BUS 831

Organizational Theory & Behaviour

Module 1

BUS 831 Organisational Theory and Behaviour Module 1

Course Developer/Writer
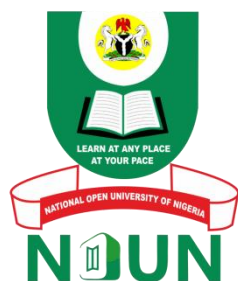Dr. Emmanuel Agwu Arisi-Nwugballa, Ebonyi State University, Abakaliki

Course Editor
Dr. E.M. Aghedo, Caleb University, Imota, Lagos

Course Coordinator
Dr. (Mrs.) Caroline Aturu-Aghedo, National Open University of Nigeria

Credits of cover-photo: Henry Ude, National Open University of Nigeria

National Open University of Nigeria - 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi, Abuja, Nigeria

www.nou.edu.ng centralinfo@nou.edu.ng
oer.nou.edu.ng oerunit@noun.edu.ng OER repository

Module 1 Introduction to Organisational Theory and Behaviour

Unit 1 Introduction to Organisation

1.0 Introduction

It is logical that we start our discussion of Organisational Theory and Behaviour from a discussion of what an organisation is, why organisations are formed, the different types of organisations, etc. Our understanding of these basic issues will aid our understanding of this course.

2.0 Objectives

At the end of this unit, you should be able to:

- explain the meaning of organisation

- Identify the features of organisations

- Identify the types of organisations.

3.0 Main Content

3.1 Meaning of Organisation

It is important to understand, at this level of your education, that definitions of concepts or phenomena are important but may not be as important as the understanding and description of the features or characteristics of those concepts and phenomena. This is especially so in management and social sciences where there are few consensus on definitions, especially at the postgraduate level. This does not, in any way, suggest that definitions are irrelevant but that we may have greater consensus on the features or characteristics of a concept or phenomenon than on definitions.

The word "organisation" is known to refer to a scale of operation that requires the involvement of two or more persons to achieve. This may be due to the nature or scale (size) of the operation. For example, one person may cook and serve him- or herself, eat and wash dishes alone, but it may be impossible for one person to cook, serve, and wash dishes for a big restaurant with many customers, alone. The restaurant owner must employ people to assist him or her to run it. An operation may also require the involvement of more than one person due to an inherent or acquired inability of an individual to carry out a particular task alone.

For instance, a man who wants to start a family knows that he cannot keep himself company. He needs another person to play that role. And if he wants to also have his own biological children, he may be biologically unable to make children all by himself; he will have to partner a productive female to be able to do so. This biological inability compels him to involve another person to form a family. Similarly, somebody who has a very good business

idea may be unable to finance the idea (he looks for partners) or execute the idea alone, and may employ workers to assist him.

Restaurant and family are organisations. Each was formed because of an individual's inability to cope with the scale or nature of the operation, making him or her to employ, partner, or marry another person(s) to form an organisation. So, organisations are formed to make up for the inabilities of individuals.

The foregoing discussion reflects Robbins, Judge, and Vohra's (2013) definition of organisation as "a consciously coordinated social unit, composed of two or more people that functions on a relatively continuous basis to achieve a common goal or set of goals" (p.5).

3.2 Features of Organisation

From our definition of organisation, as stated above, organisations have the following features, which agree with the restaurant and family examples above:

- It is a social unit

- It is consciously established and coordinated

- It is composed of two or more persons

- It functions on a relatively continuous basis

- It is aimed at achieving a common goal or set of goals - may be production, distribution, consumption purposes, etc.

3.3 Types of Organisation

As mentioned earlier, both restaurants and families are organisations. Organisations can be classified by their primary objective: e.g. for-profit and not-for-profit organisations; or whether it is formal or informal, etc.

- For-profit organisations are commercial organisations that are primarily established to make profits as a way of increasing the wealth of its owners. Such organisations may do so by providing goods and services to customers at a profit. Profit-making organisations in Nigeria are numerous. Examples include: Dangote Cement Plc., Peace Mass Transit Limited, Daar Communication Plc., First Bank of Nigeria Plc., Enugu Electricity Distribution Company Ltd., among others.

- Not-for-profits organisations are organisations that are primarily established to serve purposes other than profit-making. Such organisations may generate revenue from providing goods and/or services to its customers or clients but at very low margins intended to cover the costs of providing the goods and/or services, not for profit. Some of such organisations are fully funded by the government. There are also many of such organisations in Nigeria, including government ministries, agencies, and parastatals such as government-owned hospitals, schools, universities, etc. Examples include: National Open University of Nigeria, National Hospital; Ministry of Power, Works and Housing Nigeria Police Force; and Federal Road Safety Commission; among others. Other not-

for-profit organisations are charity organisations (also called non-governmental organisations, NGOs) established by individuals, groups and corporate bodies to pursue specific causes. Examples include: Amnesty International Nigeria, Association for Reproduction and Family Health, religious bodies, etc.

There are also formal and informal types of organisations.

- Formal organisations are consciously planned and coordinated, with well-defined jobs, structure, lines of authority and responsibilities, etc., aimed at achieving defined objectives(s). A formal organisation is guided by the structure, rules and procedures of operations usually specified in its official documents, e.g. memorandum of association, articles of association, bylaws, etc. Informal organisations are opposite of formal organisations.

Furthermore, there are several typologies of organisations in literature, including those developed by Talcott Parsons (1960), Blau and Scott (1963), Katz and Kahn (1978), etc.

1. Parsons identified four types of organisations by their functions or goals namely; production, political, integrative, and pattern maintenance. Production organisations are those produce goods, e.g. Dangote Cement PLC. Political organisations are government agencies that pursue the realisation of public goods and services, e.g. Federal Ministry of Power, Works and Housing. Integrative organisations are those that resolve conflicts and promote peaceful coexistence of society, e.g. The Nigerian Police, Judiciary, etc. Lastly, pattern maintenance organisations are those that pursue the functions of society's renewal and perpetuation via educational and cultural activities, etc., e.g. National Open University of Nigeria, churches, mosques, families, etc.

2. Blau and Scott's typology classified organisations according to the basic beneficiaries of organisations' outputs. Accordingly, they identified mutual benefit associations, business, service, and commonwealth organisations. Mutual benefit associations are organisations whose members are its primary beneficiaries, e.g. Academic Staff Union of Universities (ASUU), Peoples Democratic Party (PDP), etc. Business concerns are organisations that are privately owned, profit making organisations whose owners are expected to be the primary beneficiaries of such organisations, etc., Dangote Cement PLC. Service organisations are those whose primary beneficiaries are members of the public served by such organisations, e.g. hospitals, schools, etc. Lastly, commonwealth organisations are organisations whose primary beneficiaries are the general public, e.g. The Nigerian Police, the Army, Air Force, Navy, etc.

3. Katz and Kahn's typology of organisations, like that of Parsons, classified organisations according to functions and goals. Like Parsons, they also identified production, pattern maintenance, and political organisations (as discussed earlier). They further identified adaptive organisations whose goals are to create knowledge, develop and test theories, and apply knowledge towards solving problems, e.g. Research Centres in Universities, Raw Materials Research and Development Council, etc.

4.0 Conclusion

From our discussions in this unit, we can conclude that organisations are social units; consciously established and coordinated; composed of two or more persons; function on a

relatively continuous basis; aimed at achieving a common goal or a set of goals. Organisations are necessitated by the need to make up for individual inabilities arising from the nature and/or scale of operations. Organisations can be classified in several ways including for-profit and not-for-profit, formal or informal, and using different typologies, etc.

5.0 Summary

In this unit, we have studied the meaning of organisation, features and types of organisations, including some of the different typologies of organisation in literature.

6.0 Self-Assessment Exercise

1. Explain the concept of organisation and discuss its features.

2. Using three of the typologies you studied in this unit, discuss the types of organisations in Nigeria.

7.0 References/Further-Reading

Blau, P.M. & Scott, W.R. (1963). *Formal Organisations*, London: Routeledge and Kagan Paul.

Cole, G. (2004). *Management Theory and Practice* (6th ed.). London: Thomson.

Gibson, J.L., Ivancevich, J.M., & Donnelly Jr., J.H. (1994). *Organisations*, (9th ed.). Boston: Irwin/McGraw-Hill.

Hellriegel, D., & Slocum Jr., J.W. (2011). *Organisational Behaviour* (13th ed.). Mason, OH: South-Western, Cengage Learning.

Katz, D. & Kahn, R.L. (1978). *The Social Psychology of Organisations*. New York: John Wiley & Sons.

Kinicki, A. & Fugate, M. (2012). *Organisational Behaviour: Key Concepts, Skills & Best Practices* (5th ed.). Boston: McGraw-Hill Companies, Inc.

Parsons, T. (1960). *Structure and process in Modern Society.* New York: The Free Press.

Robbins, S.P., Judge, T.A., & Vohra, N. (2013). *Organisational Behaviour* (15th ed.), Delhi: Dorling Kindersley (India) Pvt. Limited.

Unit 2 Classical Organisation Theory

1.0 Introduction

In this unit, we shall consider the oldest major organisation theory known as the classical organisation theory. This organisation theory dominated into the 1930s but remains influential till today. Our discussion of this theory will be followed by other organisation theories that followed after it.

2.0 Objectives

At the end of this chapter, you should be able to:

- explain the dominant models and underlying assumptions of classical organisation theory

- identify the major theorists and their contributions to classical organisation theory.

3.0 Main Content

3.1 Dominant Models, Underlying Assumptions:

- Organisations exist for economic and production purposes

- There is one best way to organise production, which can be found through scientific inquiry

- Specialisation and division of labour maximises production

- Rational economic principles determine the behaviour of individuals and organisations

- Workers are seen as interchangeable parts in industrial machines

- Factory system of production result in coordinated, capital intensive production

- Machines replace production workers and individual craftsmanship

- Primarily concerned with the structure of formal organisations

- Industrial and mechanical engineering-type of thinking dominated theories on the best way to organise production.

- Arising from the notion of 'one best way' of accomplishing production tasks, classical organisation theory believes there must be one best way of organising firms, which can be uncovered through scientific observation and analysis.

- Organisations should be run on universally applicable scientific principles.

3.2 Major Theorists and Contributions:

Adam Smith

- Considered the father of economics

- Division of labour

- Management of specialisation

- Centralisation of equipment and labour in factories

- Economic paybacks on factory equipment

- Intellectual foundation of laissez-faire capitalism

Daniel McCallum

- Created the first modern organisation chart

- Principles included:

- Division of responsibilities

- Power should be commensurate with responsibilities

- Reporting system that helped managers to promptly determine whether responsibilities were properly implemented and to identify errors and irresponsible subordinates.

Fredrick Winslow Taylor

- Considered the father of scientific management

- Created time and movement studies (Taylorism)

- He saw scientific management as the way for firms to increase profit, get rid of unions, increase thrift and virtues of the working class, and raise productivity to enable higher consumption of mass-produced goods by workers.

- He opined that the operations of organisations can be systematically planned and controlled by experts, using scientific principles.

- Based on the idea of one best way of production, Taylor's scientific management sought to increase output by using scientific methods to find out the fastest, most efficient, and least lathargical method of production.

Henri Fayol

- Developed the first comprehensive theory of management.

- Identified what he considered the key activities of any industrial undertaking namely;

> ➢ Technical (e.g. production of goods)

> ➢ Commercial (e.g. buying and selling)

> ➢ Financial (e.g. raising and using capital)

> ➢ Security (e.g. safeguarding of property and people)

> ➢ Managerial (e.g. planning, organising, coordinating, controlling)

- Major emphasis was on people (managerial)

- Fayol's principles of management include:

> ➢ Division of work

> ➢ Authority

> ➢ Discipline

> ➢ Unity of command

> ➢ Unity of direction

> ➢ Subordination of individual interests to the general interest

> ➢ Remuneration

> ➢ Centralisation

> ➢ Scalar chain

> ➢ Order

> ➢ Equity

> ➢ Stability of tenure of personnel

> ➢ Initiative

> ➢ Spirit de corps.

Frank Gilbreth and Lillian Gilbreth:

- Followers of scientific management

- Developed technique to record movements, called "therbligs", and process charting. Therbligs includes the following items: search, find, select, grasp, and hold. But when there was no motion, therbligs items are: wait-unavoidable, rest and plan.

- The flow (process) chart was created to enable the analysis of whole operations and process. The symbols used in flow chart are: inspection, storage, operation, transportation, delay.

Henry Lawrence Gantt

- Gantt is best remembered for his planning chart – Gantt chart. It was originally used to graphically show the extent to which tasks were achieved.

Max Weber

- His work was on bureaucracy

- Identified three types of legitimate authority namely; traditional, charismatic, and rational-legal authority.

- Identified the main features of bureaucracy as:

  ➢ A continuous organisation of functions bound by rules

  ➢ Specified sphere of competence, the degree of authority allocated and the rules governing the exercise of authority

  ➢ A hierarchical arrangement of offices

  ➢ Appointment to offices are made on grounds of technical competence

  ➢ The separation of officials from the ownership of the organisation

  ➢ Official positions exist in their own right, and job holders have no rights to a particular position

  ➢ Rules, decisions and actions are formulated and recorded in writing. (Cole 2005, p.26)

4.0 Conclusion

Classical organisation theory is production centred, concerned with the structure of the organisation, and using specialisation and division of labour to maximise production output. The theory does not emphasise the welfare of workers, it rather sees workers as interchangeable parts in industrial machines. It was preoccupied with finding the 'one best way' of organising production, which it believed could be found through scientific inquiry.

5.0 Summary

In this unit, we discussed the dominant models, underlying assumptions, and some of the major theorists and their contributions to classical organisation theory.

6.0 Self-Assessment Exercise

Discuss the dominant models and underlying assumptions of classical organisation theory.

7.0 References/Further Reading

Shafritz, J.M., Ott, J.S., & Jang, Y.S. (2011) (ed.). *Classics in Organisational Theory,* (7th ed.). Boston, MA: Wadsworth Cengage Learning.

Cole, G. (2004). *Management Theory and Practice* (6th ed.). London: Thomson.

Unit 3 Neo-Classical Organisation Theory

1.0 Introduction

The neo-classical organisation theory is the next dominant organisation theory after the classical organisation theory that we first considered. This organisation theory started at about the end of the Second World War in 1945, through the 1950s. It attacked, and sought to review the classical organisation theory.

2.0 Objectives

At the end of this unit, you should be able to:

•   explain the dominant models and underlying assumptions of neo-classical organisation theory

•   identify some of the major theorists and their contributions to neo-classical organisation theory.

3.0 Main Contents

3.1 Dominant Model, Underlying Assumptions:

•   Neo-classical organisational theory was critical of, and revised classical organisation theory, especially in relation to the humanness of workers, processes of decision-making, and the needs for coordination among administrative units.

•   Initiated theories and raised issues that became central to subsequent schools of thought, e.g. the organisational culture perspective of the organisation.

•   Incorporated sociology into organisational theory.

•   Neo-classical organisation theorists argued that organisations did not, and cannot exist independent of their environment.

•   Neo-classical organisation theory originated a theoretical departure from the overly simplistic, mechanistic views of classical organisation theory.

3.2 Major Theorists and Contributions:

Chester Bernard

•   Tried to create a comprehensive theory of behaviour in organisations that focused on the need for organisational members to cooperate to actualise tasks that individuals are unable to actualise alone

•   Identified the responsibilities of an executive as: (i) creating and maintaining a sense of purpose and moral code for the organisation (ii) establishing systems of communication, and (iii) ensuring that workers are willing to cooperate

- Individual workers must be induced through the use of objective positive incentives and attitudinal reorientation

Robert Merton

- Asserted that Max Weber's ideal-type bureaucracy had inhibiting dysfunctions and negatively affects those who work in it.

Herbert A. Simon

- Asserted that classical organisation theory was conflicting, contradictory, inconsistent, and inapplicable to many administrative circumstances confronting managers

- Declared organisational theory as the theory of bounded rationality of people who satisfice due to their intellectual inability to maximise.

- He was a pioneer in the attack on classical organisation theory, and the leader in the study of decision-making processes of organisations.

Philip Selznick

- Contended that though organisations can be designed and described in a purely rational manner, that cannot cope with the non-rational dimension of organisational behaviour.

- Observed that organisations are not just made up of job positions but are composed of human beings whose individual goals and aspirations may not be consistent with those of their organisations.

- Introduced the concept of "co-optation", which describes the process of organisations assimilating new elements in order to prevent them from posing a threat to their interests.

Cyert and March

- Discussed the formation and activation of coalitions, and negotiation's demands on the organisation.

- Theorised that firms satisficed, rather than maximise profit.

Melvin Dalton

- Emphasised on structural frictions between line and staff units, and between the head office of an organisation and its branches.

Tacott Parsons

- Defined organisation as a social system that focuses on the realisation of specific goals and contributes, in turn, to the achievement of goals of a more comprehensive system, such as the larger organisation or society itself.

4.0 Conclusion

The neo-classical organisation theory developed in response to the defects of classical organisation theory, especially in relation to the humanness of workers, process of decision-making, and the needs for coordination among administrative units. It marked a departure from the simplistic, mechanistic view of the organisation by incorporating the environment into its theories. It initiated theories and raised issues that later became central to the organisational culture perspective of organisation.

5.0 Summary

In this unit, we discussed the dominant models, underlying assumptions, and some of the major theorists and their contributions to neo-classical organisation theory.

6.0 Self-Assessment Exercise

Discuss the dominant models and underlying assumptions of the neo-classical organisation theory.

7.0 References/Further Reading

Shafritz, J.M., Ott, J.S., & Jang, Y.S. (2011) (Ed.). *Classics in Organisational Theory,* (7th ed.). Boston, MA: Wadsworth Cengage Learning.

Cole, G. (2004). *Management Theory and Practice* (6th ed.). London: Thomson.

Unit 4   Human Resource/Organisational Behaviour Perspective

1.0 Introduction

The third organisation theory we shall be studying is the human resource/organisational behaviour perspective, which started since approximately 1957. This theory focused on human beings in organisations and played a big part in laying the foundation for the emergence of Organisational Behaviour as a discipline.

2.0 Objectives

At the end of this unit, you should be able to:

- Explain dominant models and underlying assumptions of the human resource/ organisational behaviour perspective

- identify some of the major theorists and their contributions to human resource/ organisational behaviour perspective.

3.0 Main Content

3.1 Dominant Model, Underlying Assumptions:

1. Organisations exist to serve people's needs, not the other way round.

2. People and organisations need each other (e.g. people need salaries and careers; while organisations need ideas, human energy).

3. When there is a poor fit between individuals' and organisation's interests, one or both will suffer. Individuals may exploit the organisation or the organisation may exploit individuals, or both.

4. A good fit between individual and organisational interests benefits both sides, by allowing them to satisfy their interests.

5. Behavioural scientists concentrated efforts at trying to answer questions such as why organisations should allow and encourage their workers to grow and develop

6. This approach assumed that flexibility, creativity, and prosperity of organisations flow from growth and development of employees.

7. Considered people to be even more important than organisations.

8. Focused on individuals and groups, and the relationships between them, and between them and the environment of the organisation.

9. Considers organisation as both a dependent and independent variable; human behaviour shapes organisation and organisation influences human behaviour.

10. Major themes of this approach include: motivation, power and influence, leadership, individuals in teams and groups, organisational change, effects of the work environment.

3.2 Major Theorists and Contributions

Elton Mayo and Hawthorne Studies Team

1. The Hawthorne experiments represent the single most significant set of events that pointed to a conscious theory of organisational behaviour.

2. The experiments provided the basis for a set of assumptions that later displaced the assumptions of classical organisation theory.

3. Results of the experiments showed that complex, interacting variables make the difference in motivating people. These variables include: group norms, the willingness of managers to listen to their workers, direct feedback, and workers' control over their work, etc.

Abraham Maslow

1. Every human being is subject to a hierarchy of five needs that underlie their motivational structure namely; physiological, safety, social, esteem, and self-actualisation needs.

2. Unsatisfied needs are drivers of motivation.

3. Satisfied needs cease to motivate.

4. Satisfied lower level needs are replaced by higher level needs as the motivating forces.

5. Though this theory is largely not validated, it remains popular in organisational behaviour.

Douglas M. McGregor

1. Propounded Theory X and Theory Y, which are contrasting basic managerial assumptions about employees.

2. Theory X views workers as inherently disliking work, requiring coercion and control, avoiding responsibility, and only seeking security.

3. Theory Y assumptions view workers as liking work and need not be coerced or controlled, accept and even seek responsibility, can exercise self-direction and self-control as long as they are committed to organisation's objectives.

Irving Janis

1. Coined the term "groupthink" to describe the pressure for conformity by members of a group; explanation of why social conformity is frequently encountered in groups.

2. Groupthink is in operation when the quest for concurrence in a cohesive group becomes so dominant that it supersedes realistic consideration of alternative courses of action.

4.0 Conclusion

This theoretical perspective focused on people and organisations. It was of the view that people are as important, or even more important, than organisations; that people and organisations need each other, both influence each other; and that a good fit between their respective interests would benefit both parties. This perspective sees the growth and development of employees as being critical to the flexibility, creativity, and prosperity of organisations. These theories are majorly concerned with issues such as motivation, leadership, power and influence, teams, groups, and the work environment.

5.0 Summary

In this unit, we discussed the dominant models, underlying assumptions, and some of the major theorists and their contributions to the human resource/organisational behaviour perspective.

6.0 Self-Assessment Exercise

Discuss the dominant models and underlying assumptions of the human resource/organisational behaviour perspective to organisations.

7.0 References/Further Reading

Shafritz, J.M., Ott, J.S., & Jang, Y.S. (2011) (ed.). *Classics in Organisational Theory,* (7th ed.). Boston, MA: Wadsworth Cengage Learning.

Cole, G. (2004). *Management Theory and Practice* (6th ed.). London: Thomson.

Unit 5 Modern Structural Organisation Theory

1.0 Introduction

The modern structural organisation theory started about the second half of the 20th century, post-World War II. Modern structuralists are similar to those of classical structuralists with respect to their interest in organisational efficiency, rationality, and increase in production of real goods and services.

2.0 Objectives

At the end of this unit, you should be able to:

- explain dominant models and underlying assumptions of modern structural organisation theory

- identify some of the major theorists and their contributions to modern structural organisation theory.

3.0 Main Content

3.1 Dominant Model, Underlying Assumptions:

1. Organisations are rational institutions with the primary purpose of accomplishing defined objectives

2. Rational organisational behaviour is best achieved through systems of clear rules and formal authority.

3. Organisational control and coordination play critical roles in maintaining organisational rationality.

4. There is one best structure or, at least, a most suitable structure for an organisation considering its objectives, nature of its products (goods and/or services), production process, and environment.

5. Specialisation and division of labour increase the quality and quantity of production.

6. Most of the problems organisations experience are due to structural flaws and can be solved by altering the structure.

7. Structural organisation theory is concerned with vertical differentiations such as hierarchical levels of authority and coordination; and horizontal differentiations between units such as between product or service lines, geographical locations, etc.

8. Organisation charts are key management tools.

9. Tenets of modern structuralists are similar to those of classical structuralists namely; organisational efficiency, rationality, and increase in production of real goods and services.

3.2 Major Theorists and Contributions

Tom Burns and G.M. Stalker

1. Developed the theory of mechanistic and organic systems of organisation.

2. Contributed to the creation of the socio-technical approach.

3. Found that stable organisational conditions may be indicative of the use of a mechanistic system, in which a traditional form of hierarchy, vertical communications, dependence on formal rules and regulations, and structured decision-making are obtainable.

4. Dynamic, rapidly changing environments require an organic system of organisation, in which flexibility, greater participation in decision-making, and greater employee work autonomy are obtainable.

Peter N. Blau and W. Scott

1. Contended that all organisations comprise both formal and informal components, and that the informal component is rooted in, and supports the formal component by establishing norms for the operation of the organisation.

2. The true structure of a formal organisation may not be fully understood without understanding its informal component.

Arthur H. Walker and Jay W. Lorsch

1. They sought to find answers to whether an organisation should be structured according to function or product, and whether all specialists in a given function should be placed under a common boss irrespective of the products, or the various functional specialists working on a product be placed under a common boss.

2. They decided that the appropriateness of these structural arrangements depends on the nature of the organisation and its environment.

Henry Mintzberg

1. Integrated many schools of organisational theory.

2. He crafted a model of organisations that has five interdependent parts namely; the support staff, the techno-structure, the operating core, the middle line, and the strategic apex.

Richard M. Burton and Borge Obel

1. Effects of various dimensions of technology on organisational design.

2. Interdependence between organisational structure and information technology

3. Organisations as information processing entities

4. Effects of media richness on design

5. Design criteria for fitting information technology to decentralised organisations

6. Assessed the effects of technology on six dimensions of organisations namely; complexity, formalisations, configuration, centralisations, incentives, and coordination and control.

4.0 Conclusion

The tenets of modern structuralists are similar to those of classical structuralists in terms of their focus on organisational efficiency, rationality, and increase in production of goods and services. The theorists are concerned with vertical and horizontal differentiations in organisations; believe in one best structure; specialisation and division of labour; and the use of organisation charts as key management tools.

5.0 Summary

In this unit, we studied the dominant models, underlying assumptions, and some of the major theorists and their contributions to modern structural organisation theory.

6.0 Self-Assessment Exercise

Discuss the dominant models and underlying assumptions of modern structural organisation theory.

7.0 References/Further Reading

Shafritz, J.M., Ott, J.S., & Jang, Y.S. (2011) (ed.). *Classics in Organisational Theory,* (7th ed.). Boston, MA: Wadsworth Cengage Learning.

Cole, G. (2004). *Management Theory and Practice* (6th ed.). London: Thomson.

Unit 6: Systems Theory of Organisation

1.0 Introduction

We have discussed the classical, neo-classical, human resources/behavioural, and modern structural theories of organisation. The systems theory of organisation tried to merge all these theories by viewing organisations as open systems that interact with their environments. The systems theory uses quantitative scientific methods to identify causation between elements of organisation and those of their environments, and to determine optimal solutions. The systems theory began to dominate organisation theory in 1966-1967.

2.0 Objectives

At the end of this unit, you should be able to:

- explain dominant models and underlying assumptions of systems theory of organisation

- identify some of the major theorists and their contributions to systems theory of organisation.

3.0 Main Content

3.1 Dominant Model, Underlying Assumptions:

1. Primary focus of research and theory-building changed from the consideration of internal features of organisations to that of external dynamics of organisational interactions, competition, and interdependency.

2. Organisation as open systems views organisation as a system of interdependent activities embedded in, and dependent on, the wider environment.

3. A system is an organised collection of interdependent and interrelated parts created to achieve specific or general goals. It is a closed system if it self-sufficient and does not interact with its environment. It is an open system if it interacts with its environment.

4. System theory considers an organisation as a complex set of dynamically intertwined elements, which involves input, processing, output, and feedback loops; and interacts with its environment (open system).

5. Open systems theories tend to have complex and multidimensional assumptions regarding causation in organisations. This approach sees organisations as dynamic processes of interaction between elements of organisations and elements of their environments.

6. Organisations are vital parts of their environments whose actions affect the environment and are, in turn, affected by changes in the environment. Organisations must, therefore, be adaptive to changes in the environment in order to survive.

7. Systems theories of organisation have two major conceptual themes namely; (i) applications of Ludwig von Bertalanffy's general systems theory of organisations, and (ii) the use of quantitative tools and techniques to understand complex relationships between organisational and environmental variables, in order to optimize decisions.

8. The systems theory uses quantitative scientific methods to identify causation and to determine optimal solution.

9. Systems approach employs the use of computers, models, and interdisciplinary teams of analysts as tools of operation. Some of the techniques employed by systems approach are Critical Path Method (CPM), Performance Evaluation and Review Technique (PERT), gaming, statistical inference, simulation, linear programming, etc. The systems perspective is also called Management Science.

3.2 Major Theorists and Contributions:

Daniel Katz and Robert Kahn

1. Enunciated the notion of organisations as open systems.

2. Offered intellectual foundation for merging classical, neo-classical, human relations/organisational behaviour, modern structural, and systems theories of organisations via open systems approach.

3. Identified five subsystems that are at work in organisations namely; production or technical, supportive, maintenance, adaptive, and managerial subsystems.

James D. Thompson

- Suggested that the closed system approach may work only at the technical level or organisational operations.

4.0 Conclusion

This theory focuses on the external dynamics of the interactions, competition, and interdependency of organisations. It sees organisations as open systems with a complex set of dynamically intertwined elements, and interactions between these elements and those of their environment. The theory believes there is a causation between organisations and their environments, which it uses quantitative scientific method to identify and to determine optimal solution. Organisations have to adapt to environmental changes in order to survive.

5.0 Summary

In this unit, we discussed the dominant models, underlying assumptions, and some of the major theorists and their contributions to systems theory of organisation.

6.0 Self-Assessment Exercise

Discuss the dominant models and underlying assumptions of the systems theory of organisation.

7.0 References/Further Reading

Shafritz, J.M., Ott, J.S., & Jang, Y.S. (2011) (Ed.). *Classics in Organisational Theory,* (7th ed.). Boston, MA: Wadsworth Cengage Learning.

Cole, G. (2004). *Management Theory and Practice.* (6th ed.). London: Thomson.