

Organizational theory

Psychology



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Explain the characteristics of an open-system strategy, comparing it with a closed-system strategy. A system usually refers to the accumulation of various parts that interact with each other for the attainment of a general or specific goal. Shafritz, J., Ott, S., & Jang, Y. S. (2005) proposed that when talking about organizational systems, we are actually looking at certain elements that are interlinked with each other such as input, processes, output and feedback. Each of these elements is directly or indirectly affected by the internal and external environment in which it operates. Any change in one of these elements will transfer this change to other elements in the chain. A system is broadly categorized into open and closed (classical) systems.

Baum and Rowley (2005) proposed that open systems not only deal with the relationships within the organization but also encompass the external environment that it extracts resources from. Interestingly, an organization receives resources from the environment and after processing, delivers to it the environment in the form of output. Simply put, organizations have gone dynamic-possibly because they are attempting to grow according to the demands coming from the environment.

Classical or closed systems are simple and one dimensional whereas open systems are quite complex and multi-faceted as they are more into cause effect relationship. Closed systems are viewed as static in organizations whereas open systems are dynamic and are influenced by organizational and environmental changes. In reality, closed system organizations cannot survive in the cutthroat competition of today because every process and decision in the organization depends on a large number of factors in the outside environment.

Every strategy that is designed by managers within the organization is based on the changes and demands of the outside environment. Social, political, economic, technological, environmental and legal factors affect each and every move within the organization. No organization is able to survive if it keeps on making strategies that have strictly no influence from the external environment. Such organizations would not be able to understand the latest business policies, consumer demands, latest technology etc and without this knowledge they have no place in the business world.

Every business has to have a strategy which sets a course of action for it. When a strategy takes into account both internal and external factors, it is called an open strategy. On the other hand, when a strategy is designed without any involvement of factors from the external environment, we refer to it as a closed strategy. Closed strategy is applicable only to those organizations who are powerful, resourceful and enjoy monopoly but this cannot guarantee their long term survival. Open strategy calls for input from the external entities. A best strategy is the one which is formulated after analyzing all the elements that can or cannot affect it in the long run.

It is a known fact that no human being can live his entire life in isolation; he needs to interact socially with the members around him. In the similar manner, no strategy and decision can ensure results unless it has no connection with the external world. Some conventional companies are still stuck with closed system strategy. It is about time that they switch to open system strategy and see how they flourish.

References:

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