

**Organization Theory/Structure and Design**  
**Prof. Zillur Rahman**  
**Department of Management Studies**  
**Indian Institute of Technology, Roorkee**

**Lecture - 01**  
**An Overview – I**

Welcome to this course on Organization Theory/Structure and Design. I am Zillur Rahman, a professor in the Department of Management Studies at IIT, Roorkee. Now, this is our 20 hour and 40 module course which is divided in 4 parts. In the part 1, we will talk about introduction to organization theory and it will cover module 1 to module 10.

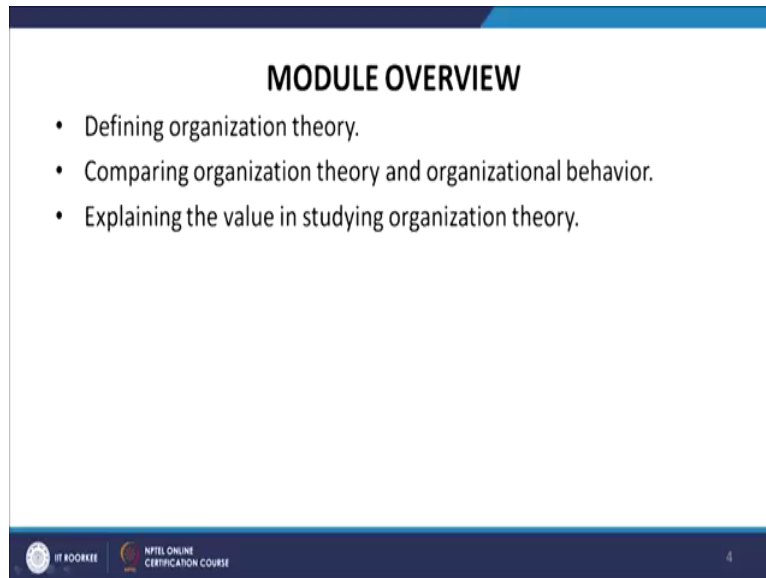
In part 2, we will talk about the determinants of organizational structure and it is spread out through module 11 to module 23. The part 3 covers organizational design and how to go about choosing the right structural form and module 24 to module 30, we will talk about this.

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And the last part that is contemporary issues in organization theory, they are spread out from module 31st to module 40. So, now let us start with part 1 that is introduction to organization theory. The first topic here is an overview to this course and it will be covered in two modules; that is module 1 and module 2.

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**MODULE OVERVIEW**

- Defining organization theory.
- Comparing organization theory and organizational behavior.
- Explaining the value in studying organization theory.

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Let us start with module 1 and this module will cover these three things; the first is that we will define what is organization theory, then we will compare organization theory and organizational behavior; after that, we will explain the advantages or the value in studying organization theory.

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**INTRODUCTION**  
**THE CELESTIAL SEASONINGS' STORY**

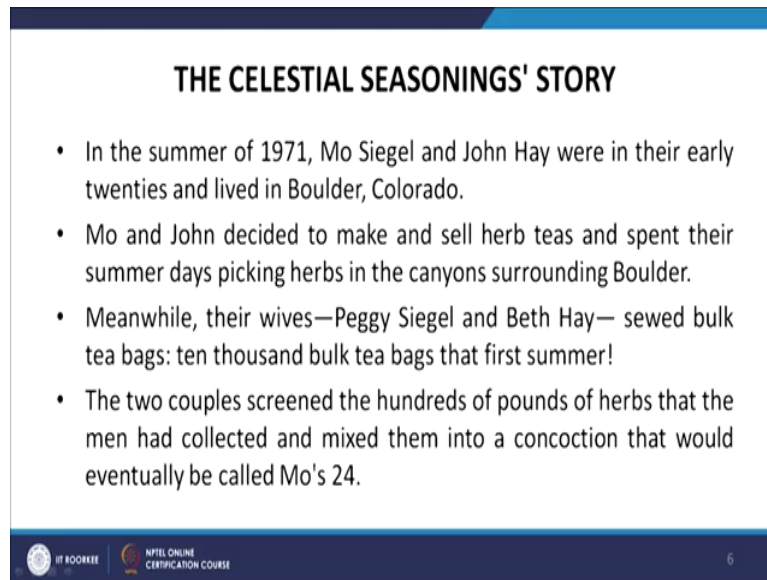
- Celestial Seasonings, Inc. is the company that brings various tea brands to markets.
- In 1988 the company had sales in excess of \$40 million.
- It has made its founders—Mo Siegel and John Hay—millionaires.
- But Celestial Seasonings wasn't always a large, multimillion-dollar organization.
- In fact, it has grown from the most humble of beginnings.

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Let us start the introduction with the Celestial Seasonings story. So, this is a story of a company and it will make things very clear to you about organization theory. So, this company is the company that brings various tea brands to the market. In 1988, the company

had sales in excess of dollar 40 million. It has made its founder Mo Siegel and John Hay – millionaires. But Celestial Seasonings was not always a large, multimillion-dollar organization. In fact, it has grown from the most humble of the beginnings.

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**THE CELESTIAL SEASONINGS' STORY**

- In the summer of 1971, Mo Siegel and John Hay were in their early twenties and lived in Boulder, Colorado.
- Mo and John decided to make and sell herb teas and spent their summer days picking herbs in the canyons surrounding Boulder.
- Meanwhile, their wives—Peggy Siegel and Beth Hay— sewed bulk tea bags: ten thousand bulk tea bags that first summer!
- The two couples screened the hundreds of pounds of herbs that the men had collected and mixed them into a concoction that would eventually be called Mo's 24.

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In the summer of 1971, Mo Siegel and John Hay who were the owners of this company were in their early twenties and lived in Boulder, Colorado in USA. Mo and John decided to make and sell herb teas and spent their summer days picking herbs in the canyons surrounding Boulder.

Meanwhile, their wives Peggy Siegel and Beth Hay, they made bulk tea bags; ten thousand bulk tea bags that first summer. The two couples screened the hundreds of pounds of herbs that the men had collected and mixed them in a concoction that would eventually be called Mo's 24.

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### THE CELESTIAL SEASONINGS' STORY

- The completed products—which they sold under the brand name of Celestial Seasonings—were sold to natural food stores in the Boulder area.
- During the first few years, the people that made up Celestial Seasonings were nothing more than a group of friends and relatives.
- There were no job descriptions, no production lines, and little specialization of labor.

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The completed product which they sold under the brand name of Celestial Seasoning were sold to natural food stores in the Boulder area. Now, during the first few years, the people that made up Celestial Seasoning were nothing more than a group of friends and relatives.

There were no job descriptions, no production line and little specialization of labour in this company that is the Celestial Seasoning. So, everybody was doing everything, but something began to happen in the mid-1970s that changed the company's structure dramatically. Demand for their herbal teas was exploding.

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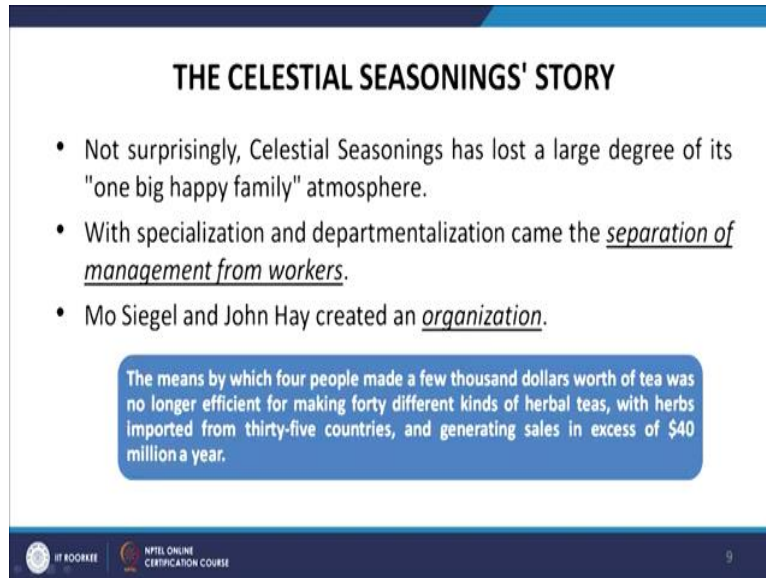
### THE CELESTIAL SEASONINGS' STORY

- But something began to happen in the mid-1970s that changed Celestial Seasonings' structure dramatically.
- Demand for their herbal teas was exploding.
- They were moving out of health food stores and into supermarkets and other stores.
- More people had to be hired to meet the increased demand.
- But with more people came the need to develop a more formal structure within which to make and sell their herbal teas.

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They were moving out of health food stores and into supermarkets and other types of stores. More people had to be hired to meet the increasing demand. But with more people came the need to develop a more formal structure within which to make and sell their herbal teas.

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**THE CELESTIAL SEASONINGS' STORY**

- Not surprisingly, Celestial Seasonings has lost a large degree of its "one big happy family" atmosphere.
- With specialization and departmentalization came the separation of management from workers.
- Mo Siegel and John Hay created an organization.

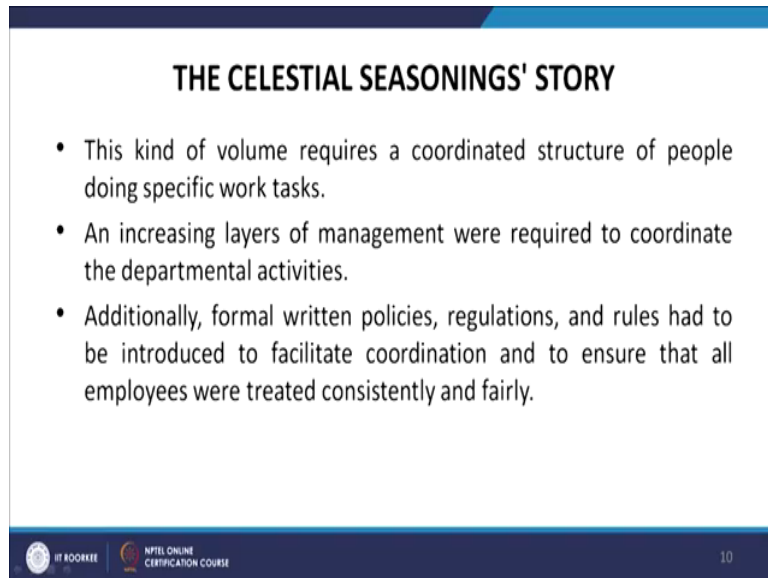
The means by which four people made a few thousand dollars worth of tea was no longer efficient for making forty different kinds of herbal teas, with herbs imported from thirty-five countries, and generating sales in excess of \$40 million a year.

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Not surprisingly, Celestial Seasoning had lost a large degree of its one big happy family atmosphere. So, as the demand for their product increased, the company increased in size and therefore, they had to hire lots of people. But then, the disadvantage of this happening was that they had lost this one big happy family and a kind of outlet and now they had to move to a more formal kind of organization.

With specialization and departmentalization came the separation of management from workers. Mo Siegel and John Hay created an organization. The means by which four people made a few thousand dollars' worth of tea was no longer efficient for making forty different kinds of herbal teas, with herbs imported from thirty-five countries and generating sales in excess of dollar 40 million a year. Now, this kind of volume requires a coordinated structure of people doing specific work task.

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**THE CELESTIAL SEASONINGS' STORY**

- This kind of volume requires a coordinated structure of people doing specific work tasks.
- An increasing layers of management were required to coordinate the departmental activities.
- Additionally, formal written policies, regulations, and rules had to be introduced to facilitate coordination and to ensure that all employees were treated consistently and fairly.

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Increasing layers of management were required to coordinate the departmental activities. So, now, these various levels of this organization has started coming into picture. Additionally, formal written policies, regulations and rules had to be introduced to facilitate coordination and to ensure that all employees were treated consistently and fairly.

So, now you see that as they have moved from a smaller organization to a bigger organization and from an informal organization to a formal organization i.e. to a situation where only four people were working now lots of people have started working. So, now, you see that now they felt the need to have formal written policies, regulations and rules so that the employees, are treated consistently and fairly throughout and across the organization.

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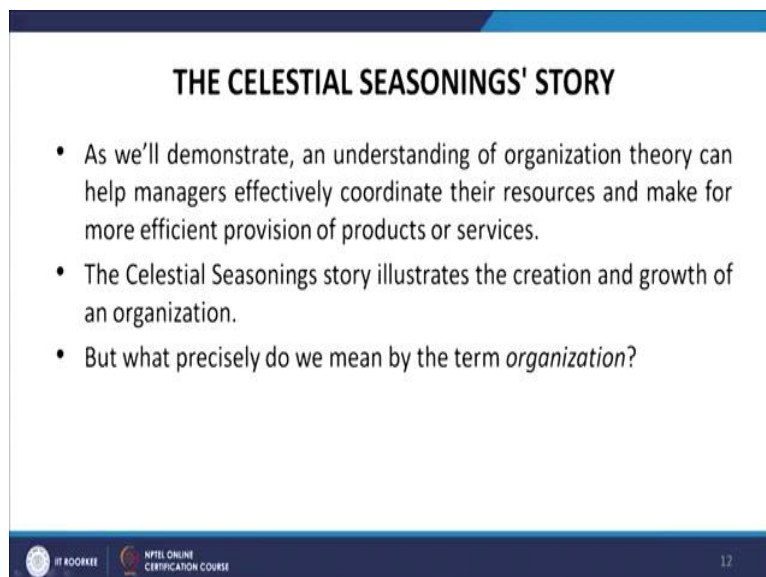
**THE CELESTIAL SEASONINGS' STORY**

- Celestial Seasonings' success is as much a result of having developed a proper structure of planned and coordinated effort as it is of good marketing.
- The profitable manufacturing and selling of tea requires obtaining raw materials, running efficient production operations, shipping the finished product on time and to the right place, developing new products, and many other activities.
- Providing any product or service requires planned coordination.

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Celestial Seasonings success is as much a result of having developed a proper structure of planned and coordinated effort as it is of good marketing. The profitable manufacturing and selling of tea requires obtaining raw material, running efficient production operations, shipping the finished product on time and to the right place, developing new products and many other activities. Providing any product or service requires planned coordination.

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**THE CELESTIAL SEASONINGS' STORY**

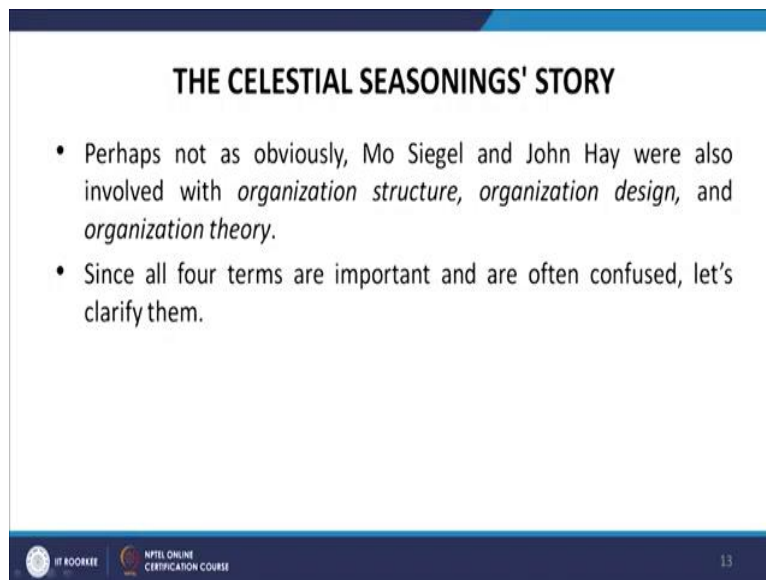
- As we'll demonstrate, an understanding of organization theory can help managers effectively coordinate their resources and make for more efficient provision of products or services.
- The Celestial Seasonings story illustrates the creation and growth of an organization.
- But what precisely do we mean by the term *organization*?

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As we will demonstrate, an understanding of organization theory can help managers effectively coordinate their resources and make for more efficient provisions of product or service. This Celestial Seasonings story illustrates the creation and growth of an organization.

So, now, with this story I want to demonstrate how informal organization has now moved on with time to become a formal organization and this is what precisely we mean by the term organization. Perhaps not as obviously, Mo Siegel and John Hay were also involved with organization structure, organization design and organization theory.

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**THE CELESTIAL SEASONINGS' STORY**

- Perhaps not as obviously, Mo Siegel and John Hay were also involved with *organization structure*, *organization design*, and *organization theory*.
- Since all four terms are important and are often confused, let's clarify them.

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Since all the four terms are important and are often confused, let us clarify them and we will start with defining what is organization and then, we will move on to define what is organizational structure, then organizational design and thereafter, we will define what is organization theory. So, let us start with understanding what an organization is.



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### SOME BASIC DEFINITIONS

#### What is an Organization?

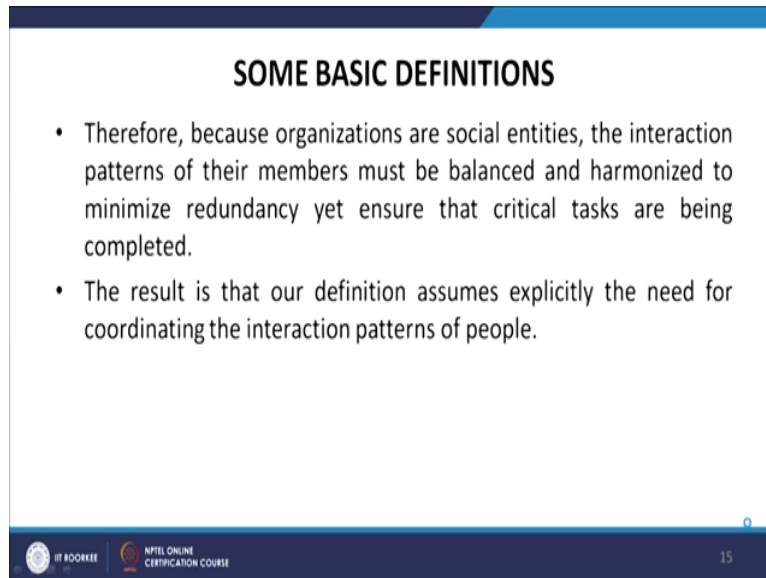
- An organization is a <sup>1</sup>consciously coordinated <sup>2</sup>social entity, with a relatively identifiable boundary, that functions on a relatively continuous basis to achieve a common goal or set of goals. <sup>3</sup>
- The words consciously coordinated imply management.
- Social entity means that the unit is composed of people or groups of people who interact with each other.
- The <sup>4</sup>interaction patterns that people follow in an organization do not just emerge; rather, they are <sup>5</sup>premeditated.

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So, now we are talking of some basic definitions. An organization is a consciously coordinated social entity, with a relatively identifiable boundary, that functions on a relatively continuous basis to achieve a common goal or set of goals. The word consciously coordinated that we came across in the first line implies management. Social entity means that the unit is composed of people or groups of people, who interact with each other. So, the word consciously coordinated means management.

The social entity means that a collection composed of people or groups who interact with each other. The interaction pattern that people follow in an organization, do not just emerge; rather they are pre mediated. So, this interaction pattern i.e. how people interact, should not be left to everyone, so that it emerges on itself, but it has to be pre-mediated; so that a proper system of interaction gets into place.

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**SOME BASIC DEFINITIONS**

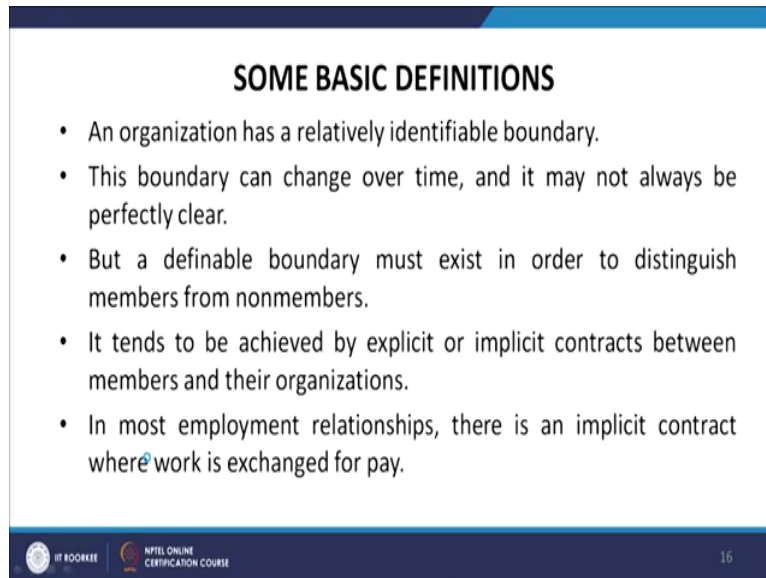
- Therefore, because organizations are social entities, the interaction patterns of their members must be balanced and harmonized to minimize redundancy yet ensure that critical tasks are being completed.
- The result is that our definition assumes explicitly the need for coordinating the interaction patterns of people.

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Therefore, because organizations are social entities, the interaction pattern of their members must be balanced and harmonized to minimize redundancy, yet ensure that critical tasks are being completed. The result is that our definition assumes explicitly the need for coordinating and the interaction pattern of people. So, this means that this coordination of people and interaction has to be coordinated.

So, another important component or aspect of this definition is that an organization has a relatively identifiable boundary. The boundary can change over time and it may not always be perfectly clear; but it there has to be a boundary. A definable boundary must exist in order to distinguish members from non-members. So, who are the members of the organization and who are non-members, so that is why this boundary is required.

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**SOME BASIC DEFINITIONS**

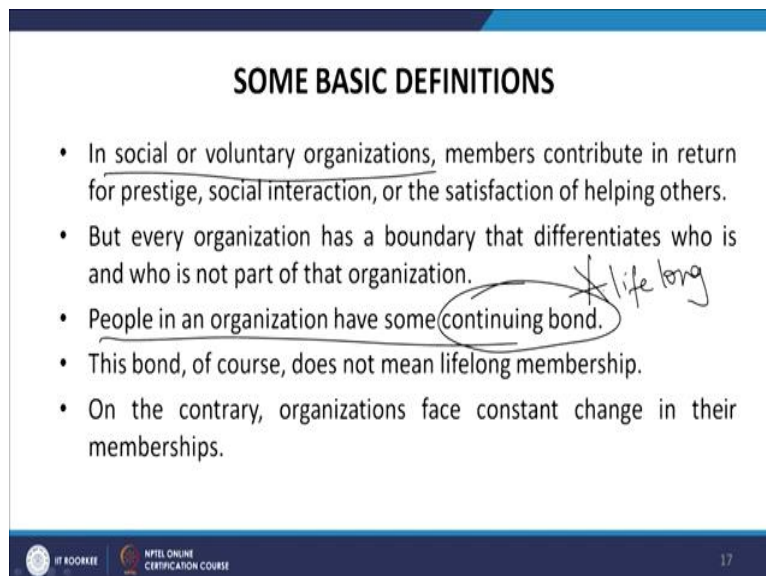
- An organization has a relatively identifiable boundary.
- This boundary can change over time, and it may not always be perfectly clear.
- But a definable boundary must exist in order to distinguish members from nonmembers.
- It tends to be achieved by explicit or implicit contracts between members and their organizations.
- In most employment relationships, there is an implicit contract where work is exchanged for pay.

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It tends to be achieved by explicit or implicit contracts between members and their organization. So, these contracts may be explicit or implicit, but those contracts have to be there.

In most employment relationship, there is an implicit contract, where work is exchanged for pay. So, that is an implicit contract, that you work for us and we will pay you in return for that work. In social or voluntary organization, members contribute in return for prestige, social interaction or the satisfaction of helping others.

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**SOME BASIC DEFINITIONS**

- In social or voluntary organizations, members contribute in return for prestige, social interaction, or the satisfaction of helping others.
- But every organization has a boundary that differentiates who is and who is not part of that organization.
- People in an organization have some continuing bond. *\*life long*
- This bond, of course, does not mean lifelong membership.
- On the contrary, organizations face constant change in their memberships.

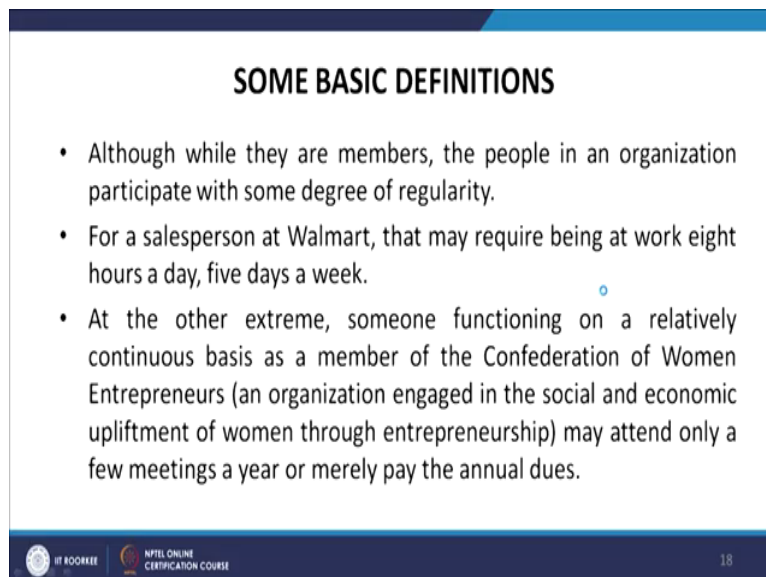
IT ROOBBEE NPTEL ONLINE CERTIFICATION COURSE 17

So, when we are talking of social and voluntary organization, there the return on the work that the members carry out is in the form of prestige, social interaction and the satisfaction of helping others.

But every organization has a boundary that differentiates who is and who is not the part of that organization. People in an organization have some continuing bond; this bond of course does not mean lifelong membership. So, people in that organization, they have a bond; but it may not be lifelong.

On the contrary, organizations face constant change in their membership. So, people come and people go. Although, while they are members, the people in an organization participate with some degree of regularity.

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**SOME BASIC DEFINITIONS**

- Although while they are members, the people in an organization participate with some degree of regularity.
- For a salesperson at Walmart, that may require being at work eight hours a day, five days a week.
- At the other extreme, someone functioning on a relatively continuous basis as a member of the Confederation of Women Entrepreneurs (an organization engaged in the social and economic upliftment of women through entrepreneurship) may attend only a few meetings a year or merely pay the annual dues.

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For a salesperson at Walmart, that may require being at work eight hours a day and five day a week. At the other extreme, someone functioning on a relatively continuous basis as a member of Confederation of Women Entrepreneurs, that is, an organization that is engaged in the social and economic upliftment of women through entrepreneurship may attend only a few meetings a year or merely pay the annual membership dues or membership fees.

Finally, organization exists to achieve something. What is this something? These somethings are goals and they usually are either unattainable by individual working alone or if attainable individually are achieved more efficiently through group efforts.

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### SOME BASIC DEFINITIONS

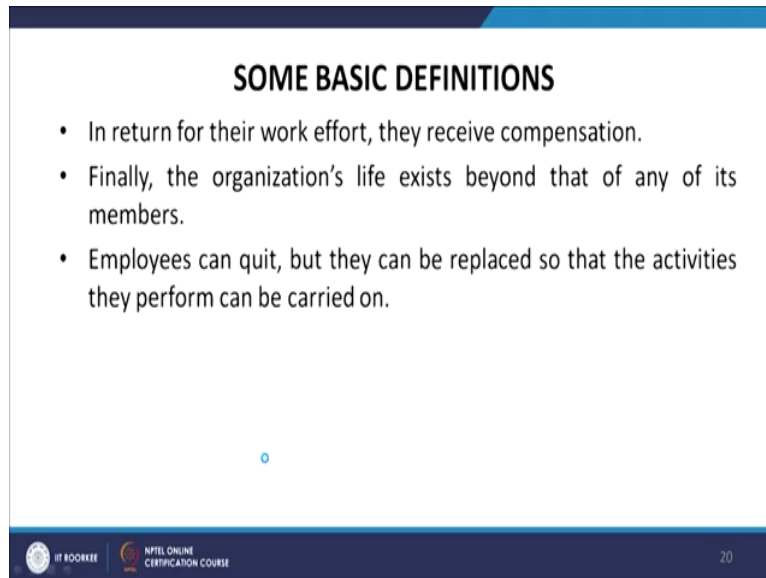
- Finally, organizations exist to achieve something.
- These “somethings” are goals, and they usually are either unattainable by individuals working alone or, if attainable individually, are achieved more efficiently through group effort.
- While it is not necessary for all members to endorse the organization’s goals fully, our definition implies general agreement with the mission of the organization.
- Members of an organisation could be identified as employees, managers, or owners.

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So, these somethings are goals, which may not be achievable by an individual or even if they are achievable, they can be more efficiently achieved by way of the group effort. So, that is why an organization exists. While it is not necessary for all members to endorse the organization goals fully; they may endorse fully or they may not, our definition implies general agreement with the mission of the organization.

So, all of those employees, all the people working for the organization, generally agree with the mission of the organization. Members of an organization could be identified as the employees, the managers as well as the owners. So, all of them should generally agree with the mission of the organization; that is how an organization can achieve its goals.

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**SOME BASIC DEFINITIONS**

- In return for their work effort, they receive compensation.
- Finally, the organization's life exists beyond that of any of its members.
- Employees can quit, but they can be replaced so that the activities they perform can be carried on.

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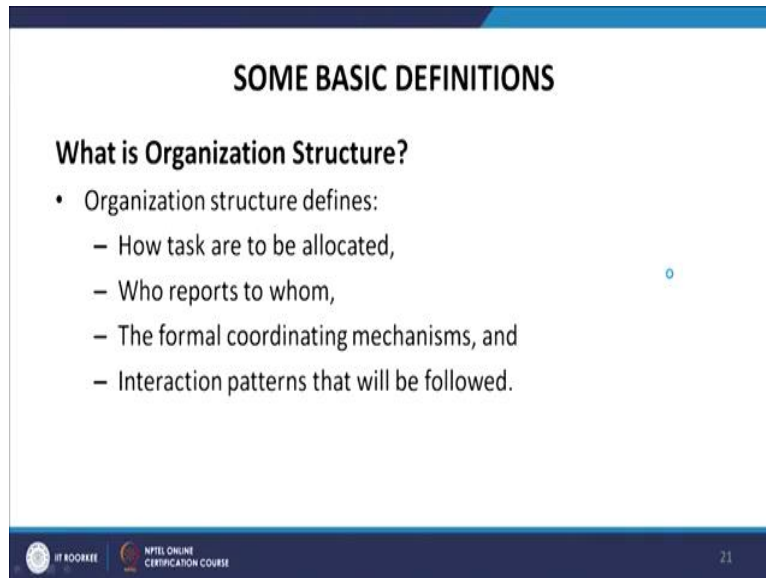
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So, in return for their work efforts, they will receive some compensation. Finally, the organization's life exists beyond that of any of its member. So, all or some of its members may quit, may leave, may die; but the organization will still exist. Employees can quit, but they can be replaced so that the activities they perform can be carried on. Now, let us move on to the second important thing, that is, what is organization structure?

So, we have now understood that what an organization is. So, there are these important things that are there in the organization.

First, it is the consciously coordinated activity; this is a social entity with identifiable boundaries that functions on relatively continuous basis that is the fourth thing and to achieve common goals. So, these are the five things that are necessary to define an organization. Now, let us look at what is organization structure. After having understood what an organization is, now let us look at what does this structure mean.

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**SOME BASIC DEFINITIONS**

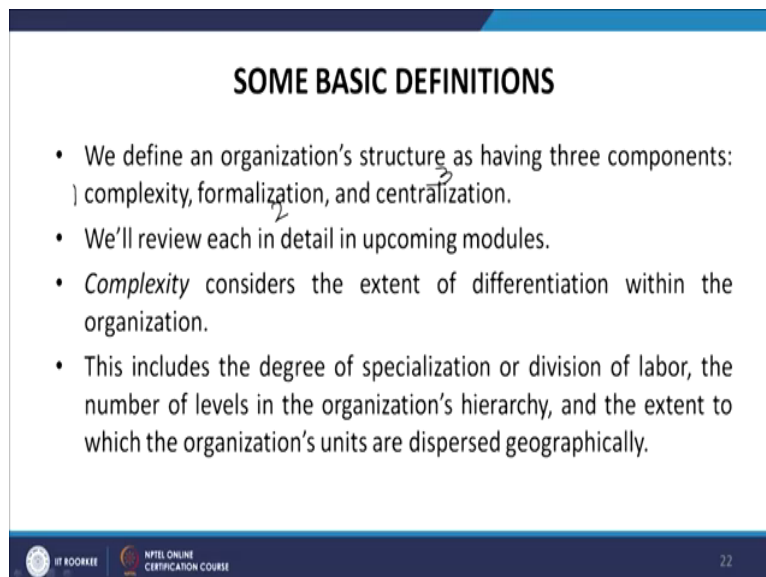
**What is Organization Structure?**

- Organization structure defines:
  - How tasks are to be allocated,
  - Who reports to whom,
  - The formal coordinating mechanisms, and
  - Interaction patterns that will be followed.

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So, organization structure defines how tasks are to be allocated, who reports to whom, the formal coordinating mechanism and interaction pattern that will be followed. So, these are the four things that this organization structure will define.

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**SOME BASIC DEFINITIONS**

- We define an organization's structure as having three components: complexity, formalization, and centralization.
- We'll review each in detail in upcoming modules.
- *Complexity* considers the extent of differentiation within the organization.
- This includes the degree of specialization or division of labor, the number of levels in the organization's hierarchy, and the extent to which the organization's units are dispersed geographically.

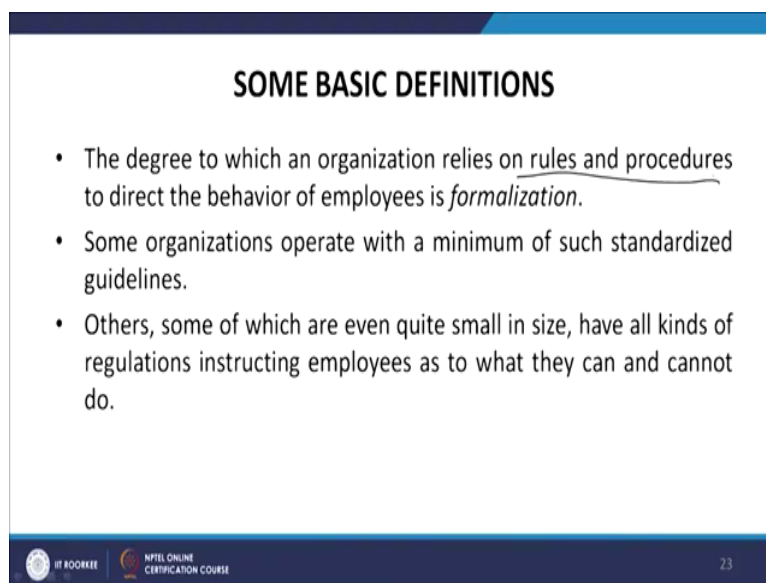
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So, we define an organization structure as having three components; first is complexity, second is formalization and the third is centralization. Now, let us look at what this three means and we will review each one in detail in upcoming modules. But for the time being let us start with what does this complexity means. So, complexity considers the extent of

differentiation within the organization. This includes the degree of specialization or division of labor, that is, the number of levels in the organizations hierarchy..

So, there can be two levels or there can be twenty levels and the extent to which the organizational units are dispersed geographically. So, it includes three things; first is the division of labor specialization; second, the number of levels and third is how are the organization units geographically dispersed, spread out. The degree to which an organization relies on rules and procedures to direct the behavior of employees is formalization.

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**SOME BASIC DEFINITIONS**

- The degree to which an organization relies on rules and procedures to direct the behavior of employees is *formalization*.
- Some organizations operate with a minimum of such standardized guidelines.
- Others, some of which are even quite small in size, have all kinds of regulations instructing employees as to what they can and cannot do.

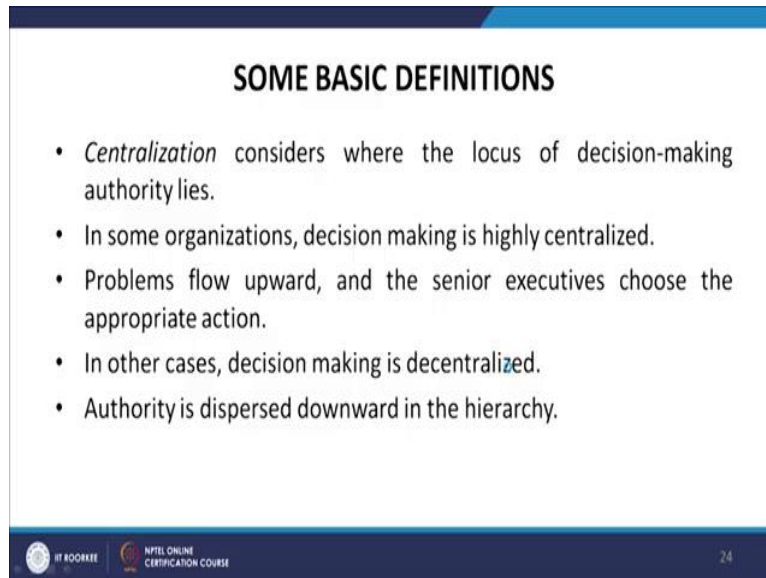
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So, there are written rules and procedures that direct the behavior of the employees which is called as formalization. So, how complex an organization is, will define the specialization of labor, the number of levels in the organization and how the organization units are dispersed geographically. How formal the organization is, will determine the rules and procedures to direct behavior of employees.

Now, some organizations operate with a minimum of such standard guidelines; others, some of which are even quite small in size have all kind of regulations, instructing employees as to what they can and cannot do. So, it does not depend upon the size of the organization.



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**SOME BASIC DEFINITIONS**

- *Centralization* considers where the locus of decision-making authority lies.
- In some organizations, decision making is highly centralized.
- Problems flow upward, and the senior executives choose the appropriate action.
- In other cases, decision making is decentralized.
- Authority is dispersed downward in the hierarchy.

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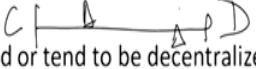
The big organization can be less formal; a small organization can be more formal. Centralization, that is, the third important thing that we have to understand, considers where the locus of decision-making authority lies. In some organizations, decision making is highly centralized. Problems flow upward and the senior executives choose the appropriate action. In other cases, decision making is decentralized. Authority is dispersed downward in the hierarchy.

So, sometimes the senior executives take the decision, sometimes junior executives are empowered to take this decision. It is important to recognize that as with complexity and formalization, an organization is neither centralized nor decentralized. Centralization and decentralization represents two extremes on a continuum. Organizations tend to be centralized or tend to be decentralized.

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### SOME BASIC DEFINITIONS

- It is important to recognize that, as with complexity and formalization, an organization is not either centralized or decentralized.
- Centralization and decentralization represent two extremes on a continuum.
- Organizations tend to be centralized or tend to be decentralized.
- The placement of the organization on this continuum, however, is one of the major factors in determining what type of structure exists.



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The placement of the organization on this continuum, however, is one of the major factors that determine what type of structure exists. So, these are the two extremes on this continuum. So, it is not either or situation. So, organization can be here. So, it can be centralized here, it can be decentralized here or organization can be somewhere here.

So, it is more decentralized than centralized or it is more centralized as compared to decentralized. The third important definition that we will talk about is what organization design is. So, the third term that is organization design emphasizes the management side of the organization theory. So, now comes the management in this organization theory.

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**SOME BASIC DEFINITIONS**

**What is Organization Design?**

- Our third term—organization design—emphasizes the management side of organization theory.
- Organization design is concerned with constructing and changing an organization's structure to achieve the organization's goals.
- Constructing or changing an organization is not unlike building or remodeling a house.
- Both begin with an end goal.

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Organization design is concerned with constructing and changing an organization structure to achieve the organization goal. So, now constructing and changing an organization structure is to we have made the structure earlier, now we are talking about constructing and changing organization structure so that the organization goals can be achieved.

Constructing or changing an organization is not unlike building or remodeling a house. Both begin with an end goal. The designer then creates a means or plan for achieving that goal. In house construction, that plan is a blueprint.

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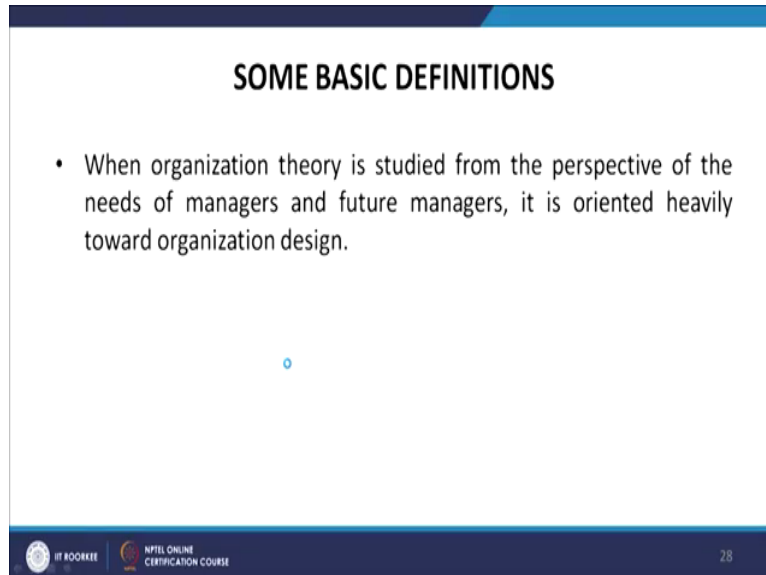
**SOME BASIC DEFINITIONS**

- The designer then creates a means or plan for achieving that goal.
- In house construction, that plan is a blueprint.
- In organization building, the analogous document is an organization chart.
- As business students and managers you are probably more interested in learning how to design organizations than merely knowing how organizations function.
- You have a managerial perspective, consistently looking for the application potential in concepts.

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In organization building, the analogous document is an organization chart. As business students and managers, you are probably more interested in learning how to design organization than merely knowing how organizations function. You have a managerial perspective, consistently looking for the application potential in concepts.

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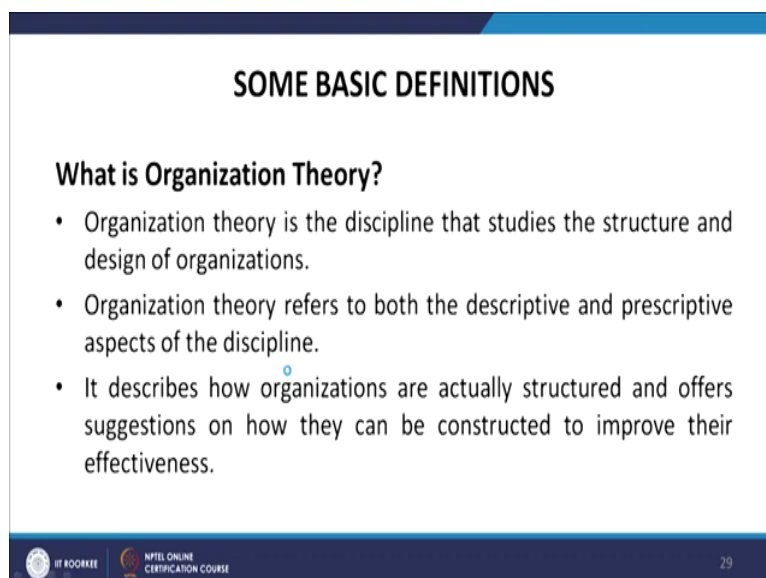
**SOME BASIC DEFINITIONS**

- When organization theory is studied from the perspective of the needs of managers and future managers, it is oriented heavily toward organization design.

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When organization theory is studied from the perspective of the needs of managers and future managers, it is oriented heavily towards organization design.

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**SOME BASIC DEFINITIONS**

**What is Organization Theory?**

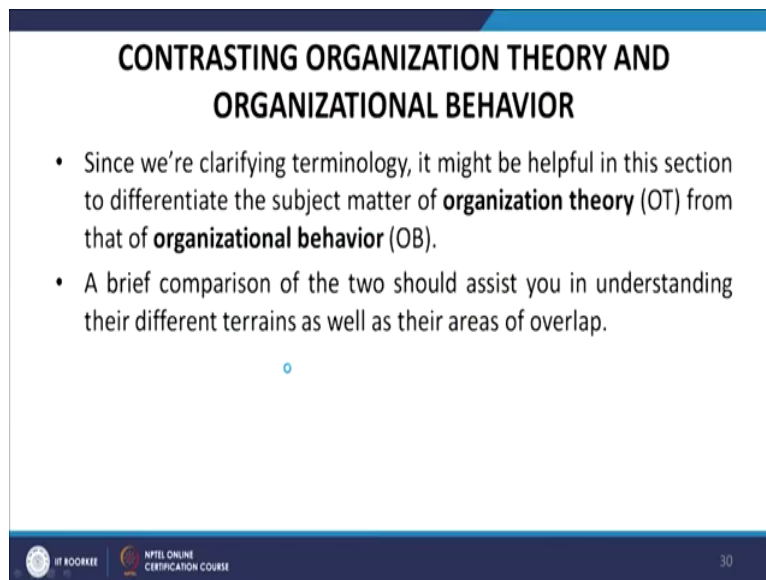
- Organization theory is the discipline that studies the structure and design of organizations.
- Organization theory refers to both the descriptive and prescriptive aspects of the discipline.
- It describes how organizations are actually structured and offers suggestions on how they can be constructed to improve their effectiveness.

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Now, what is organization theory? Organization theory is the discipline that studies the structure and design of organization. Organization theory refers to both the descriptive and prescriptive aspect of the discipline.

It describes how organizations are actually structured and offers suggestion on how they can be constructed to improve their effectiveness. Since we are clarifying terminology, it might be helpful in this section to differentiate the subject matter of organization theory, that is, OT from that of organizational behavior, that is, OB.

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### CONTRASTING ORGANIZATION THEORY AND ORGANIZATIONAL BEHAVIOR

- Since we're clarifying terminology, it might be helpful in this section to differentiate the subject matter of **organization theory** (OT) from that of **organizational behavior** (OB).
- A brief comparison of the two should assist you in understanding their different terrains as well as their areas of overlap.

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A brief comparison of the two should assist you in understanding their different terrains as well as their areas of overlap.

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**CONTRASTING ORGANIZATION THEORY AND ORGANIZATIONAL BEHAVIOR**

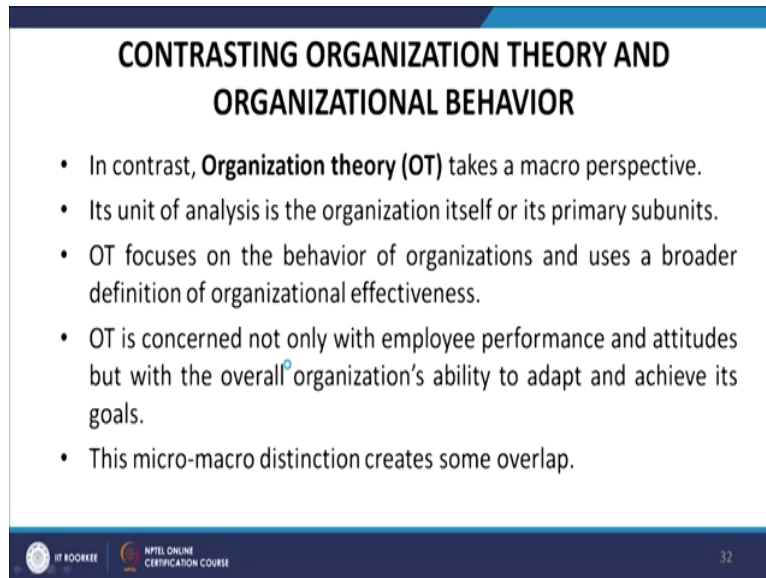
- **Organizational behavior** takes a micro view—emphasizing individuals and small groups.
- It focuses on behavior in organizations and a narrow set of employee performance and attitude variables— employee productivity, absenteeism, turnover, and job satisfaction.
- Individual behavior topics typically studied in OB include perception, values, learning, motivation, and personality.
- Group topics include roles, status, leadership, power, communication, and conflict.

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Let us look at what this organizational behavior is. It takes a micro view emphasizing individuals and small groups. It focuses on behavior in organizations and a narrow set of employee performance and attitude variables like employee productivity, absenteeism, turnover and job satisfaction.

Individual behavior topics typically studied in OB includes perception, values, learning, motivation and personality. Group topics include roles, status, leadership, power, communication, and conflict. In contrast, organization theory takes up macro perspective. Its unit of analysis is the organization itself or its primary subunits.

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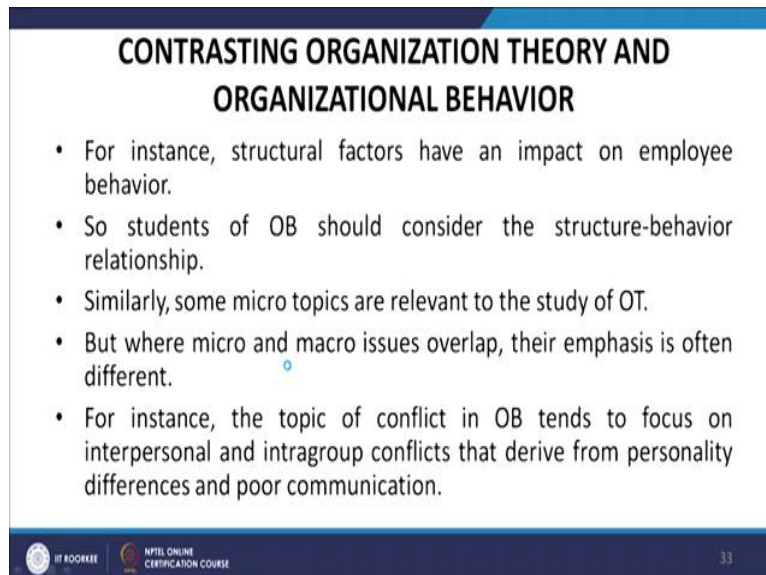
**CONTRASTING ORGANIZATION THEORY AND ORGANIZATIONAL BEHAVIOR**

- In contrast, **Organization theory (OT)** takes a macro perspective.
- Its unit of analysis is the organization itself or its primary subunits.
- OT focuses on the behavior of organizations and uses a broader definition of organizational effectiveness.
- OT is concerned not only with employee performance and attitudes but with the overall organization's ability to adapt and achieve its goals.
- This micro-macro distinction creates some overlap.

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OT focuses on the behavior of organization and uses a broader definition of organizational effectiveness. OT is concerned not only with employee performance and attitudes, but with the overall organization's ability to adopt and achieve its goal. This micro-macro distinction creates some kind of overlap.

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**CONTRASTING ORGANIZATION THEORY AND ORGANIZATIONAL BEHAVIOR**

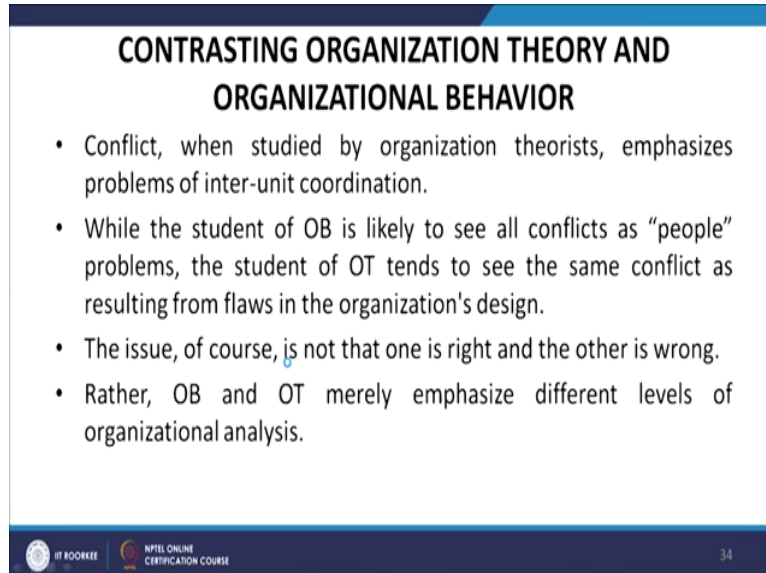
- For instance, structural factors have an impact on employee behavior.
- So students of OB should consider the structure-behavior relationship.
- Similarly, some micro topics are relevant to the study of OT.
- But where micro and macro issues overlap, their emphasis is often different.
- For instance, the topic of conflict in OB tends to focus on interpersonal and intragroup conflicts that derive from personality differences and poor communication.

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For instance, structural factors have an impact on employee behavior. So, students of OB should consider the structure-behavior relationship. Similarly, some micro topics are relevant to the study of OT. But where micro and macro issues overlap, their emphasis is often

different. For instance, the topic of conflict in OB tends to focus on interpersonal and intergroup conflict that derived from personality differences and poor communication.

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**CONTRASTING ORGANIZATION THEORY AND ORGANIZATIONAL BEHAVIOR**

- Conflict, when studied by organization theorists, emphasizes problems of inter-unit coordination.
- While the student of OB is likely to see all conflicts as “people” problems, the student of OT tends to see the same conflict as resulting from flaws in the organization's design.
- The issue, of course, is not that one is right and the other is wrong.
- Rather, OB and OT merely emphasize different levels of organizational analysis.

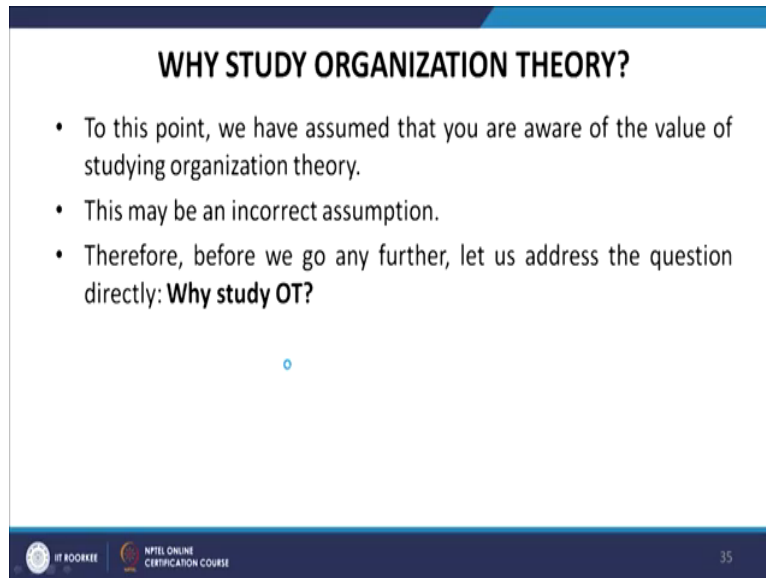
IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 34

Conflict when studied by organization theorists, emphasize problems of inter unit coordination. While the student of OB is likely to see all conflicts as people problems, the student of OT tends to see the same conflict as resulting from the flaws in the organization design.

The issue, of course, is not that one is right and the other is wrong. Rather, OB and OT merely emphasize different levels of organizational analysis. Now, let us see why we should study organization theory. To this point, we have assumed that you are aware of the value of studying organization theory.



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**WHY STUDY ORGANIZATION THEORY?**

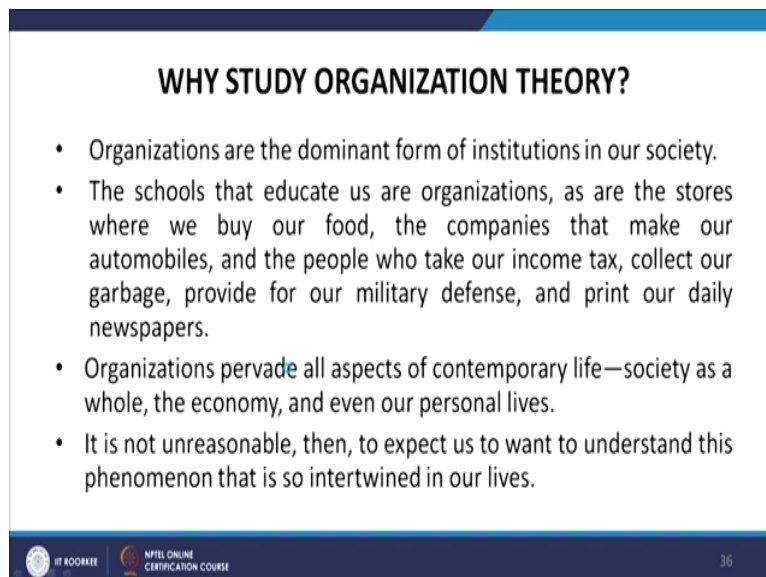
- To this point, we have assumed that you are aware of the value of studying organization theory.
- This may be an incorrect assumption.
- Therefore, before we go any further, let us address the question directly: **Why study OT?**

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Now, this assumption may be incorrect. Therefore, before we go on any further, let us address the question directly; why should we study organization theory? Organizations are the dominant form of institutions in any society.

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**WHY STUDY ORGANIZATION THEORY?**

- Organizations are the dominant form of institutions in our society.
- The schools that educate us are organizations, as are the stores where we buy our food, the companies that make our automobiles, and the people who take our income tax, collect our garbage, provide for our military defense, and print our daily newspapers.
- Organizations pervade all aspects of contemporary life—society as a whole, the economy, and even our personal lives.
- It is not unreasonable, then, to expect us to want to understand this phenomenon that is so intertwined in our lives.

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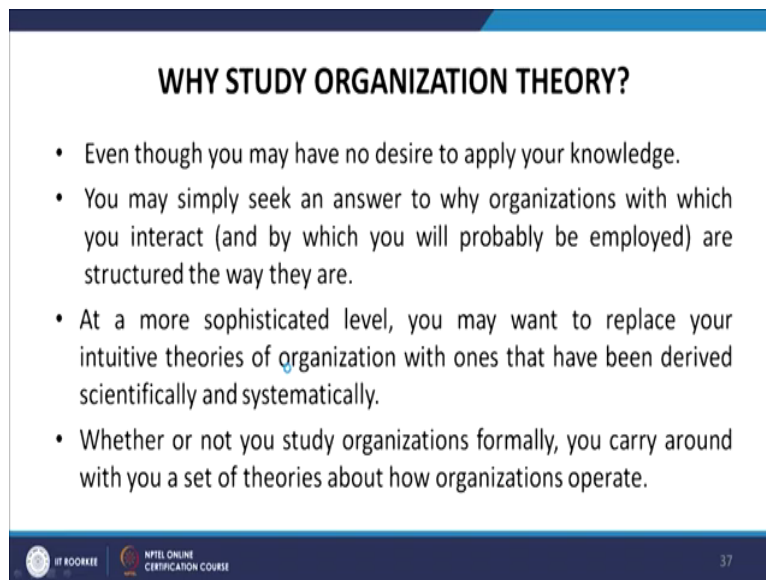
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The schools that educate us are organizations, as are the stores where we buy our food, the companies that make our automobiles and the people who take our income tax, collect our garbage, provide for our military defense and print our daily newspapers. Organizations pervade all aspects of contemporary life- society as a whole, the economy and even our

personal lives. It is not unreasonable, then to expect us to want to understand this phenomenon that is so intervened in our lives.

Even though you may have no desire to apply your knowledge, you may simply seek an answer to why organizations with which you interact and by which you will probably be employed are structured the way they are. At a more sophisticated level, you may want to replace your intuitive theories of organization with one that have been derived scientifically and systematically.

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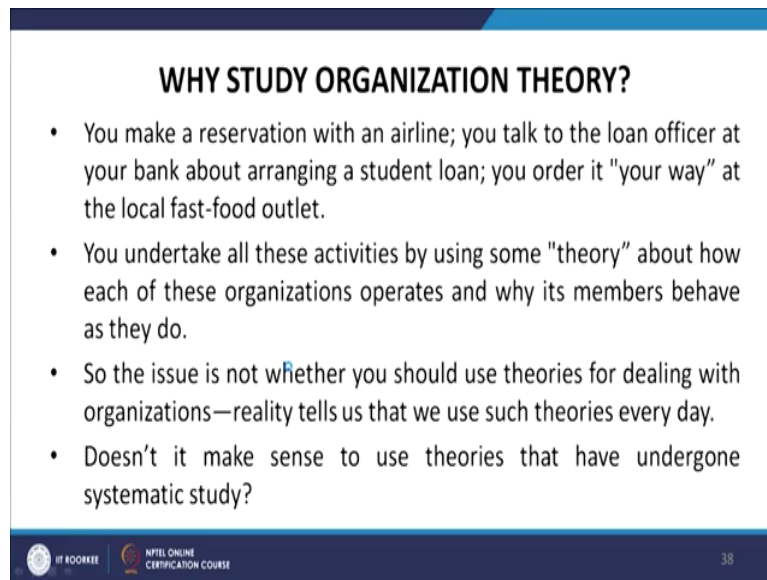
**WHY STUDY ORGANIZATION THEORY?**

- Even though you may have no desire to apply your knowledge.
- You may simply seek an answer to why organizations with which you interact (and by which you will probably be employed) are structured the way they are.
- At a more sophisticated level, you may want to replace your intuitive theories of organization with ones that have been derived scientifically and systematically.
- Whether or not you study organizations formally, you carry around with you a set of theories about how organizations operate.

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Whether or not you study organization formally, you carry around with you a set of theories about how organizations operate.

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### WHY STUDY ORGANIZATION THEORY?

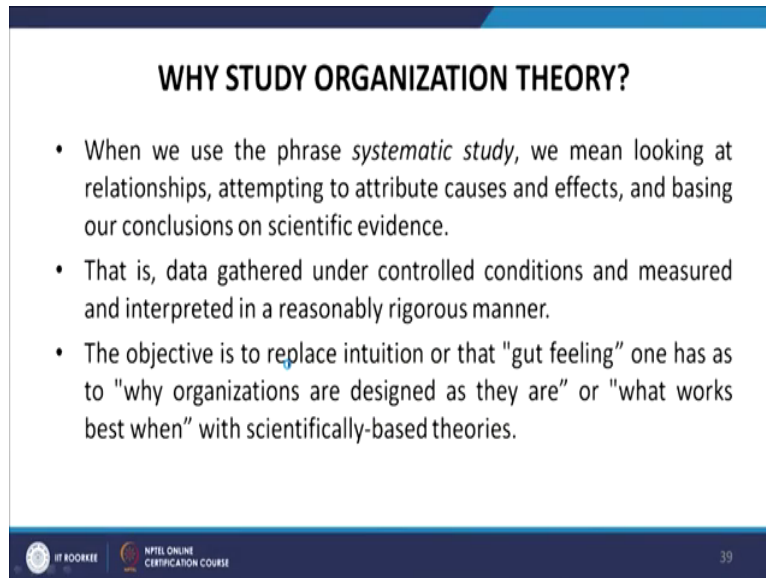
- You make a reservation with an airline; you talk to the loan officer at your bank about arranging a student loan; you order it "your way" at the local fast-food outlet.
- You undertake all these activities by using some "theory" about how each of these organizations operates and why its members behave as they do.
- So the issue is not whether you should use theories for dealing with organizations—reality tells us that we use such theories every day.
- Doesn't it make sense to use theories that have undergone systematic study?

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You make a reservation with an airline; you talk to the loan officer at your bank about arranging a student loan; you order it “your way” at the local fast-food outlet. You undertake all these activities by using some “theory” about how each of these organizations operate and why its members behave as they do.

So, the issue is not whether you should use theory for dealing with organization - reality tells us that we use such theory every day. Doesn't it make sense to use theories that have undergone systematic study? When we use the phrase systematic study, we mean looking at relationships attempting to attribute causes and effects and basing our conclusion on scientific evidence.

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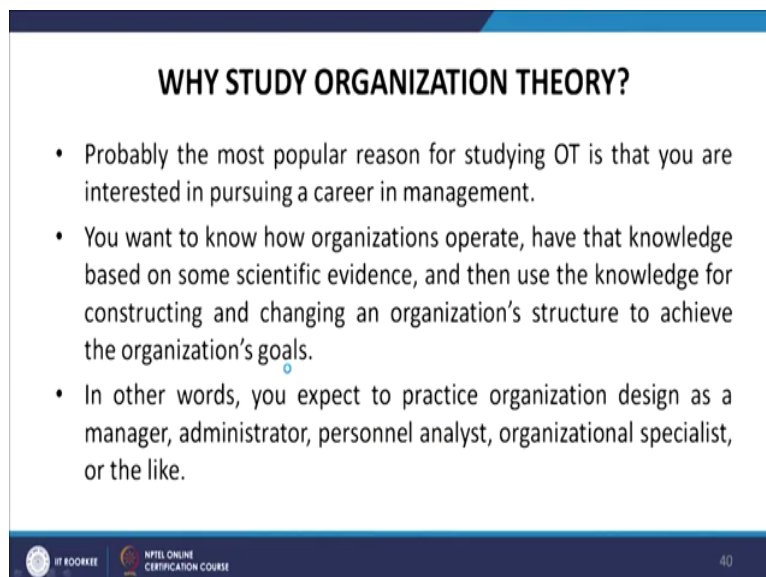
**WHY STUDY ORGANIZATION THEORY?**

- When we use the phrase *systematic study*, we mean looking at relationships, attempting to attribute causes and effects, and basing our conclusions on scientific evidence.
- That is, data gathered under controlled conditions and measured and interpreted in a reasonably rigorous manner.
- The objective is to replace intuition or that "gut feeling" one has as to "why organizations are designed as they are" or "what works best when" with scientifically-based theories.

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This is data gathered under controlled conditions and measured and interpreted in a reasonably rigorous manner. The objective is to replace intuition or that “gut feeling” one has as to “why organizations are designed as they are” and “what works best when” with scientifically-based theories. Probably the most popular reason for studying organization theories, that you are interested in pursuing a career in management.

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**WHY STUDY ORGANIZATION THEORY?**

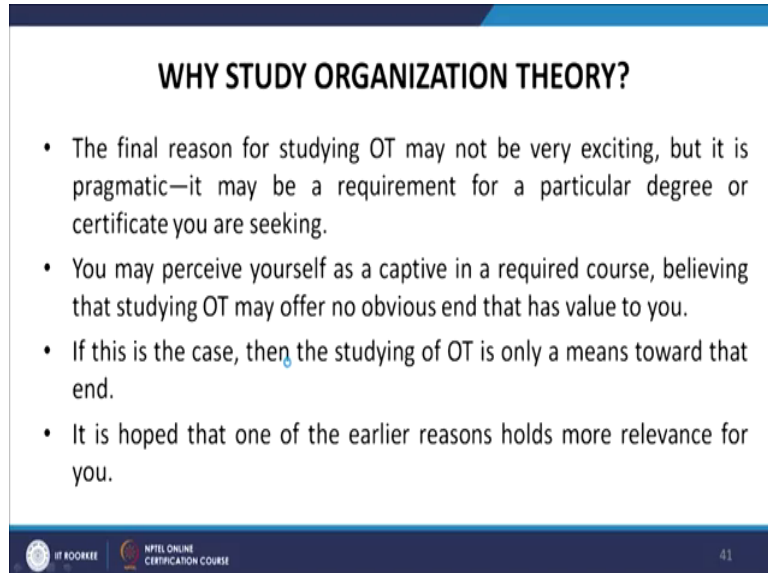
- Probably the most popular reason for studying OT is that you are interested in pursuing a career in management.
- You want to know how organizations operate, have that knowledge based on some scientific evidence, and then use the knowledge for constructing and changing an organization’s structure to achieve the organization’s goals.
- In other words, you expect to practice organization design as a manager, administrator, personnel analyst, organizational specialist, or the like.

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You want to know how organizations operate, have that knowledge based on some scientific evidence, and then use the knowledge for constructing and changing an organization’s

structure to achieve the organization's goals or do you expect to practice organization design as a manager, administrator, personnel analyst, organizational specialist or the like.

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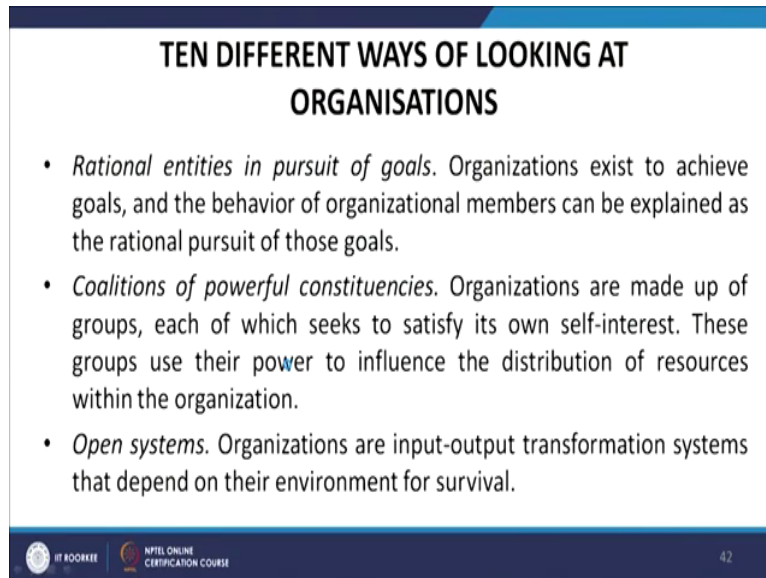
**WHY STUDY ORGANIZATION THEORY?**

- The final reason for studying OT may not be very exciting, but it is pragmatic—it may be a requirement for a particular degree or certificate you are seeking.
- You may perceive yourself as a captive in a required course, believing that studying OT may offer no obvious end that has value to you.
- If this is the case, then the studying of OT is only a means toward that end.
- It is hoped that one of the earlier reasons holds more relevance for you.

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The final reason for studying OT may not be very exciting, but it is pragmatic. It may be the requirement for a particular degree or certificate you are seeking. You may perceive yourself as a captive in a required course, believing that studying OT may offer no obvious end that has value to you. If this is the case, then the studying of OT is only a means towards that end. It is hoped that one of your earlier reasons holds more relevance for you. Now, there are ten different ways of looking at organization.

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### TEN DIFFERENT WAYS OF LOOKING AT ORGANISATIONS

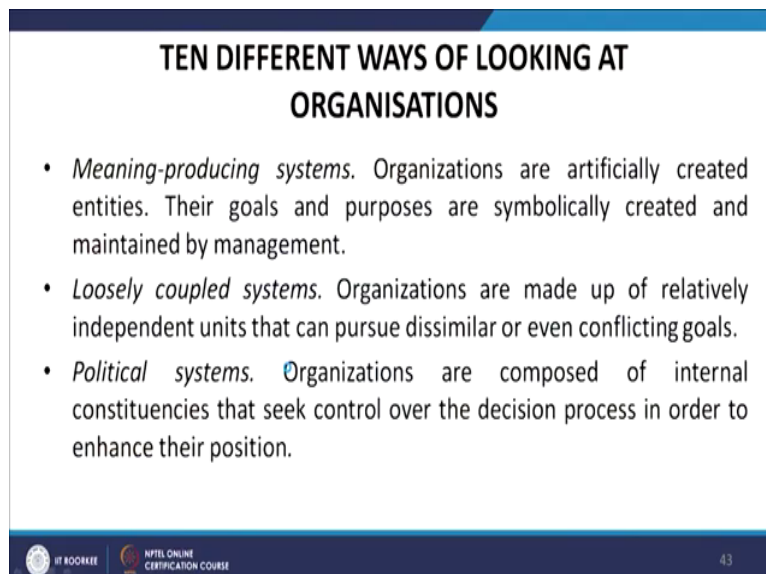
- *Rational entities in pursuit of goals.* Organizations exist to achieve goals, and the behavior of organizational members can be explained as the rational pursuit of those goals.
- *Coalitions of powerful constituencies.* Organizations are made up of groups, each of which seeks to satisfy its own self-interest. These groups use their power to influence the distribution of resources within the organization.
- *Open systems.* Organizations are input-output transformation systems that depend on their environment for survival.

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Rational entities in pursuit of goals. Organization exists to achieve goals, and the behavior of organizational members can be explained as the rational pursuit of those goals. Then, they are considered as coalition of power constituencies. Organizations are made up of groups, each of which seeks to satisfy their own self-interest.

These groups use their power to influence the distribution of resources within the organization. Open systems. Organizations are input output transformation systems that depend on their environment for survival.

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### TEN DIFFERENT WAYS OF LOOKING AT ORGANISATIONS

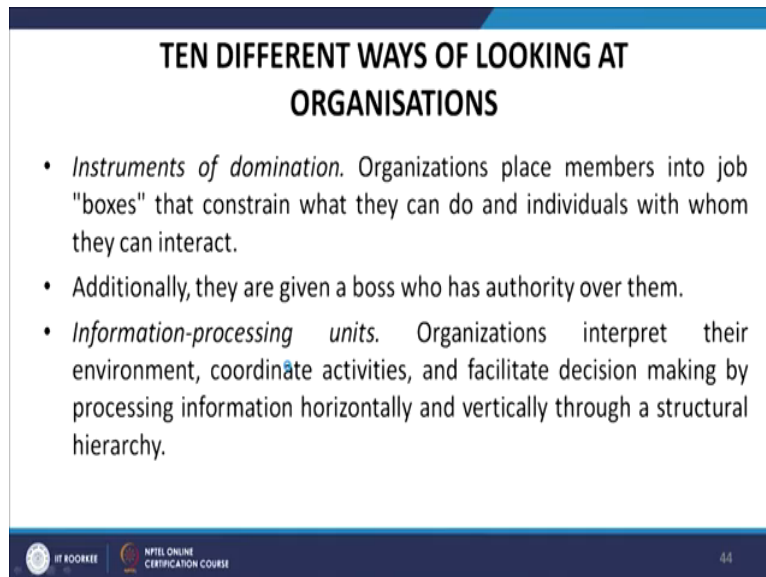
- *Meaning-producing systems.* Organizations are artificially created entities. Their goals and purposes are symbolically created and maintained by management.
- *Loosely coupled systems.* Organizations are made up of relatively independent units that can pursue dissimilar or even conflicting goals.
- *Political systems.* Organizations are composed of internal constituencies that seek control over the decision process in order to enhance their position.

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Then, they are considered as meaning producing systems. Organizations are artificially created entities. Their goals and purpose are symbolically created and maintained by management. Loosely coupled system. Organizations are made up of relatively independent units that can pursue dissimilar or even conflicting goals. Then, they are considered as political systems. Organizations are composed of internal consistencies that seek control over the decision process in order to enhance their position.

They are considered to be instrument of domination. Organization place members into job “boxes” that constraints what they can do and individuals with whom they can interact. Additionally, they are given a boss who has authority over them.

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**TEN DIFFERENT WAYS OF LOOKING AT ORGANISATIONS**

- *Instruments of domination.* Organizations place members into job "boxes" that constrain what they can do and individuals with whom they can interact.
- Additionally, they are given a boss who has authority over them.
- *Information-processing units.* Organizations interpret their environment, coordinate activities, and facilitate decision making by processing information horizontally and vertically through a structural hierarchy.

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Then, they are considered as information processing units. Organization interpret their environment, coordinate activities and facilitate decision making by processing information horizontally and vertically through a structural hierarchy.

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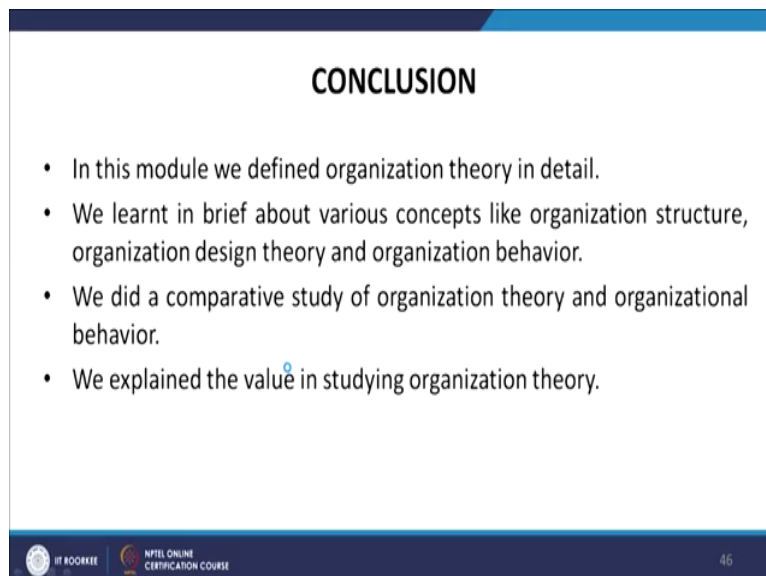
**TEN DIFFERENT WAYS OF LOOKING AT ORGANISATIONS**

- *Psychic prisons.* Organizations constrain members by constructing job descriptions, departments, divisions, and standards of acceptable and unacceptable behaviors.
- When accepted by members, they become artificial barriers that limit choices.
- *Social contracts.* Organizations are composed of sets of unwritten agreements whereby members perform certain behaviors in return for compensation.

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Then, they are considered as psychic prisons. Organizations constraint members by constructing job description, departments, divisions and standards of acceptable and unacceptable behavior. When accepted by members, they become artificial barriers that limit choices. They are also considered at social contracts. Organizations are composed of sets of unwritten agreement, whereby members perform certain behavior in return for compensation. To conclude, in this module we defined organization theory in detail.

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**CONCLUSION**

- In this module we defined organization theory in detail.
- We learnt in brief about various concepts like organization structure, organization design theory and organization behavior.
- We did a comparative study of organization theory and organizational behavior.
- We explained the value in studying organization theory.

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We have also learned in brief about various concepts like organization structure, organization design theory and organization behavior. We did a comparative study of organization, organization theory and organization behavior and then, we have explained the value, the need or the advantage in studying organization theory. These are the four books from which the material for this module was taken.

Thank you.