

Organizational theory



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What exactly is organizational theory? Organizational theory is the sociological study of social organizations such as businesses and bureaucracies, and their interrelationship with the environment in which they operate. Organizational theory has been around for many decades, but with each decade it's an ongoing subject. This theory itself complements the studies of human studies and organizational behavior. Organizational theory has evolved overtime from a very strict and serious approach that allows companies all power and authority over everything in the human capital.

Liberal approaches are taken today by companies where their human capital, and employees are empowered and contribute to the wellbeing of the companies whom they do labor for and also their health. Organizational theory holds a variety of theories, and can be described as a very common and basic subject of life, dealing with the development of organization. A variety of different theories explains what organizational theory is. The history of organizational theory starts with the classical organization theory.

Classical organization is known to be the strictest of all theories. Next you have the human resource organizational behavior perspective also known as the human ecology theory. This theory leads the reader to look into organizations extreme opposite of the classical theory by shifting the paradigm of employees being of value to a certain organization. Right behind is the organizational economics theory, which begins to establish set patterns through the use of tools to set a framework for organizations. Then there is the contingency theory.

After that you have the network theory, which focuses on organizations beginning to look at a structured environment for employees. The institutional theory is when power and politics discusses the dynamics of those in power and the politics that exist in an organization that usually does direct resources. Finally, you have the resource dependency theory, which looks at setting values and beliefs in the organizational structure. The theories of organization and environments take a look at the organization from an environmental perspective, and identifying the organization as a sum of its parts.

The Development of Organizational Theory

Organizations, which are defined as “ social units of people that are structured and managed to meet a need or to pursue collective goals (“ Organizations”),” are said to have risen in the United States within a variety of social and historical contexts. Several of those factors are credited with making organizations viable and necessary options for citizens, and they built on one another to bring organizations to the level of importance that they are at today. Today, there are new theories of organization.

The best to way to achieve and describe these theories is that the development of organization theory pushes for the assistance of classical, human ecology, network, contingency, resource dependency, organization economics, and institutional theories. These theories help contribute to the effective development and evolution of organization theory. Organizations are seeking at new and effective ways of implementing and setting goals for productive and successful process. There are numerous theories that evolve

and develop daily that the development of organizational theory will continue to evolve.

As a result individuals will be enlighten and educated through quality research. Classical Theory - Bureaucracy The classical perspective emerges from industrial revolution and centers on theories of efficiency. There are two subtopics under the classical perspective: the scientific management and bureaucracy theory. According to Lowe (1954), Max Weber believes that an ideal bureaucracy consists of six specific characteristic: hierarchy of authority, impersonality, written rules of conduct, promotion based on achievement, specialized division of labor and efficiency (pg. 131).

Along with Weber beliefs come advantages and disadvantages. The advantage of the classical organization theory is that it has a narrow focus on improving production related economic goals and utilizes systematic, scientific inquiry. The classical organization theory helped create the division of labor, time and movement studies, and organized planning models. (Scott, Mitchell, & Birnbarum, 1981.) Classical organization theory also attempted to address and advance organizational functions in a time when few resources existed. (Lowe, 1954).

The disadvantage of the classical organization theory is that this closed system theory is perhaps too narrowly focused on production and reduces the human component to live machines (Lowe, 1954). The classical organization theory helped invent the industrial revolution, which led to deterioration of individual craftsmanship (Scott R. W. , 2004) The classical

organization theory is primarily concerned with anatomy and structure rather than individual needs and potentials.

The classical organization theory did not take large-scale changes in environments into consideration (Austin, 2004). This organization theory is very narrow-minded. Unfortunately, the fundamental principle of the classical theory is that the economy is self-regulating. Classical economists maintain that the economy is always capable of achieving the natural level of real GDP or output, which is the level of real GDP that is obtained when the economy's resources are fully employed (Lowe, 1954).

While the circumstances arise from time to time that cause the economy to fall below or to exceed the natural level of real GDP, self-adjustment mechanisms exist within the market system that work to bring the economy back to the natural level of real GDP. This is based on two firmly held beliefs: Say's Law and the belief that prices, wages, and interest rates are flexible (Sih, Hanser, & McHugh, 2009). Human Ecology Human ecology is an interdisciplinary and transdisciplinary study of the relationship between humans and their natural, social, and built environments.

The philosophy and study of human ecology has a diffuse history with advancements in geography, sociology, psychology, anthropology, zoology, epidemiology, public health, home economics, and natural ecology among others. The roots of ecology as a broader discipline can be traced to the Greeks and a lengthy list of developments in natural history science. Ecology also has notably developed in other cultures. Traditional knowledge, as it is called, includes the human propensity for intuitive knowledge, intelligent

relations, understanding, and for passing on information about the natural world and the human experience.

Ecology is not biological, but human science as well. An early and influential social scientist in the history of human ecology was Herbert Spencer. Human ecology has been defined as a type of analysis applied to the relations in human beings that was traditionally applied to plants and animals in ecology. According to Austin (2004), human ecology is the discipline that inquires into patterns and process of interaction of humans with their environments (pg. 421). Human values, wealth, life styles, resource use, and waste must affect and be affected by the physical and biotic environments along urban rural gradients.

The nature of these interactions is a legitimate ecological research topic and one of increasing importance. Theory and research on organization environment relations from a population ecology perspective have been based on the assumption that inertial pressures on structure are strong. The purpose theory treats high levels of structural inertia as a consequence of a selection process rather than as a precondition for selection. It also considers how the strength of inertial forces varies with age, size, and complexity.

Organizations are continually changing and progressing routinely, easily, and responsively, however change within organizations cannot be arbitrarily controlled. According to Hannan and Freeman (1984), all theories of biotic evolution share the assumption that innovation, the creation of new strategies and structures, is random with respect to adaptive value (pg. 150). There are three things that must be known in order to answer

questions or inquiries about the applicability of selection theories to populations of organizations.

The first issue is temporal pattern of change in key environments. This questions whether typical changes are small or large, regular or irregular, or rapid or slow. The second issue is the speed of learning mechanisms. This question how long does it takes to obtain, process, and evaluate information on key environments. The third issue is the responsiveness of the structure to designed changes. This factor questions how quickly organization can be reorganized. The critical question is how a change in ecological energetics through fire and cooking shaped social evolution.

One possibility is that it placed a greater emphasis on bonding between individual males and females, which strengthened smaller family units within the larger community structure. Furthermore more there are various other aspects when it comes to human ecology. Aspects such as basic premises, assumptions, underlying values, and concept all help individuals to understand human ecology theory of the organization theory. The basic premises concerns with families and interaction. Families interact with their environment to form an ecosystem.

Families carry out the following for the good of itself as well as the good of society: biological sustenance, economic maintenance, psychosocial and nurturance functions. All peoples of the world are interdependent on the resources of the earth: there is a balance between cooperation and integration in the ecosystem with demands of the individual for autonomy and freedom. The assumptions of human ecology more complex than the

basic premises yet, it discusses and focuses on the interaction with the family as well.

Families and the environment are interdependent. Families are part of the total life system, so they are interdependent with other forms of life.

Adaptation is a continuing process in families. According to Leslie and Little (2003) they can “ respond, change, develop, and act on and modify their environment. ” All parts of the environment are interrelated and influence each other (pg. 31). Families interact with multiple environments. Families require matter-energy. As more assumption develop its clear to focus on those interactions and behaviors.

Interactions between families and environments are guided by two sets of rules: Physical and biological laws of nature (e. g., laws of thermodynamics) and human-derived rules (e. g., social norms). Environments do not determine human behavior but pose limitations and constraints as well as possibilities and opportunities for families. Decision making is the central control process in families that directs actions for attaining individual and family goals. Other aspects are the underlying values. These values depict factors such as survival and contribute.

Survival, maintenance, and sustainability are important features of life.

There are four great virtues that contribute to the ‘ ultimate good. These virtues are economic adequacy, justice, freedom, and peacefulness. Other virtues that contribute to the quality of life are health, education and learning, loving and nurturing relationships, productive work and work environments, experiences and symbolic systems that sustain meaning and

a sense of community, beauty, and trustworthiness. The human ecological concepts help individuals to understand the human ecology role in the development of organization theory.

These concepts fall under adaptation and human ecosystem including the environment, the family, the needs, the values, the management, decision making, human development, quality of human life, and quality of the environment. Human ecosystem: Interaction between humans and their natural environment, including physical-biological, social-cultural, and human-built. Family ecosystem: family system interacting with its environment and the environment totality of surroundings and context. Surroundings include physical, biological, social, economic, political, aesthetic, and structural.

For as the adaptation aspect it gives human ecology a brief understanding of the way of life. Behavior of living systems, including families, that changes the state or structure of the system, the environment, or both. According to Hannan and Freeman (1984), adaptation is recursive and humans adapt to environment and change it (pg. 160). Dealing with family includes an inclusive definition. This definition includes persons related by blood, marriage, or adoption. Also includes sets of interdependent but independent persons who share common goals, common resources, and a commitment to each other.

Family members are simultaneously autonomous and dependent. Focusing on needs analyzes the requirements for survival. Dealing with values stresses human conceptions about what is good, right, and worthwhile. They

are an integral part of family processes. Under management defines comprehensive process to meet goals and realize values. The decision-making process involves: recognition of the need to make a decision; identification, evaluation, and comparison of alternatives; choice of alternative. Human development shows the ongoing process of interrelated change in ability to perceive, conceptualize, and act. Development is dynamic.

Development usually leads to greater levels of sophistication. Quality of human life shows the extent to which basic needs are met and values realized; synonymous with well-being. Quality of the environment refers to the capacity for supplying human and non-human resources; and capacity for sustaining life and the non-human environment. Ultimately the main focuses and problems in human ecology like how do families function and adapt to assure survival, improvement of quality of life, and sustain natural resources. How do families allocate and manage resources to meet the needs of individuals and the family as a group?

How does environmental change influence human development? How can families and family professional contribute to the process of positive change?

What should be done to enhance the quality of life while conserving the environment? With the human ecology theory and background it is a constant evolving subject that no individual have the direct answer for.

Organizational Economics Theory Organizational economics is a branch of applied economics that studies the transactions that occur within individuals firms, as opposed to the transaction that occur within the greater market.

Understanding organizational economics individuals will have to break this subject down into three major subfields. These subfields are agency theory, transaction cost economics, and property rights theory. This subject is useful in developing, establishing, and evolving firms' human resource management policies, determining how a firm should be organized, assessing business risk, implementing reward systems and making, analyzing and improving management decisions. The organizational economics theory covers mostly the second half of the 20th century.

This theory utilizes the concepts and tools from the field of economics to study the internal processes and structures of the firm (Williamson, Public and private bureaucracies: a transaction cost economics perspective, 1999). Organizational economics theory has addressed the contractual nature of firms, bounded rationality, the significance of investment in specific assets, the distinction between specific rights and residual rights, and the effects of imperfect information. These different approaches to organizational economics share a common attention to explaining the emergence and expansion of organizations, given the existence or presence of costs and prices associated with uncertainties and concerns, bounded rationality and cognitive barriers.

The main objective to understanding and breaking down organization economic theory is to understand why firms emerge, grow, decline and disappear, to recognize and understand the components of the firm, to understand the nature and role of transaction costs in decision making, and

to understand the nature and principle of efficiency wages to understand the principal agent problem.

Once those objectives are understood individuals will understand the expansion of organizational economics as well as its importance to the development of organizational theories in general. Within this understanding there are those subfield that help break down those understanding and crucial factors to organizational economics theories. There is transactional cost theory, which provides a general framework for understanding the origin of organizations as mechanisms to reduce transaction costs and support management decisions (Williamson, Public and private bureaucracies: a transaction cost economics perspective, 1999).

Then there is agency theory. This theory defines managers and other employees as agents of owners who must delegate some authority to agents out of necessity. Finally there is property of right theory. This theory addresses the allocation of costs and rewards among participants in an organization. The advantage of organizational economics theory is that it has incorporated behavior into agency theory and economics (Scott, Mitchell, & Birnbarum, 1981).

This is a very positive advantage. With any advantages come the disadvantages. The disadvantage of organizational economics theory is that it is complex and often technical and can cause controversy. Organizational structure and change through the economic lens is very limiting, and is based deeply within reduction of cost (Williamson, Comparative economic

organization: the analysis of discrete structural alternatives, 1991). This cause ethical issues and controversy and argument.

Most organizations are viewed and seen as complex and convoluted systems of individuals, alliances, and conspiracy, each which have its own interests, beliefs, values, ethics, preferences and perceptions. Which ultimately they compete with each other for resources those are limited. These organizational units compete with each other for the scarcity of goods (Meyer, 2007). This shows individuals that in the end it is all about competition. With understanding the competition power and politics theories view authority and jurisdiction as one of numerous and various sources or supply of power.

This power is pointed and directed not just down the organizational chain but in all ways or directions. Primarily, the higher level in the organization, the power to make decisions without any concern of the consequences grows, but the power to make positive changes and decisions do come with consequences (Meyer, 2007). Thus, in large or massive organizations, powerlessness and ineffectiveness can be more of a problem or issue, but empowering leaders can be productive and positive to accomplish organizational goals.

There are many contributors when dealing with organizational economics theory in the development of organizational theory. Those contributors are Kantor, Pfeffer, and Mintzberg. According to Williamson (1991), Mintzberg believes that organizational behavior is looked at as a power game, where the players are influencers attempting to control organizational decisions

and actions (pg281). Understanding and comprehending the behavior in the organization, individuals need to understand and comprehend who the influencers are and their impacts on how to gain and win power.

Power gets things accomplished and achieve in a manner of how and when it is supposed to be done, ultimately gaining influence over individuals. This is the insight that Pfeffer contributed to organization economics. Contributing the power and politics organization theory contends that individuals who have responsibility for performing more critical tasks have an advantage in developing power in an organization (Williamson, Comparative economic organization: the analysis of discrete structural alteranatives, 1991).

Then there is Kantor. She contends that executive and managerial power is a key ingredient or factor for moving and progressing organizations toward reaching and achieving their goals. Kantor has pointed out three groups of positions within an organization that are susceptible to the powerlessness; first line supervisors, staff professionals and top executives. (Williamson, Comparative economic organization: the analysis of discrete structural alteranatives, 1991).

Ultimately, organizational economics theory opens a wide array of views and beliefs on power and politics. These factors are key and essential when determining and focusing on the behavior of these theories, especially when dealing with the contributors as well as those advantages and disadvantages. While it raises awareness and insight of power and politics, it does not give any advice or aid on how to gain and add removal from them.

However, this particular theory tries to discredit rational thought in an organization.