manage organizations more efficiently. Classical management theory aims to find the 'one best way' to manage through the application of scientific methods and universal principles. Two main contributors to the classical approach are Fayol (1919/1949) and Weber (1924/1947). Taylor (1911) is regarded as the founder of scientific management. Both of these approaches are still in evidence in today's organizations.

Fayol (a French CEO) listed the functions of management as planning, organizing, coordinating commanding, and controlling. He also identified 14 principles of management he believed would lead to organizational efficiency and effectiveness. These included:

- Unity of command: one person – one boss
- Authority: the right to give orders
- Discipline: obedience, respect

Max Weber (a German sociologist) also addressed the issue of structure in his theory of bureaucracy – an organization structure in which members work according to pre-set, standardized rules and procedures. He identified a number of principles of a bureaucratic organization that would ensure fairness and rationality:

- Rational-legal authority: authority based on position not on individual factors.
- Decisions and positions based on technical competence.
- A hierarchy of authority and responsibility with clearly specified descriptions.
- Clear vertical chain of command.
- Formal written rules and procedures to control performance, with training in job requirements.
- Written records, rules, policies, procedures, etc....
- Impersonal relationships among career professionals.

You will probably find reference to Weber's work in the sections on organization structure and design because these principles often underlie functional structures, and are prevalent in government organizations. In the US, the staffing operation of the federal government is based on the Merit System, which specifies how all aspects of human resource management be carried out – hiring, job classification, promotion, discipline, etc.

Taylor's (1911) notion of scientific management focused on the most efficient way to manage. He believed that the goal of management

should be to secure the maximum prosperity for both the employer and employee, and that this could be achieved by applying scientific principles to work methods and to management. He stated that managers need to analyse work using scientific methods, select, train and develop workers for each job, cooperate with the workers to ensure the work is being done correctly, that managers should manage and workers work, i.e., workers should have no control. Over time, his ideas had a worldwide impact on organizations and management. Prior to Taylor's book, there had been no real published formalized guidelines for managing organizations and work – scientific management offered a systematic approach that managers could apply to their own organization.

Systems Theory (1950 onwards)

Systems Theory offers a way of studying how organizations function, and is a model used by a number of OT textbooks. The organization is represented as an open system, which is goal oriented, and operates as an input–output model transforming resources such as money and materials into products or services. As a system, the organization has a number of characteristics:

- An *open system* continually adapts to changes in the environment
- It consists of a number of interdependent subsystems (functions, departments, processes such as decision making, information, production) that interact to form the whole.
- It strives for equilibrium, balancing its inputs and outputs to maintain a steady flow of activity.
- It creates feedback mechanisms to enable this process to occur.

You can usually identify systems theories if they talk about interrelated subsystems, feedback mechanisms, adaptation, etc. One variation, socio-technical systems theory, emphasizes the role of people in the system. The work of the Tavistock Institute (UK), in particular Trist and Bamforth's (1951) study of the British coal mining industry, has been influential in drawing attention to the relationship between technology, social relationships, morale and performance. They suggested (back in the 1950s!) that autonomous work groups may not be the most technically efficient way of organizing work, but led to higher productivity and worker satisfaction. Woodward (1965) continued this work in the area of technology and organizational design.

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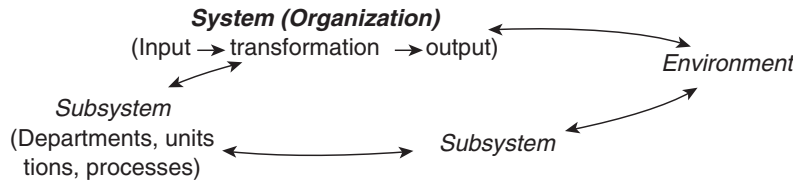


Figure 2 An open systems approach to OT

Contingency theory (1960s onwards)

Contingency theory emphasizes there is no ‘one best way’ (as in the classical and scientific management approaches) and suggests that management and organizational practices will depend on the characteristics of each situation. In other words, finding the appropriate organization structure will depend on many factors including the environment, the task and technology, people etc. You will come across a number of contingency-based studies in your textbook, especially looking at the relationship between the environment, organization structure and design, technology and strategy. Look for the approach, ‘in X set of circumstances/particular situation – then Y will be most appropriate, in M – then N will apply...’, because this is often an indication that a contingency approach is being used.

While these approaches have been a major part of OT for years, and still are (especially in the US), there are more contemporary perspectives to consider. Some textbooks (e.g., Child, 2005; Daft, 2007; Jones, 2007) do not address these because they explicitly take a systems and contingency approach. Others (e.g., Hatch with Cunliffe, 2006; Morgan, 1997; Watson, 2006) incorporate contemporary perspectives. Whether your textbook does or doesn’t, you may be interested in reading about them because they do offer different ways of thinking about organizations.

Why different perspectives?

Let’s go back to 1979 and the publication of a book by British organization theorists Gibson Burrell and Gareth Morgan called *Sociological Paradigms and Organizational Analysis*. This book had a major impact on the discipline because the authors claimed that scholars actually took different and often competing approaches to the study of OT based on their assumptions about the nature of science (e.g., is reality real or is it

created in the ways we talk about the world, are we free-willed individuals or are our lives determined by the environment?) and the nature of society (is society characterized by unity and consensus or conflict and change?). They suggested that studies of organizations could be placed in one of four paradigms (ways of viewing the world):

- 1 **Functionalist:** organizations as objects of rationality and efficiency, mainly structuralist and contingency approaches.
- 2 **Interpretivist:** organizations as emerging in social practices.
- 3 **Radical humanist:** the relationship between organizations and human consciousness (alienation, self-fulfillment, emancipation).
- 4 **Radical structuralist:** how organizations, managerial ideologies and systems of production oppress the working class.

This sparked an ongoing debate known as the paradigm wars, as OT scholars argued for one paradigm over another. But despite being controversial, the book offered a way of mapping various approaches to organization theory and paved the way for alternative perspectives that added to the richness of the field. You will get a sense of what these perspectives have to offer as you read on...

Some perspectives to consider

Some textbooks, particularly those taking a multiple perspectives approach (e.g., Hatch with Cunliffe, 2006; Morgan, 1997), look at additional approaches to the main classical, systems and contingency approaches. Gareth Morgan's influential book, *Images of Organization* (1997) was one of the first books to draw attention to the need to study organizations from different perspectives. Morgan suggested that organization theories are based on metaphors, or ways of seeing the world. He identified eight metaphors:

- 1 **Organizations as Machines:** rational, efficient, hierarchical, mechanistic, Classical and scientific management.
- 2 **Organizations as Organisms:** open systems adapting to environmental demands. Systems and contingency theories.

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- 3 Organizations as Brains: learning, sharing information and knowledge, questioning the ways in which things are done Cybernetics.
- 4 Organizations as Cultures: with shared visions, values, rituals, stories, subcultures. Social constructionism and enactment.
- 5 Organizations as Political Systems: systems of power and conflict because of different interests and agendas.
- 6 Organizations as Psychic Prisons: involving the unconscious, patriarchy, repressed sexuality – both destructive and creative.
- 7 Organizations as Flux and Transformation: complex, non-linear, self-organizing systems characterized by contradiction. Chaos and complexity theory.
- 8 Organizations as Instruments of Domination: in which people are alienated, have to comply to corporate interests, are repressed and exploited. Marxist perspectives.

He suggested that by viewing organizations in this way we can see them differently and find new ways of designing and managing them.

Two other perspectives you may come across are social constructionist (or symbolic) and postmodern perspectives. Both of these require a philosophical understanding – because they think about the nature of reality and knowledge in very different ways. Classical, scientific management, systems and contingency approaches assume that reality exists independently from people, and that knowledge is based on identifying facts about what is happening and developing theories, general principles and models so that we can predict and manage what happens in the future. As you will see if you read further, social constructionist and postmodern perspectives are based on a different set of assumptions and different ways of viewing organizations. Your textbook may not cover these perspectives – but you might find they offer interesting ways of thinking about organizations!

Social constructionist approaches (1960s onwards)

Social constructionist-based work has become increasingly popular within organization studies over the last 20 years. The story began with Berger and Luckmann's influential book *The Social Construction of*

Reality (1966), in which they argued that social realities are created and maintained in social interaction and conversations with others, rather than in structures. The central theme of social constructionism is:

'Social objects are not given in the world but constructed, negotiated, reformed, fashioned, and organized by human beings in their efforts to make sense of happenings in the world.' Sarbin and Kitsuse, 1994: 3

Karl Weick (1969, 1995) popularized social constructionist approaches to organization theory with his ideas about enactment and sensemaking. He suggested that managers enact organizations as they try to make sense of the uncertain situations they find themselves in. The organization and its structure, systems and processes don't exist as objects separate from people – they are created as organizational members talk about what they think is happening and what needs to be done. So organizing is really a sensemaking activity – as organizational members try to make sense of their surroundings, they form mental images or maps that highlight particular aspects of their experience. When these are shared they become part of what we think is our organizational reality. However, these features and images did not exist before – they are created by people in their conversations and other forms of communication.

If you are interested in this approach, in addition to Weick's work, you may want to read Boje (1991), Watson (2001), or Law's (1994) work. Tony Watson spent a year working alongside managers in an organization, and explores how they made sense of their experience and constructed their identities in their conversations. John Law studied how employees working in a laboratory tried to create organization and social order through stories, conversations, technology, written texts, buildings, etc.

Postmodern approaches (1980s onwards)

Postmodernism is a complex field of study drawing on the work of Karl Marx and critical theorists, and poststructuralist work in the area of language and philosophy. The latter draws on the work of Saussure (a linguist), Jean-Francois Lyotard, Michel Foucault (a French philosopher) and Jacques Derrida (another French philosopher). It is impossible to summarize all the main ideas of postmodernism for two main reasons: it requires an understanding of linguistics and philosophy, and postmodern ideas are wide ranging. So let me pick out some key ideas that underlie postmodern approaches to organization theory:

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- There is no fixed, commonly understood, external social reality, only images, fragmented views and performances.
- Organizations are created and maintained in linguistic conventions (created by language not by people), simulations, arenas of conflict where some groups have power over, and oppress, other groups.
- Knowledge is not rational and universal. Knowledge does not lead to enlightened civilization and progress – but to the domination and marginalization of groups.
- Meanings are not fixed in words, but slip and slide depending on how they are used in particular contexts.
- We need to deconstruct ‘texts’ (readings, actions, organizations, etc.) to uncover different readings, hidden power relations, and how groups are marginalized and repressed.

Postmodernists argue that organizations are performances and simulations, characterized by uncertainty, complexity and contradiction.

As you can see, this is a very different way of looking at the purpose of organizations, the way they operate and their impact!

This brief historical foray sets the scene for the topics and theories you will encounter in your textbook, and will help explain why particular studies took the approach they did. So, as you work through each section and encounter different ideas and theories, see whether they take a scientific management approach (this is the best way), a systems approach (finding an optimum balance between inputs and outputs), a contingency approach (it all depends on...), a social constructionist approach (organizations are enacted in interaction and conversations or a postmodern approach (organizations as fragmented and oppressive).

Before finishing this section I want to address one topic that will be covered in your textbook, but probably not in Chapter 1. I will explain why in the next section.

Decision Making

Many OT textbooks have a separate chapter on decision making, usually towards the end of the book. I’ve always found it easier to cover decision making in the first or second class because I can reinforce the learning points throughout the course as we discuss structure, strategy, etc. If your course includes case studies and group work, then you are often problem solving and making decisions in your group. So an understanding of the process of decision making can help put both case study con-

tent and your own approach to decision making in perspective. What are some of the key aspects of decision making? We will look at different types and approaches to decision making, and in the latter, consider the factors influencing the decision-making process.

Decision making is basically the process of making a choice from a variety of alternatives. It can occur in response to a problem, or it may relate to a desire to increase effectiveness or innovate. There are two types of decisions in an organization:

1 *Programmed*: decisions made on a regular basis with procedures, rules, or routines for dealing with them. For example, how to deal with employee complaints or grievances, how students apply for financial aid, the rules relating to educational reimbursement and tuition assistance for employees, operating procedures, and so on. The more decisions are programmable, the easier they are to deal with. Bureaucracies thrive on programmed decisions because they ensure consistency, fairness and control, and if the organization operates in a relatively stable environment, then decisions can be programmed because few new problems arise.

2 *Unprogrammed*: these are unique, one-off decisions for which there are no rules or procedures. These decisions require more effort and energy and the solution is by no means guaranteed. These may include developing new products, making strategic decisions about whether to diversify or move into new markets, and dealing with new unexpected operational problems. As you will see in the section on structure and design, matrix structures are designed to deal with unprogrammed decisions because they operate in changing environments.

Of course we like to think that both organizations and individuals make decisions on a rational basis, but this is not always the case, as you will see in the various models below.

The rational model

This model is based on the idea that a rational, step-by-step approach to problem solving and decision making will yield the optimum answer. Rational models vary in the number of steps they include, but generally these involve: identifying and defining the problem, getting facts and determining the goal, generating and evaluating alternative solutions, choosing the best alternative, implementing the decision, and evaluating

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its success. This can make the decision-making process more systematic, for example, we have a tendency to jump to generating solutions before we've really defined the problem or got all the information we need about the problem. If you are working on a case study in a group, think about how you analyse the case and arrive at recommendations – do you adopt a rational approach? However, we often find ourselves dealing with unprogrammed decisions, with constraints that might prevent us from getting all the information we need, or the outcomes may be so uncertain that it's difficult to evaluate alternatives. This leads us to the next model.

The Carnegie model

In the 1950s and 1960s American administrative theorists James March, Herbert Simon and Richard Cyert developed the Carnegie model, which is based on the argument that the rational model doesn't really consider the realities of organizational decision making – that it is often subject to incomplete information, different perceptions and conflict over goals and resources. They suggested that the decision-making process involves:

- 1** *Satisficing*: managers don't (or can't) get all the facts, and they don't identify all the possible alternatives but use rules of thumb or select a satisfactory (not necessarily the optimum) solution. This is especially the case in unprogrammed decisions.
- 2** *Bounded rationality*: we are rational within the bounds of our perception, our knowledge, our experience, and the time we have available. This influences our ability to deal with complex problems and means that what is 'rational' will vary for each person.
- 3** *Coalitions*: organizational members with similar interests group together to influence the decision-making process in their favour. The final decision might reflect the interests of the most dominant alliance.

So the Carnegie model is suggesting that decision making is a political rather than a rational process – think of decisions made in your department and organization where negotiating occurred between people, and trade-offs made in return for support.

The incremental model

Henry Mintzberg argued that organizational decisions are not usually radically new or different, but are based on a number of small choices made at different times in response to different issues that emerge.

The garbage can model

Think of an organization as having a number of goals, problems, solutions, opportunities, problem solvers, coalitions, skills and expertise, all floating around. One day, a problem solver is tinkering around with some production equipment and discovers accidentally that a minor adjustment results in a major improvement in product quality. This is an example of the garbage can approach, which is based on the idea that decision making doesn't necessarily follow a logical sequence, but that solutions can be proposed before problems are identified, problems may persist without being solved, or a decision can be made that leads to problems. Of course this may or may not result in the best decision – but this form of decision making occurs and it's important to recognize when it works and when it doesn't.

As you read through the sections on strategy and organization structure, think about the types of decisions being made, and what structures might be best suited to deal with particular types of decisions. When you are analysing case studies, try to identify the types and approaches to decision making that are used in the case. And finally, think about your own approach to decision making when working on case studies; do you use a rational, Carnegie, garbage can approach? In all of these situations, the key is deciding whether the model being used is appropriate to the type of problem and situation being addressed. This brings us back to why we need to study OT – because it can give us the knowledge and tools to be able to evaluate whether the organization and organizational members are working in the most effective way.

USING THE MATERIAL

Even though this is an introduction and overview of OT, it can provide you with information you can use in discussions, case study analysis, papers and exams. Some typical questions you may be asked to consider include:

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“1 Why do managers need to understand organization theory?”

When answering this question think not only of the general reasons we've identified in this section, but also look at the various OT topics such as structure, design, technology, power etc. and you will find reasons why managers need to understand each. Give examples of some of the theories that are useful and why.

“2 Discuss how the various approaches (perspectives, metaphors) to organization theory can contribute to the design and management of organizations today.”

The answer to this question will obviously depend on which textbook you are using: Morgan's metaphors, Hatch's perspectives, Scott's rational, natural and open systems etc. It's important to discuss how the different metaphors or perspectives or approaches highlight the limitations of seeing the world from one perspective and can help managers: 'read' situations differently; analyse complex situations more effectively; be open to alternative ways of thinking about, designing and managing organizations. Give examples of how different metaphors (etc.) can offer different views on particular issues or topics such as power or strategy.

“3 'No decision is ever rational.' Discuss.”

Talk about what the rational approach to decision making is; why it doesn't always work; what alternative approaches exist; and give examples of decisions where more creative approaches might need to be taken, or where a manager might satisfice or build coalitions.

In addition to answering specific questions on this material, you can incorporate it in essays on other topics as background material. I call this using material 'in passing' – it's not directly related to the topic or question but provides additional useful information. For example, in a paper on strategy you can mention that a particular decision is an example of unprogrammed decision making, or that senior managers appear to be taking a garbage can approach to decision making because ... When analysing case studies you could take a contingency approach as an overall framework, or identify examples of coalitions, satisficing and programmed decision making. In other words, don't forget this material – use it when you can because it shows you understand

how the different elements of OT relate to each other. When I see students incorporate these ideas, it shows me they are able to take an integrated and holistic perspective.

Taking it **FURTHER**



Given the different perspectives and theories in OT – some of which are contradictory – it's tempting to say that it offers nothing of value to managers. Is one perspective or theory any better than any other? Why can't we have one organization theory, an ideal structure, or a set of 'good' organization culture characteristics...? This would make life a lot simpler! But if you are currently working in an organization, you know that life is never simple and there are always unanticipated occurrences. Organizations operate in an increasingly complex, competitive and changing environment, and managers often rapidly find themselves dealing with a whole range of issues and problems. So different perspectives and theories can help managers analyse these complex situations, and offer different ideas and options about how to deal with them. Keep an open mind, be flexible, and consider all options!

Textbook Guide

CHILD: Chapter 1.

DAFT: Chapters 1 and 12.

HATCH AND CUNLIFFE: Chapters 1, 2, and 10.

JONES: Chapters 1 and 12.

WATSON: Chapter 1.

Additional Reading

Boje, D. M. (1991) 'The storytelling organization: a study of story performance in an office-supply firm', *Administrative Science Quarterly*, 36: 106–126.

Clegg, S. and Hardy, C. (eds) (1998) *Studying Organizations: Theory and Method*. London: Sage.

Gergen, K. J. (1992) 'Organization theory in the postmodern era', in M. Reed and M. Hughes (eds) *Rethinking Organization: New Directions in Organization Theory and Analysis*. London: Sage.

Hassard, J. and Parker, M. (eds) (1993) *Postmodernism and Organizations*. London: Sage.

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- Hatch, M. J. with Cunliffe, A. L. (2006) *Organization Theory: Modern, Symbolic, and Postmodern Perspectives* 2nd eds. Oxford: Oxford University Press.
- Morgan, G. (1997) *Images of Organization*, 2nd edn. Thousand Oaks: Sage (Originally published 1986.)
- Watson, T. J. (2001) *In Search of Management: Culture, Chaos and Control in Managerial Work*. London: Routledge.
- Weick, Karl E. (1979) *The Social Psychology of Organizing*. Reading, MA: Addison-Wesley (First published 1969.)
- Weick, K. E. (1995) *Sensemaking in Organizations*. Thousand Oaks, CA: Sage Publications.