

## Chapter 2

# Organization

*An organization* is a social group which distributes tasks for a collective goal. There are a variety of legal types of organizations, including: firms, governments, non-governmental organizations, international organizations, armed forces, charities, not-for-profit corporations, partnerships, cooperatives, and universities. A hybrid organization is a body that operates in both the public sector and the private sector, simultaneously fulfilling public duties and developing commercial market activities. As a result the hybrid organization becomes a mixture of a government and a corporate organization.

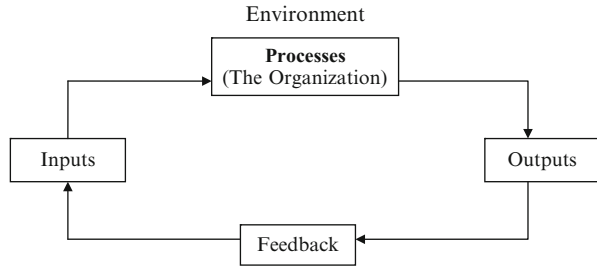
In the social sciences, organizations are the object of analysis for a number of disciplines, such as sociology, economics, political science, psychology, management, and organizational communication. The broader analysis of organizations is commonly referred to as organizational structure, organizational studies, organizational behaviour, or organization analysis. A number of different perspectives exist, some of which are compatible:

- From a process-related perspective, an organization is viewed as an entity is being (re-)organized, and the focus is on the organization as a set of tasks or actions
- From a functional perspective, the focus is on how entities like businesses or state authorities are used
- From an institutional perspective, an organization is viewed as a purposeful structure within a social context.

Thus, an organization is a coordinated set of individuals working together on a relatively continuous basis toward common goals. This book focuses on firms, i.e. for-profit organizations. However, one can adapt most of the ideas presented in this book for public sector (not-for-profit) organizations and government agencies as well.

According to systems theory, organizations are entities that transform inputs into outputs and operate within constraints imposed on them by their environments (Katz and Kahn 1966). Figure 2.1 visualizes an organization as a system.

**Fig. 2.1** Organization as a system



The elements of the system are inputs, processes, outputs, and feedback. Inputs to a firm include materials, ideas, and employees. Processes are what the organization itself does to the inputs to transform them into outputs; outputs are primarily a firm's products; feedback includes any sort of information that describes the outputs, such as information about how the outputs have been perceived by customers, competitors, or regulators cf. André 2008).

The systems approach to the study of organizations combines the often contrasting positions and contradictions of the classical and human relations schools and embraces both the technical and social aspects of organization. It also recognises the presence of contingent environmental factors which, even though they may lie outside the organizational boundaries, nevertheless influence organizational activity. Attention is focused on the whole organization, the relationships between its technical, mechanical or structural parameters and its behavioural, social or human elements and its relationship with the business environment cf. Brooks 2009).

## 2.1 Contingency Theory

The work of theorists from the classical school in particular, and to an extent the human relations school, have offered all-embracing 'one best way' prescriptions on how best to organize and to manage. These panaceas were proposed to be universally applicable.

However, research conducted from the early 1960s questioned many of those organizational prescriptions. For example, Woodward (1965) found that the level and type of technology, being central to the organization's activity, influenced the structure of the unit. Similarly, others provided empirical evidence to suggest that organizational size, the nature of its output and, more significantly, the characteristics of the business environment in which it operated had a significant, measurable effect on the organizational structure, work organization or job design, and upon management. The plethora of research in the 1960s, and since, on many aspects of organizational activity largely rejected the 'one best way' philosophy, arguing instead that organizations in many ways reflect the situation in which they find themselves and the strategy they pursue, and that there is a great variety of ways of organizing and managing with each potentially leading to organizational

success. In other words, organizational structure, job design, management practices and most other aspects of organizations are dependent or contingent on a variety of internal and external tangible and non-tangible variables. Implicit is the understanding that organizations are social communities and hence, organizational behaviour can be considered as both a response to and a determinant of many of the complex variables which make up organizations and their environments. As the word 'behaviour' implies, the human element in organizational activity is emphasised and recognised by contingency theories as a vital influencing factor on organizations.

First and foremost, contingency theory responds to the works of Likert (1967), March and Simon (1958), and McGregor (1960). Lawrence and Lorsch (1977, p. 3), the founding fathers of contingency theory, state: "All of these writers tend to start with the individual as the basic unit of analysis and build toward the large organization, while we are proposing to start with larger, sociological entities – the entire organization and its larger subsystems." Following this proposal, many scholars embark upon the premises of contingency theory which succinctly summarize: (1) there is no one best way to organize, (2) any way of organizing is not equally effective (Galbraith 1973, p. 2), and (3) the best way to organize depends on conditions of complexity and change in the environment organizations relate to (Hatch 1997, p. 77; Scott 1997, p. 94).

Contingency theory is criticized for its "...attempts to build a theoretical edifice from bricks of non-universality" (Longenecker and Pringle 1978, p. 680). Schoonhoven (1981, p. 350) identifies several grave inconsistencies hidden within the language of contingency theory: "...contingency theory is not a theory at all, in the conventional sense of theory as a well-developed set of interrelated propositions. It is more an orienting strategy or metatheory, suggesting ways in which a phenomenon ought to be conceptualized or an approach to be phenomenon ought to be explained. Drawn primarily from large-scale empirical studies, contingency theory relies on a few assumptions that have been explicitly stated, and these guide contingency research."

## 2.2 Contemporary Lenses and Postmodernism

Many scholars of organization suggest that we are in a postmodern era. They view organizations through postmodern lenses. These lenses reject previously considered rational systems approaches to viewing organizations. In recent decades, organizational theory has moved on from an idea of the organization as a rational decision-making entity and has placed greater emphasis on how humans construct or invent their world, often via their language or discourse. When it is accepted that there will be many world views or socially constructed realities then it is also apparent that organizations have to recognize and accept that there will be disorder, complexity and paradox in all that they do.

Possibly one of the most significant developments in organizational theory in recent years is the recognition that organizations can be many things at the same time, depending on the perspective from which we view them. This approach builds on the extensive work conducted in the field of organizational culture, organizational politics, organizational learning, and many other theoretical developments in the organizational research.

Morgan (1996, p. 4) suggests a series of metaphors which shape our understanding of organizations. These reflect "...a way of thinking and a way of seeing that pervade how we understand our world generally." Metaphors, or perspectives with which we view or see organizations, are crucial for understanding, managing and designing organizations. For example, when managers think of their organizations as machines, "...they tend to manage and design them as machines" (Morgan 1986, p. 13). As a consequence, thinking in metaphorical terms can influence the organizational structure, systems and ways of organizing. For example, a mechanical way of thinking, common to many organizations, is so engrained in everyday perception that it proves difficult to organize in any other way. In a sense, we are conditional into believing that our reality is the only reality.

An alternative perspective or frame with which to analyse an organization is as an organism. Considerable literature is devoted to the study of organizations being categorized into types or species, which have evolved via interaction with their environment. This perspective enables us to analyse how organizations are born, how they develop, decline and die, and has led the development of many life-cycle models. Another popular perspective, the structural frame, is particularly commonplace in Western organizations. So pervasive is this that it even influences the study of organizational culture. When the structural perspective is adopted, organizational problems are thought to be attributable to deficiencies in structure and, consequently, change initiatives often focus on structural issues, the popular belief being that, if you get the structure right, all else will fall into place. The political perspective is also a commonly used diagnostic and analytical tool.

The for-profit organizations (i.e. firms) are essentially goal-seeking systems. As human systems, they must provide something of value to their members in exchange for the resources and capabilities they provide to it. Thus, a firm must pursue, and at least to an acceptable extent, achieve a goal or set of goals for creating value in ways that can be shared with, and will be appreciated by, providers of the resources and capabilities it needs. To sustain its goal-seeking activities, a firm must behave like a system that not only uses the resources and capabilities of its own members, but also draws on resources and capabilities of people and entities external to the firm. This means that a firm's interaction with various external providers of resources – as well as its interaction with other organizations competing to attract the same resources – embeds a firm in large economic, social, technological, and legal systems.

As will be seen throughout this book the autopoietic perspective and process thinking not only sheds new light on existing organizational issues, it also opens up the management and organizational study realms for new probes into the unknown.

## 2.3 Summary

This chapter has dealt with the notion of organization. Some of the key claims and suggestions include the following:

There are many types of legal organizations, including firms, governments, non-governmental organizations, international organizations, armed forces, charities, not-for-profit corporations, partnerships, cooperatives, and universities. An organization is a coordinated set of individuals working together on a relatively continuous basis toward common goals.

According to systems theory, organizations are entities that transform inputs into outputs and operate within constraints imposed on them by their environments. The systems approach to the study of organizations combines the often contrasting positions and contradictions of the classical and human relations schools and embraces both the technical and social aspects of organization.

Organizational structure, job design, management practices and most other aspects of organizations are dependent or contingent on a variety of internal and external tangible and non-tangible variables. Organizations are social communities and hence, organizational behaviour can be considered as both a response to and a determinant of many of the complex variables which make up organizations and their environments. The human element in organizational activity is emphasised and recognised by contingency theories as a vital influencing factor on organizations.

Organizational theory has moved from an idea of the organization as a rational decision-making entity and has placed greater emphasis on how humans construct or invent their world, often via their language or discourse. Seeing an organization as an organism enables us to analyse how organizations are born, how they develop, decline and die, and has led the development of many life-cycle models.



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