

Modern structural organization theory: a summary



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Introduction

- The “ modern” structuralists are concerned with many of the same issues that the classical social structuralists were, but their theories have been influenced by and benefited greatly from advancements in organization theory since the second World War.
- “ Modern” structuralists’ tenets are similar to Classical structuralists’ thinking: organizational efficiency is the essence of the organizational rationality, and the goal of the rationality is to Increase the production of wealth in terms of real goods and services.
- Structural organization theory is concerned with vertical differentiations (hierarchical levels of organizational authority and coordination, and horizontal differentiations between organizational units) such as those between product or service lines, geographical areas, or skills.

The basic assumptions of the structural perspective:

- Organizations are rational institutions whose primary purpose is to accomplish established objectives; rational organizational behavior is achieved best through systems of defined rules and formal authority. Organizational control and coordination are key for maintaining organizational rationality.
- There is a “ best” structure for any organization, or at least a most appropriate structure in light of its given objectives, the environmental conditions surrounding, the nature of its products or services, and the technology of the production process.

- Specialization and the division of labor increase the quality and quantity of production, particularly in highly skilled operations and professions.
- Most problems in an organization result from structural flaws and can be solved by changing the structure.

The Most Important Theorists and Their Contributions

- Mechanistic and Organic Systems (Tom Burns and G. M. Stalker)
- The beginning of administrative wisdom is the awareness that there is no one optimum type of management system.
- They developed their widely cited theory of “mechanistic and organic systems of organization”, and contribute to the creation of the “sociotechnical approach”.
- They found that stable conditions may suggest the use of a mechanistic form of organization where a traditional pattern of hierarchy, reliance on formal rules and regulations, vertical communications, and structured decision making is possible.
- Dynamic conditions (situations in which the environment changes rapidly) require the use of an organic form of organization where there is less rigidity, more participation, and more reliance on workers to define and redefine their positions and relationships.
- Either form of organization may be appropriate in particular situations.

Characteristics of the “Mechanistic Management System” are:

- The specialized differentiation of functional tasks into which the problems and tasks facing the concern as a whole are broken down.

- The abstract nature of each individual task, which is pursued with techniques and purposes more or less distinct from those of the concern as a whole.
- The reconciliation, for each level in the hierarchy, of these distinct performances by the immediate superiors, who are also, in turn, responsible for seeing that each is relevant in his own special part of the task.
- The precise definition of rights and obligations and technical methods attached to each functional role.
- The translation of rights and obligations and methods into the responsibilities of a functional position.
- Hierarchic structure of control, authority, and communication.
- A reinforcement of the hierarchic structure by the location of knowledge of actualities exclusively at the top of the hierarchy, where the final reconciliation of distinct tasks and assessment of relevance is made.
- A tendency for interaction between members of the concern to be vertical (between superior and subordinate).
- A tendency for operations and working behavior to be governed by the instructions and decisions issued by superiors.
- Insistence on loyalty to the concern and obedience to superiors as a condition of membership.
- A greater importance and prestige attaching to internal (local) than to general (cosmopolitan) knowledge, experience, and skill.

Characteristics of the “ Organic Management System” are:

- The contributive nature of special knowledge and experience to the common task of the concern.
- The “realistic” nature of the individual task, which is seen as set by the total situation of the concern.
- The adjustment and continual redefinition of individual tasks through interaction with others.
- The shedding of “responsibility” as a limited field of rights, obligations, and methods.
- The spread of commitment to concern beyond any technical definition.
- A network structure of control, authority, and communication. The sanctions which apply to the individual’s conduct in his working role derive more from presumed community of interest with the rest of the working organization in the survival and growth of the firm, and less from a contractual relationship between himself and a nonpersonal corporation, represented for him by an immediate superior.
- Omniscience no longer imputed to the head of the concern; knowledge about the technical or commercial nature of the here and now task may be located anywhere in the network; this location becoming the ad hoc center of control authority and communication.
- A lateral rather than a vertical direction of communication through the organization, communication between people of different rank, also, resembling consultation rather than command.
- A content of communication which consists of information and advice rather than instructions and decisions.

- Commitment to the concern's tasks and to the " technological ethos" of material progress and expansion is more highly valued than loyalty and obedience.
- Importance and prestige attach to affiliations and expertise valid in the industrial and technical and commercial milieux external to the firm.

The Concept of Formal Organization (Peter M. Blau and W. Richard Scott)

- Social organization refers to the ways in which human conduct becomes socially organized, that is to the observed regularities in the behavior of people that are due to the social conditions in which they find themselves rather than to their physiological or psychological characteristics as individuals.
- Since the distinctive characteristics of these organizations is that they have been formally established for the explicit purpose of achieving certain goals, the term " formal organization" is used to designate them.
- They assert that all organizations include both a formal and informal element. The informal organization by its nature is rooted in the formal structure and supports its formal organization by establishing norms for the operation of the organization that cannot always be spelled out by rules and policies.
- It is impossible to know and understand the true structure of a formal organization without a similar understanding of its parallel informal organization.

Organizational Choice: Product versus Function (Arthur Walker and Jay Lorsch)

A manager facing the same basic question when he think about the form of his organization, whether to group activities primarily by product (various functional specialist working on a single product be grouped together under the same superior) or by function (all specialist in a given function be grouped under a common boss regardless of difference in products they are involved in).

The manager should make choices based on these three criteria:

1. Which approach permit maximum use of technical knowledge?
2. Which provides the most efficient utilization of machinery and equipment?
3. Which provides the best hope of obtaining the required control and coordination?

The characteristics of manufacturing companies, the first are organized by product basis, and the other by function basis.

For function based company:

- Less differentiation except in goal orientation.
- Integration is somewhat less effective.
- Confrontation of conflicts, but also “ smoothing over” and avoidance; rather restricted communication pattern.
- Efficient, stable production, but less successful in improving plant capabilities.
- Prevalent feeling of satisfaction among the employees, but less feeling of stress and involvement.

For product based company:

- Greater differentiation except in structure and time orientation.
- Integration is more effective.
- Confrontation of conflicts, open, face-to-face communication.
- Successful in improving plant capabilities, but less effective in stable production.
- Prevalent feeling of stress and involvement, but less feeling of satisfaction.
- They concluded that either structural arrangement can be appropriate, depending upon the organization's environment and the nature of the organization itself.
- The Five Basic Parts of the Organization (Henry Mintzberg)

Synthesized many schools of organizational management theory.

Created a model of organizations with five interdependent parts: the strategic apex, the middle line, the operating core, the technostructure, and the support staff.

- Operating Core: the operators carry out the basic work of the organization.
- Strategic Apex: Those at the very top of the hierarchy, together with their own staff. The apex is charged with ensuring that the organization executes its mission.
- Middle Line: Managers that join the apex to the core. Middle line which transmits authority from the top to the bottom.

- Technostructure: The analysts carry out their work of standardizing the work of others, in addition to applying their analytical techniques to help the organization adapt to its environment.
- Support Staff: Supports the functioning of the operating core indirectly, that is, outside the basic flow of operating work.

The interdependencies among the organizational members can be showed as:

- Pooled coupling: Members share common resources but are otherwise independent.
- Sequential coupling: Members work in series as in a relay race.
- Reciprocal coupling: Members feed their work back and forth among themselves in effect each receives inputs from and provides outputs to the others.

In Praise of Hierarchy (Elliott Jaques)

Managerial hierarchy is the most efficient, the hardiest, and in fact the most natural structure ever devised for large organizations. Properly structured hierarchy can release energy and creativity, rationalize productivity, and actually improve morale.

Managerial hierarchy or layering is the only effective organizational form for deploying people and tasks at complementary levels, where people can do the tasks assigned to them, where the people in any given layer can add value to the work of those in the layer below them, and, finally, where this stratification of management strikes everyone as necessary and welcome.

One of business's great contemporary problems is how to release and sustain among the people who work in corporate hierarchies the thrust, initiative, and adaptability of the entrepreneur.

Hierarchical structure has been the source of a great deal of trouble and inefficiency, the common complaint it face are:

- The excessive layering, too many rungs on the ladder. Information passes through too many people, decisions through too many levels.
- Few managers seem to add real value to the work of their subordinates.
- Hierarchies bring out the nastier aspects of human behavior, like greed, insensitivity, careerism, and self importance.
- Group authority without group accountability is dysfunctional, and group authority with group accountability is unacceptable.
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Why Hierarchy?

Managerial hierarchy is and will remain the only way to structure unified working systems with hundreds, or thousands of employees, for the very good reason that managerial hierarchy is the expression of two fundamental characteristics of real work:

- The tasks we carry out are not only more or less complex but they also become more complex as they separate out into discrete categories or types of complexity.

- The same is true of the mental work that people do on the job, for as this work grows more complex, it too separates out into distinct categories or types of mental activity.
- These two characteristics permit hierarchy to meet four of any organization's fundamental needs: to add real value to work as it moves through the organization, to identify and nail down accountability at each stage of the value adding process, to place people with the necessary competence at each organizational layer, and to build a general consensus and acceptance of the managerial structure that achieves these ends.
- Hierarchical layers depend on jumps in responsibility that depends in turn on how far ahead a manager must think and plan.
- He suggested as to make hierarchy work is to distinguish carefully between hierarchical layers and pay grades, and set up a different managerial hierarchy based on responsibility rather than salary.
- Companies need more than seven pay grades as a rule, many more.

Technology as a contingency Factor (Richard M. Burton and Borge Obel)

- They covers technology's effect on formalization, centralization, complexity, configuration, coordination and control, and incentives.
- They studied the effects that various dimensions of technology have on organizational design.
- The effects of technology assessed on six dimensions of organization: formalizations, centralizations, complexity, configuration, coordination and control, and incentives.

Technology effects on formalization, propositions:

- If technology routineness is low, then formalization should be low.
- If technology routineness is high, then formalization should be high.
- If the organization employs many professionals, then Proposition 2 is not strong.
- If the organization is in the service industry, then the strength of proposition 1 and 2 is greater than if it is in the manufacturing industry. Retail and wholesale organizations can be expressed to fall in between.
- If the technology type is process(high automation), then formalization should be higher than it would be otherwise.
- If the organization uses modern information technology, then formalization should be high.

Technology effects on centralization, propositions:

- If technology routineness is high and the size of the organization is small, then centralization should be high.
- If the organization is large and technology routineness is high, then centralization should be medium.

Technology effects on organizational complexity, propositions:

- If the size of the organization is large and the organization has a technology that is routine, then complexity should be high(particularly horizontal differentiation).
- If the size of the organization is small and the organization has a technology that is routine, then complexity should be medium.

- If the size of the organization is large and has a nonroutine technology, then complexity should be high(particularly vertical differentiation).
- If the organization has a nonroutine technology, then the span of control should be narrow.
- If the organization has a routine technology, then the span of control should be wide.
- If the technology type is process(high automation), then complexity is high.

Technology effects on configuration, propositions:

- If the technology type is unit, then it is more likely that the organization has a matrix configuration.
- If the organization has a nonroutine technology, then the functional configuration is not likely to be an efficient configuration.
- If the technology is not divisible, then the configuration cannot be divisional.
- If the technology is divisible, then it isn't very likely that the configuration should be a matrix configuration.
- If the organization has a nonroutine technology, then it isn't likely that machine or professional bureaucracy is an efficient configuration.
- If the technology isn't nonroutine, then the configuration can't be an ad hoc configuration.

Technology effects on coordination and control mechanisms, propositions:

- If the size of the organization isn't small and if the technology is routine, then coordination and control should be obtained via rules and

planning, and a media with low richness and a small amount of information can be used. Incentives should be based on procedures.

- If the technology is nonroutine, then coordination should be obtained via group meetings, and a media with high richness and a large amount of information can be used. Incentives should be based on results.
- If the organization doesn't have a dominant technology, then the technology structure recommendation should be discounted relative to other contingency factors.