

The Nature of Organizational Theory

(Management Theory)

An organization is a collection of people working together under a division of labor and a hierarchy of authority to achieve a common goal. Continuously working together under authority toward a goal implies management. The activities of organized people don't just happen, but they are managed.

Organizational theory is the study of organizational structure. And since all science has as its aim, the understanding, prediction, and control of an end, organizational theory is the process of creating knowledge to understand organizational structure so that we can predict and control organizational effectiveness or productivity by designing organizations.

There are **four** major contributing theories of organizations and management, namely:

1. Classical Theory.
2. Human Relations Theory.
3. Contingency/decision theory, and
4. Modern Systems Theory.

1. Classical Theory: (*Scientific management theory*)

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Scientific management has been thought of broadly as the application of the scientific method of study, analysis, and problem solving to the organizational problems.

Scientific management assumptions:

1. Improved practice will come from the application of the scientific method of analysis to organizational problems.
2. The good worker is viewed as one who accepts orders, but does not initiate actions.

Elements of the classical theory:

There are four main elements determined by the classical theory:

- 1) Principles of management.
- 2) Concepts of line and staff.
- 3) Committees.
- 4) Functions of management.

1) Principles of management:

A principle of management is simply something seen as fundamental.

These principles include:

1. ***Division of work*** (specialization) which gives higher productivity.
2. ***Authority and responsibility***: ***Authority*** is the right to give orders, while ***Responsibility*** is the obligation that individuals have for their actions.
3. ***Discipline***: There must be respect for, and obedience to, the rules and objectives of the organization.
4. ***Unity of command***: Each member should receive orders from (and responsible to) one supervisor to reduce confusion and conflict.
5. ***Unity of direction***: The organization is effective when members work together toward the same objectives.
6. ***Subordination of individual interest to general interest***: The interests of one employee (or group of employees) should not prevail over that of the organization.
7. ***Remuneration of personnel***: Pay should be fair and good performance should be rewarded.
8. ***Centralization***: Good balance should be found between centralization and decentralization.

9. Scalar chain: There is a hierarchy dictated by the principle of unity of command linking all members in the organization from top to bottom.

10. Order: There is a place for every thing and every person.

11. Equality: Kindness and justice among workers.

12. Stability of tenure of personnel: Time is required for an employee to get used to new work and succeed in doing it well.

13. Initiative: Thinking out and execute plans at all levels.

14. Esprit de corps (union is strength): Superior performance comes from pride, loyalty, and a sense of belonging.

2) Line and Staff organizational relationships:

- The concept of staff persons who assist the managers with primary authority and responsibility (LINE) has developed in response to the development of large and complex organization.
- Line officials are those employees with general authority and in the direct chain of command over other employees (subordinates) who accomplish the organizational objectives through their efforts.
- Staff officials are those who provide information, advice, and counsel of experts to line managers.

3) Committees:

- Committees provide an organizational structure in addition to the line and staff.
- They can contribute to creativity, communication, motivation, coordination, education, advising, and broad representation of points of view.

4) *Functions of management:*

- One of the most durable contributions of the classical theory is the study of management as a set of functions.
- There have been many opinions of which management functions are important.
- Management functions are classified into: planning, organizing, directing, and controlling, or planning, organizing, staffing, directing and controlling.

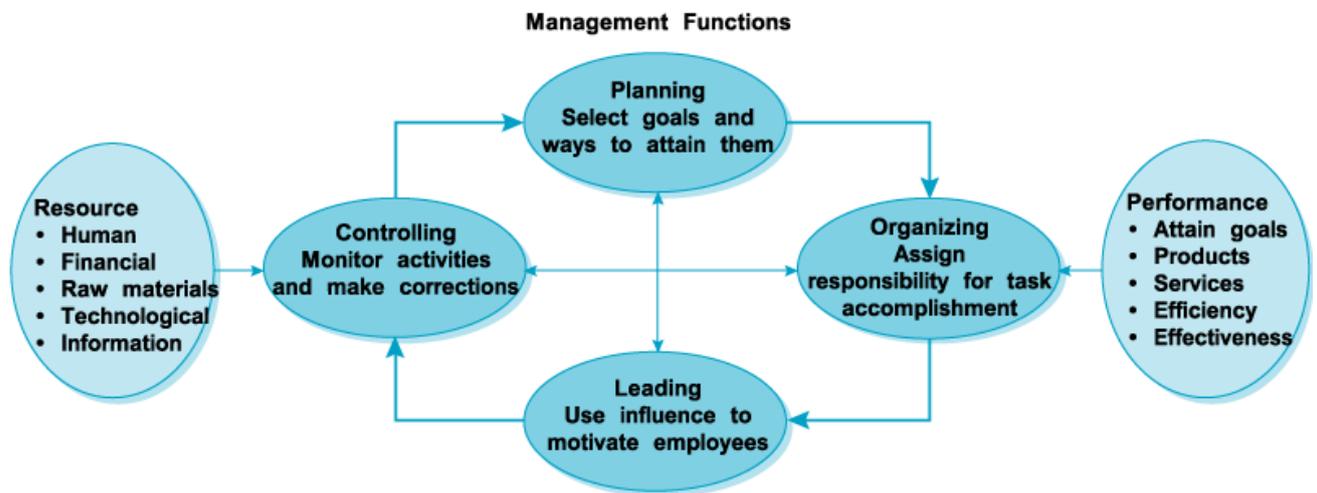


Fig. (3): Classical management functions.

Limitations of the scientific theory:

- The classical view of organizations (and man) focused on structure, order, the formal organization, economic factors, and objective rationality.
- It ignored factors such as individual freedom, motivation, consideration of the environment in which the organization functions.

2. Human Relations Theory: (Neoclassical theory)

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Neoclassical theory was built on the base of classical theory.

Assumption of the human relations theory:

- The psychological and social aspects of the worker as an individual and his work group ought to be emphasized.
- The organization can be defined as "a group of persons with a common objective."

Elements of neoclassical theory:

1. Emphasizing differences among individuals and as a result the ways of motivating people are different.
2. Emphasizing the importance of the social aspects of the informal organizations that exists within the structure of the formal organizations.
3. Emphasizing the importance of participative management and decision making.

Limitation of the theory:

1. The major limitation is that many of the studies upon which the theory is based have been poorly designed.
2. Limited view of human motivation.
3. No consideration of the environment in which organization function.

3. Contingency/decision theory:

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A number of writers in the 1960s focused on the relationship between the organization and its environment particularly in regard to technology.

Assumption of the contingency/decision theory:

- The most effective way to practice management is to take into consideration all the conditions existing in a particular management situation.
- To choose managerial (leadership) styles and techniques most suitable for these conditions.
- There is no one best way to manage, rather, many variables in the situation dictate the way in which the problem should be handled

Elements of the theory:

1. The individual.
2. The environment.
3. The existing variables.

- ❖ Contingency management in nursing requires an in-depth knowledge of nursing theory and practice
- ❖ One must be adept in interpersonal relationships, have facility in communication, and some ability to be flexible.

4. Modern system theory:

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Modern system theorists (1970) viewed their approach as a framework for analyzing managerial behavior and effectiveness. The system theory differs from the earlier theories in that it is total in its approach; it includes all the other theories.

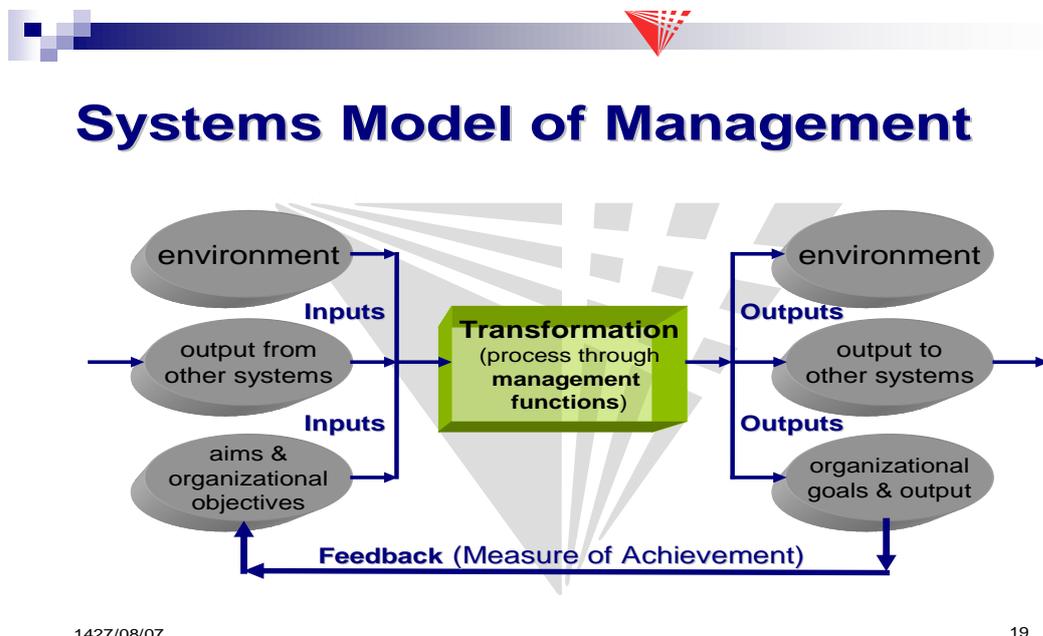
Assumptions of the theory:

There is a theoretical framework for identifying general relationships in the real world.

Definitions:

- **System:** An entity that behaves in certain ways because of interactions between and among its individual parts or subsystems.

- **Open system:** Is one that interacts with the objects in its environment. (i.e. the system which receives input from the environment and sends back output).
- **Closed system:** Is one complete within itself, neither receiving from nor contributing to any environment.
- **Input (structure):** Refers to the setting and the resources that are available to be utilized (processed) to achieve the end result.
- **Process:** Refers to the actual activities carried out to achieve the end results.
- **Output:** Refers to the results of the activities performed throughout the process.



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Fig (4): The elements of the system

The chief characteristics of a system model:

1. The system has three main parts: Input, process, and output.
2. The nature of the central processes is prescribed by the desired goals.
3. The environment places constraints on the system because it determines what materials are available as well as what happens to the finished product.

4. There must be a control mechanism which measures the actual output against the desired output, and corrects the deviations.
5. There are alternative processes in order to cope (adapt) with variation (i.e., flexibility is required).