

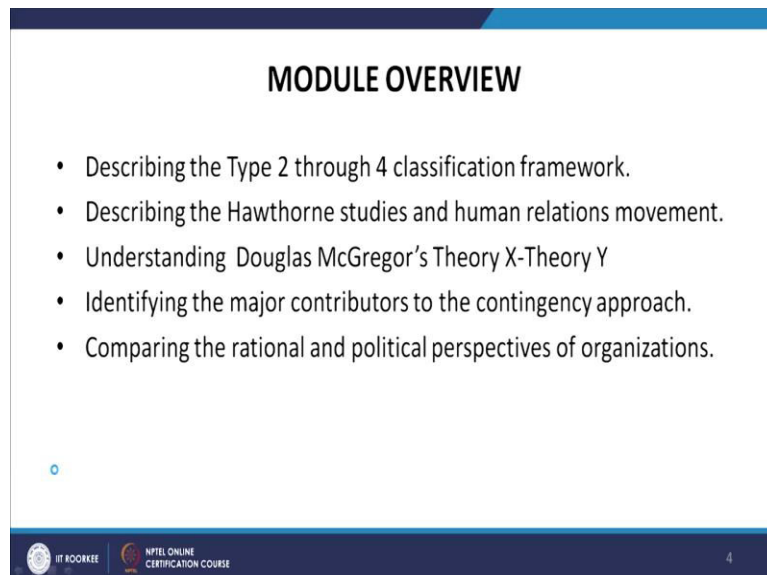
**Organization Theory/Structure and Design**  
**Prof. Zillur Rahman**  
**Department of Management Studies**  
**Indian Institute of Technology, Roorkee**

**Lecture – 04**  
**The Evolution of Organization Theory – II**

Welcome to Organization Theory/Structure and Design, now we will talk about module 4. Now, as you can see from this slide, we started discussion on The Evolution of Organization Theory in module 3 and we will continue with the same discussion in this module, that is module 4.

And these are the things that will be covered in this module. We will start with describing the type 2 through 4 classification framework. Then, we will describe the Hawthorne studies and human relations movement, and then we will understand Douglas McGregor's theory X theory Y, identify the major contributors to the contingency approach and then we will compare the rational and political perspective of organizations.

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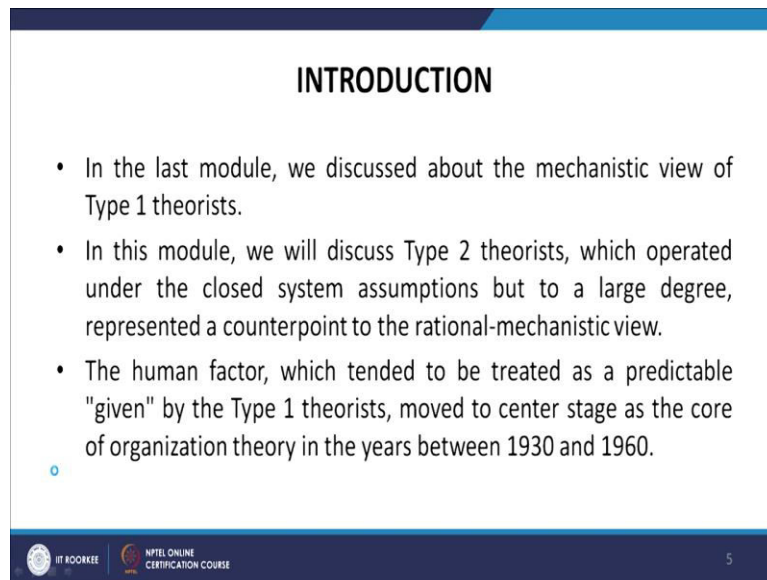


**MODULE OVERVIEW**

- Describing the Type 2 through 4 classification framework.
- Describing the Hawthorne studies and human relations movement.
- Understanding Douglas McGregor's Theory X-Theory Y
- Identifying the major contributors to the contingency approach.
- Comparing the rational and political perspectives of organizations.

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**INTRODUCTION**

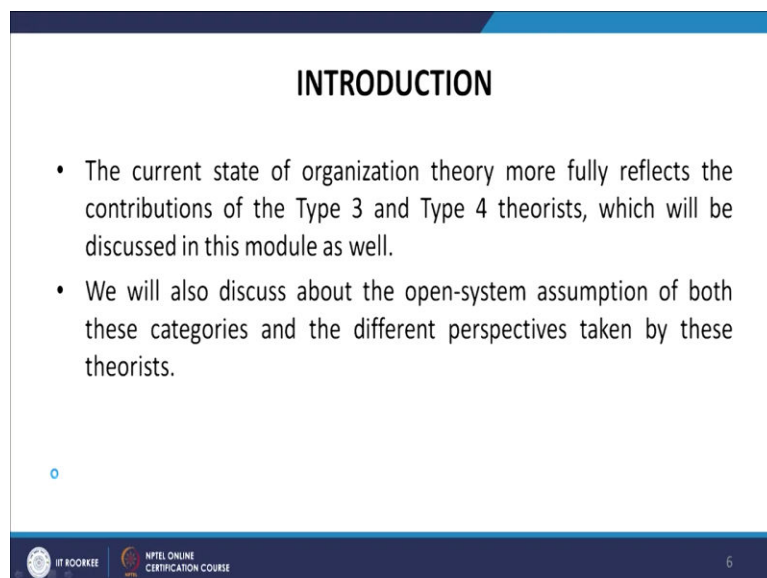
- In the last module, we discussed about the mechanistic view of Type 1 theorists.
- In this module, we will discuss Type 2 theorists, which operated under the closed system assumptions but to a large degree, represented a counterpoint to the rational-mechanistic view.
- The human factor, which tended to be treated as a predictable "given" by the Type 1 theorists, moved to center stage as the core of organization theory in the years between 1930 and 1960.

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To start with this module 4, in the last module that is module 3. We discussed about the mechanistic view of type 1 theorists. In this module we will discuss type 2 theorists, which operated under the closed system assumptions, but to a large degree represented a counterpoint to the rational mechanistic view.

The human factor which tended to be treated as a predictable given by the type 1 theorists, moved to the center stage as the core of organization theory in the years between 1930 and 1960.

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**INTRODUCTION**

- The current state of organization theory more fully reflects the contributions of the Type 3 and Type 4 theorists, which will be discussed in this module as well.
- We will also discuss about the open-system assumption of both these categories and the different perspectives taken by these theorists.

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The current state of organization theory more fully reflects the contributions of the type 3 and type 4 theorists which will be discussed in this module as well. We will also discuss about the open system assumption of both these categories and the different perspective taken by these theorists.

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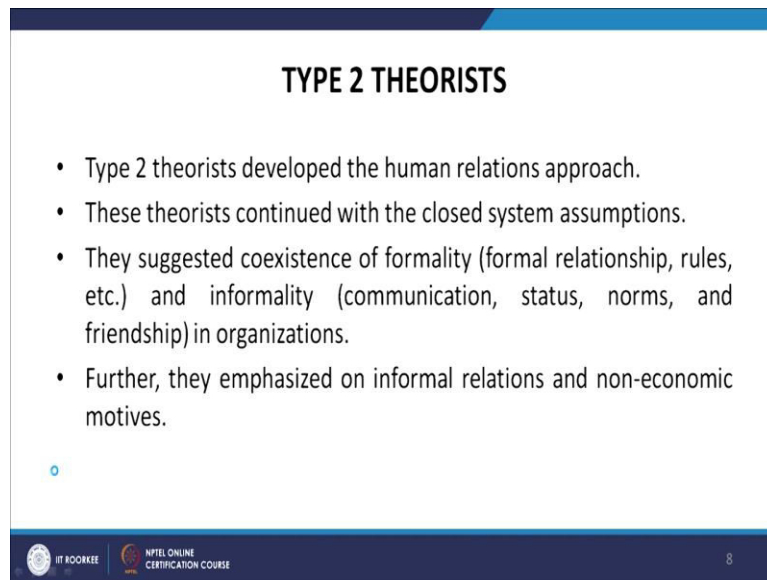
THE EVOLUTION OF ORGANIZATION THEORIES				
Approximate Time Frame	1900-1930	1930-1960	1960-1975	1975 onwards
Systems perspective	Closed	Closed	Open	Open
End Perspective	Rational	Social	Rational	Social
Central Theme	Mechanical Efficiency	People and human relations	Contingency designs	Power and politics
Theoretical Classification	Type-1	Type-2	Type-3	Type-4

Now, this figure shows the evolution of organization theories. So, on the top we have approximate timeframe. So, that is from 1900 to 1930, from 30 to 60, then 60 to 75 and then 75 onwards. So, in systems perspective during 1930 and 1900 and 1930 it was considered to be closed, and from 1930 to 1960 again it was considered to be closed.

So, you see that for these sixty years it is considered to be closed, while from 1960 onwards it is open. The next is end perspective. So, during the first phase that is from 1900 to 1930, it is considered as rational, from 1930 to 1960 it is considered as social. Then again from 1960 to 1975 it was taken to be rational and then from 1975 onwards it is considered as social.

The central theme during the first period was mechanical efficiency, during the second period it was people and human relations. During the third period it is contingency designs and during the fourth period it is power and politics. And therefore, similarly the theoretical contribution in the first phase from 1900 to 1930 is type 1, from 1930 to 1960, it is type 2 from 1960 to 1975 it is type 3 and from 1975 onwards it is type 4.

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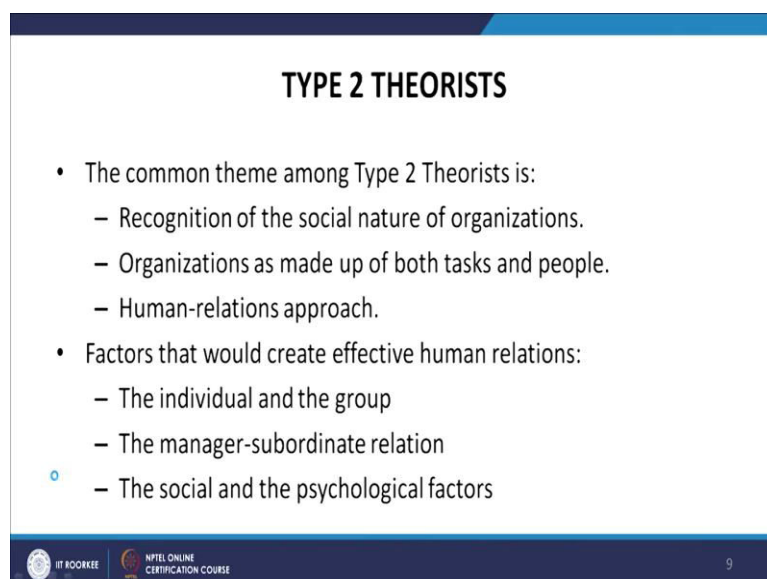
**TYPE 2 THEORISTS**

- Type 2 theorists developed the human relations approach.
- These theorists continued with the closed system assumptions.
- They suggested coexistence of formality (formal relationship, rules, etc.) and informality (communication, status, norms, and friendship) in organizations.
- Further, they emphasized on informal relations and non-economic motives.

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Now, let us look at these type 2 theorists. Type 2 theorists developed the human relations approach. These theorists continued with the closed system assumptions, they suggested coexistence of formality, that is, formal relationships, rules etc. and informality, that is, communication, status norms and friendship in organizations. Further they emphasized on informal relations and non-economic motives. The common themes among the type 2 theorists are:

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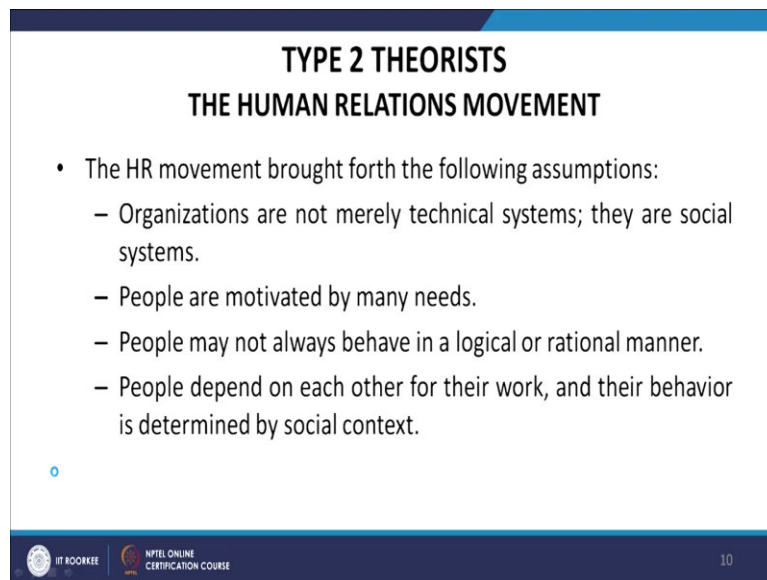
**TYPE 2 THEORISTS**

- The common theme among Type 2 Theorists is:
  - Recognition of the social nature of organizations.
  - Organizations as made up of both tasks and people.
  - Human-relations approach.
- Factors that would create effective human relations:
  - The individual and the group
  - The manager-subordinate relation
  - The social and the psychological factors

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First recognition of the social nature of organizations, two, organizations, as made up of both tasks and people. And three, human relations approach. Factors that would create effective human relations are the individual and the group, the manager subordinate relation, and the social and psychological factors.

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**TYPE 2 THEORISTS**  
**THE HUMAN RELATIONS MOVEMENT**

- The HR movement brought forth the following assumptions:
  - Organizations are not merely technical systems; they are social systems.
  - People are motivated by many needs.
  - People may not always behave in a logical or rational manner.
  - People depend on each other for their work, and their behavior is determined by social context.

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Now, let us look at this human relation movement or this type two theorists. The HR movement brought forth the following assumptions. The first assumption is organizations are not merely technical systems, they are social systems. Two, people are motivated by many needs; three people may not always behave in a logical or rational manner. Fourth is people depend on each other for their work and their behavior is determined by social context.

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**TYPE 2 THEORISTS**  
**THE HUMAN RELATIONS MOVEMENT**

- **Assumptions:**
  - The attitude and performances of workers are determined to a great extent by the informal work group.
  - The rules, regulations and economic rewards have a limited impact on the behavior of employees.
  - The informal group, on the other hand, has a stronger impact on the behavior of people.

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Assumptions of this human relations movement are that the attitude and performance of workers are determined to a great extent by the informal work group. The rules, regulations and economic rewards have a limited impact on the behavior of employees. And the informal group on the other hand has a stronger impact on the behavior of people. Under type 2 theorists we will discuss the following things, first is, Elton Mayo and Hawthorne studies, then we will discuss Chester Barnard cooperative systems.

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**TYPE 2 THEORISTS**

- Under Type 2 theorists, we will discuss the following:
  - Elton Mayo and Hawthorne studies
  - Chester Barnard: Co-operative systems
  - Maslow's hierarchy of human needs
  - Douglas McGregor: Theory X-Theory Y
  - Warren Bennis: Death of Bureaucracy (Flexible Adhocracy)

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Then, we will talk about Maslow's hierarchy of human needs, then Douglas McGregor's theory X theory Y and Warren Bennis death of bureaucracy, that is, flexible adhocracy.

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**TYPE 2 THEORISTS**  
**ELTON MAYO AND HAWTHORNE STUDIES**

- The Hawthorne experiments were initially devised by Western Electric industrial engineers to examine the effect of various illumination levels on worker productivity (1924-27).
- In 1927, Elton Mayo and his associates joined the study. It was found that social norms of the groups were the key determinants of individual behaviour.

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So, let us start with Elton Mayo and Hawthorne studies. The Hawthorne experiments were initially devised by Western Electric industrial engineers to examine the effect of various illumination levels on worker productivity between 1924 to 1927. In 1927 Elton Mayo and his associates joined the study. It was found that social norms of the group were the key determinants of individual behavior.

Results showed that workers did not respond to the classical motivational approaches like economic rewards as suggested by Taylor. Instead it was found that workers wanted to be accepted by their group. An important finding of these studies was the Hawthorne effect,

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**TYPE 2 THEORISTS**  
**ELTON MAYO AND HAWTHORNE STUDIES**

- Results showed that workers did not respond to the classical motivational approaches like economic rewards, as suggested by Taylor.
- Instead, it was found that workers wanted to be accepted by their group.
- An important finding of these studies was the Hawthorne effect; which suggested the possibility that workers who receive special attention will perform better; simply, because they received attention.

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which suggested the possibility that workers who receive special attention will perform better, simply, because they received attention

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**TYPE 2 THEORISTS**  
**ELTON MAYO AND HAWTHORNE STUDIES**

- Hawthorne studies helped managers to understand that organizations are not just a formal arrangement of different functions, but representatives of social systems.
- Hawthorne studies paved way for many other research studies, triggering a human relations movement.

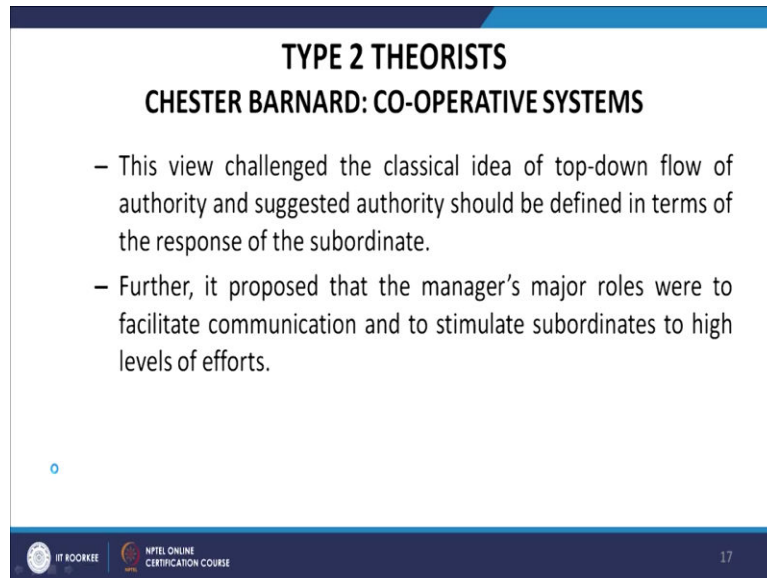
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Hawthorne studies helped managers to understand that organizations are not just, a formal arrangement of different functions, but representatives of social systems. Hawthorne studies paved way for many other research studies, triggering a human relations movement. The next thing that we will consider in this module is Chester Barnard and his cooperative systems.



Merge the ideas of Taylor, Fayol and Weber with results of Hawthorne studies and suggested that organizations are cooperative systems. Unilateral focus on either the technical jobs or tasks or the needs of people sub optimizes the system. Thus organizations are considered to be composed of tasks and people, and managers shall maintain an equilibrium state between these two.

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**TYPE 2 THEORISTS**  
**CHESTER BARNARD: CO-OPERATIVE SYSTEMS**

- This view challenged the classical idea of top-down flow of authority and suggested authority should be defined in terms of the response of the subordinate.
- Further, it proposed that the manager's major roles were to facilitate communication and to stimulate subordinates to high levels of efforts.

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This view challenged the classical idea of top down flow of authority and suggested authority should be defined in terms of the response of the subordinate. Further, it proposed that the manager's major roles were to facilitate communication and to stimulate subordinates to higher levels of efforts.

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**TYPE 2 THEORISTS**  
**MASLOW'S HIERARCHY OF HUMAN NEEDS**

- The focus on human influences in organizations was reflected most noticeably by the integration of Abraham Maslow's "hierarchy of human needs" into organization theory.
- Maslow's theories introduced two important implications into organization theory:
  - The first was that people have different needs and therefore need to be motivated by different incentives to achieve organizational objectives.

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Next comes Maslow's hierarchy of human needs. The focus on human influences in organizations was reflected most noticeably by the integration of Abraham Maslow's, hierarchy of human needs into organization theory. Maslow's theories introduced two important implication into organization theory. The first was that people have different needs and therefore, need to be motivated by different incentives to achieve organizational objectives.

And the second of Maslow's theory held that people's need change over time, meaning that as the needs of people lower in the hierarchy are met, new needs arise. These assumptions lead to the recognition for example, assembly line workers could be more productive if more of their personal needs were met. However, past theories suggested that monetary rewards were the sole or primary motivators.

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### TYPE 2 THEORISTS

#### MASLOW'S HIERARCHY OF HUMAN NEEDS

- The second of Maslow's theories held that people's needs change over time, meaning that as the needs of people lower in the hierarchy are met, new needs arise.
- These assumptions led to the recognition, for example, that assembly-line workers could be more productive if more of their personal needs were met, whereas past theories suggested that monetary rewards were the sole, or primary, motivators.

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### TYPE 2 THEORISTS

#### MASLOW'S HIERARCHY OF HUMAN NEEDS

The diagram shows a pyramid with five levels. From bottom to top: 1. Physiological needs (purple): food, water, warmth, rest. 2. Safety needs (green): security, safety. 3. Belongingness and love needs (yellow): intimate relationships, friends. 4. Esteem needs (blue): prestige and feeling of accomplishment. 5. Self-actualization (orange): achieving one's full potential, including creative activities. Handwritten red annotations group these into three categories: 'Basic needs' (levels 1 and 2), 'Psychological needs' (levels 3 and 4), and 'Self-fulfillment needs' (level 5). A red arrow points upwards along the left side of the pyramid. The number '3' is written next to the top level, '2' next to the middle two levels, and '1' next to the bottom two levels.

Figure 4.1: Maslow's hierarchy of human needs

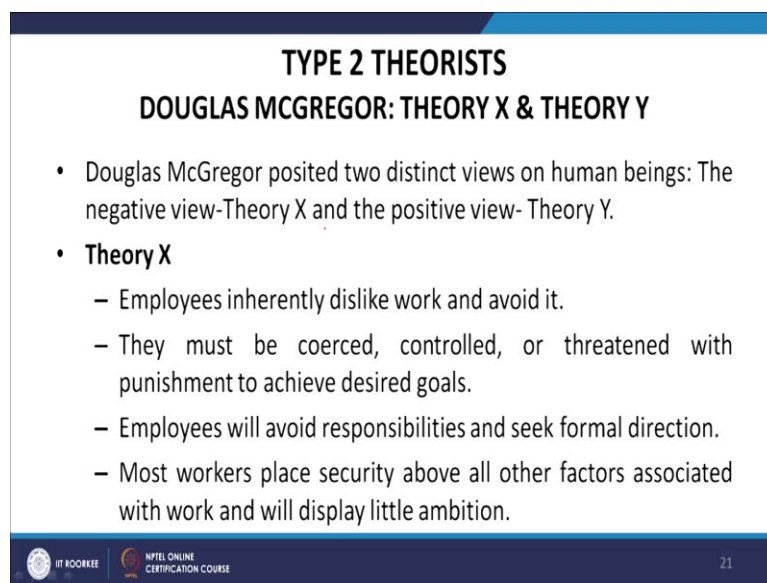
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So, this is figure 4.1 and it shows Maslow's hierarchy of human needs. At the bottom of this pyramid there are physiological needs that is food, water, warmth, rest and then comes safety needs, safety and security these are termed as basic needs. Then comes psychological needs and they come in two forms; one is belongingness and love needs, which means intimate relationships and friends and esteem needs which means prestige and feeling of accomplishment.

And at the third level is self-fulfillment needs that is self-actualization achieving ones full potential including creative activities. So, these three levels are divided into 5. Safety needs and physiological needs are the basic needs, esteem needs and belongingness and love needs are the psychological needs and the third level is human fulfillment needs.

So, according to this Maslow's hierarchy of human needs, a person keeps on moving from bottom to the top, as the first level of basic needs are met he moves on to the next and then to the next and then to the next.

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**TYPE 2 THEORISTS**  
**DOUGLAS MCGREGOR: THEORY X & THEORY Y**

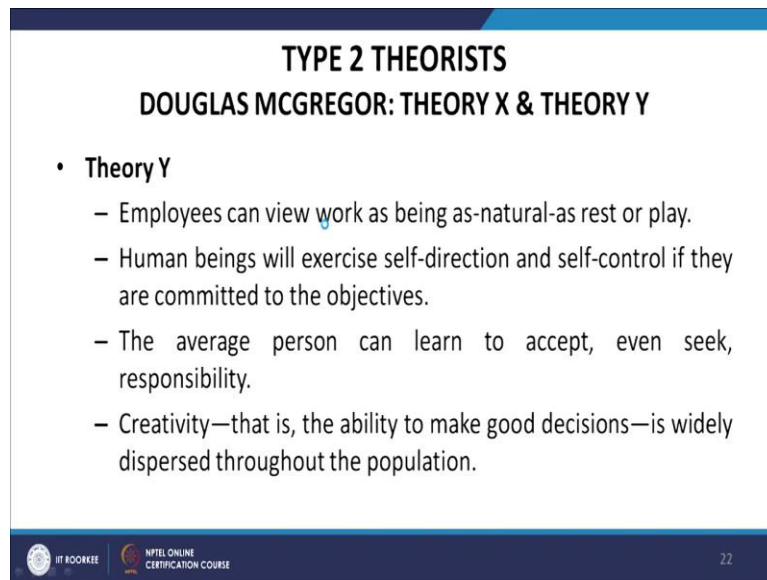
- Douglas McGregor posited two distinct views on human beings: The negative view-Theory X and the positive view- Theory Y.
- **Theory X**
  - Employees inherently dislike work and avoid it.
  - They must be coerced, controlled, or threatened with punishment to achieve desired goals.
  - Employees will avoid responsibilities and seek formal direction.
  - Most workers place security above all other factors associated with work and will display little ambition.

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Now, let us look at Douglas McGregor's theory X and theory Y. Douglas McGregor posited two distinct views on human beings. The negative view, that is, theory X and the positive view, that is, theory Y. Now, what is the theory X? According to this theory X employees inherently dislike work and avoid it. They must be coerced, controlled or threatened with punishment to achieve desired goals.

Employees will avoid responsibilities and seek formal direction. Most workers place security above all other factors associated with work and will display little ambition.

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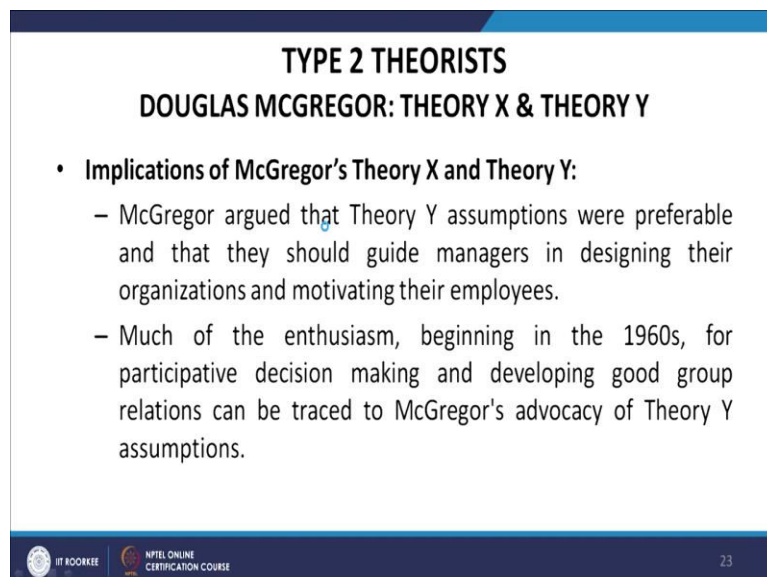
**TYPE 2 THEORISTS**  
**DOUGLAS MCGREGOR: THEORY X & THEORY Y**

- **Theory Y**
  - Employees can view work as being as-natural-as rest or play.
  - Human beings will exercise self-direction and self-control if they are committed to the objectives.
  - The average person can learn to accept, even seek, responsibility.
  - Creativity—that is, the ability to make good decisions—is widely dispersed throughout the population.

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While theory Y says that employees can view work as being as natural as rest or play. Human beings will exercise self-direction and self-control if they are committed to the objectives. The average person can learn to accept, even seek responsibility. Creativity, that is, the ability to make good decisions is widely dispersed throughout the population.

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**TYPE 2 THEORISTS**  
**DOUGLAS MCGREGOR: THEORY X & THEORY Y**

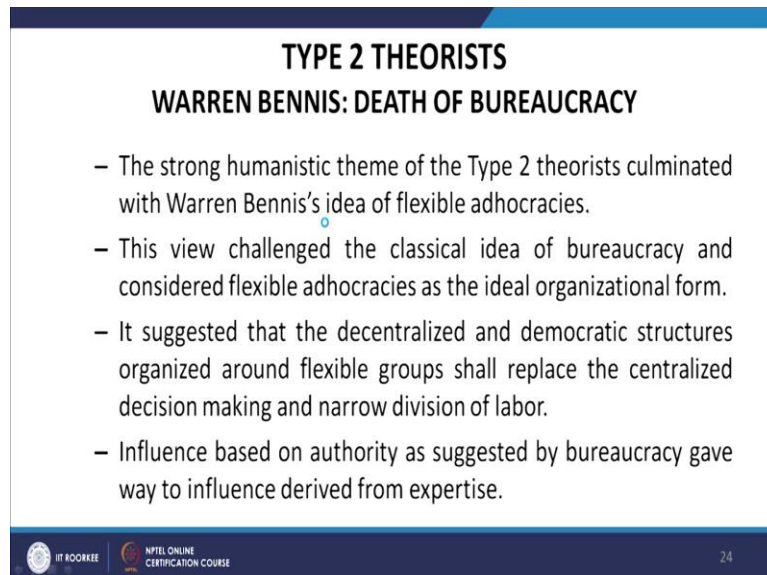
- **Implications of McGregor's Theory X and Theory Y:**
  - McGregor argued that Theory Y assumptions were preferable and that they should guide managers in designing their organizations and motivating their employees.
  - Much of the enthusiasm, beginning in the 1960s, for participative decision making and developing good group relations can be traced to McGregor's advocacy of Theory Y assumptions.

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Now, let us look at what are the implications of McGregor's theory X and theory Y. McGregor argued that theory Y assumptions were preferable and that they would guide managers in designing their organizations and motivating their employees. Much of the

enthusiasm beginning in the 1960s, for participative decision making and developing good group relations can be traced to McGregor's advocacy of theory Y assumptions.

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**TYPE 2 THEORISTS**  
**WARREN BENNIS: DEATH OF BUREAUCRACY**

- The strong humanistic theme of the Type 2 theorists culminated with Warren Bennis's idea of flexible adhocracies.
- This view challenged the classical idea of bureaucracy and considered flexible adhocracies as the ideal organizational form.
- It suggested that the decentralized and democratic structures organized around flexible groups shall replace the centralized decision making and narrow division of labor.
- Influence based on authority as suggested by bureaucracy gave way to influence derived from expertise.

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The next comes, Warren Bennis, that is, death of bureaucracy. The strong humanistic themes of the type 2 theorists culminated with Warren Bennis idea of flexible adhocracies. This view challenged the classical idea of bureaucracy and considered flexible adhocracies as the ideal organizational form.

It suggested that the decentralized and democratic structures organized around flexible groups shall replace the centralized decision making and narrow division of labor. Influence based on authority as suggested by bureaucracy gave way to influence derived from expertise.

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**OPEN-SYSTEMS THEORIES**

- The 1950s and 1960s tended to be dominated by simplistic principles –of both mechanistic and humanistic variety.
- Earlier theories regarded organizations as closed systems that were autonomous and isolated from the outside world. In the 1960s, however, more holistic and humanistic ideologies emerged.
- Recognizing that traditional theory had failed to take into account many environmental influences that impacted the efficiency of organizations, most theorists and researchers embraced an open-systems view of organizations.

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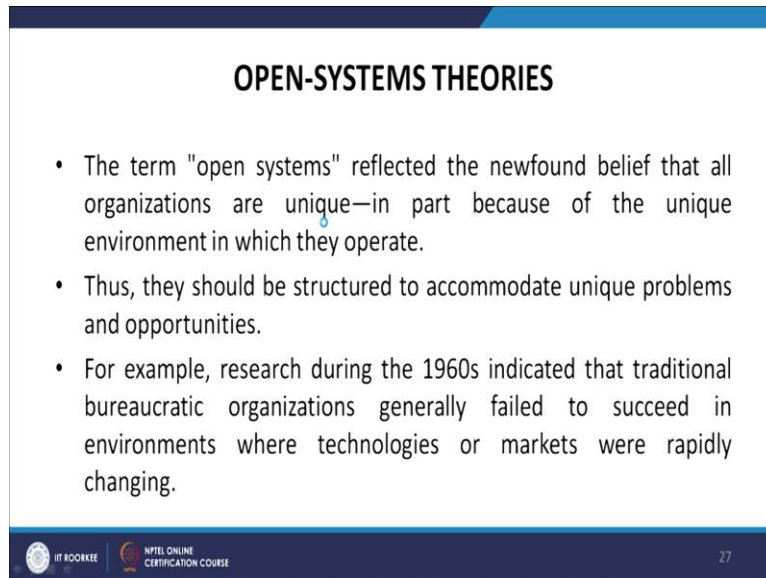
Now, we will look at the contribution of human relations school. The first contribution is improved classical approach by stressing social needs. The second is focus on workers and not on techniques; the third is emphasized management skills rather than technical skills. And the fourth is the focus on group dynamics rather than individual.

Now, we will look at the open system theories; the 1950s and 1960s tended to be dominated by simplistic principles of both mechanistic and humanistic variety. Earlier theories regarded organizations as closed systems that were autonomous and isolated from the outside world. In the 1960s; however, more holistic and humanistic ideologies emerged.

Recognizing that traditional theory had failed to take into account many environmental influences that impacted the efficiency of organizations, most theorists and researchers embraced an open system view of organizations. The term open systems reflected the newfound belief that all organizations are unique, in part, because of their unique environment in which they operate.

Thus they should be structured to accommodate unique problems and opportunities.

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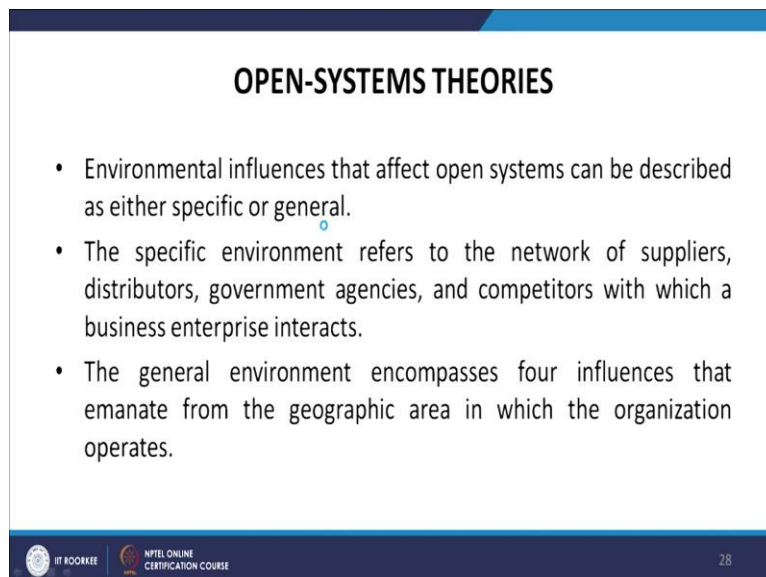
**OPEN-SYSTEMS THEORIES**

- The term "open systems" reflected the newfound belief that all organizations are unique—in part because of the unique environment in which they operate.
- Thus, they should be structured to accommodate unique problems and opportunities.
- For example, research during the 1960s indicated that traditional bureaucratic organizations generally failed to succeed in environments where technologies or markets were rapidly changing.

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For example, research during the 1960s indicated that traditional bureaucratic organizations, generally failed to succeed in environments where technologies or markets were rapidly changing.

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**OPEN-SYSTEMS THEORIES**

- Environmental influences that affect open systems can be described as either specific or general.
- The specific environment refers to the network of suppliers, distributors, government agencies, and competitors with which a business enterprise interacts.
- The general environment encompasses four influences that emanate from the geographic area in which the organization operates.


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Environmental influences that affect open system can be described as either specific or general. The specific environment refers to the network of suppliers, distributors, government agencies and competitors with which a business enterprise interacts. The general environment



encompasses four influences that emanate from the geographic area in which the organization operates.

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**OPEN-SYSTEMS THEORIES**

- These are:
  - *Cultural values*, which shape views about ethics and determine the relative importance of various issues.
  - *Economic conditions*, which include recessions, regional unemployment, and many other regional factors that affect a company's ability to grow and prosper.
  - *Quality of education*, which is an important factor in high technology and other industries that require an educated work force.

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These are cultural values which shape views about ethics and determine the relative importance of various issues. The second one is the economic conditions, which include recessions, regional unemployment, and many other regional factors that affect a company's ability to grow and prosper.

The third one is quality of education which is an important factor in high technology and other industries that require an educated workforce. The fourth one is the legal and political environment, which effectively helps to allocate power within a society and to reinforce laws.

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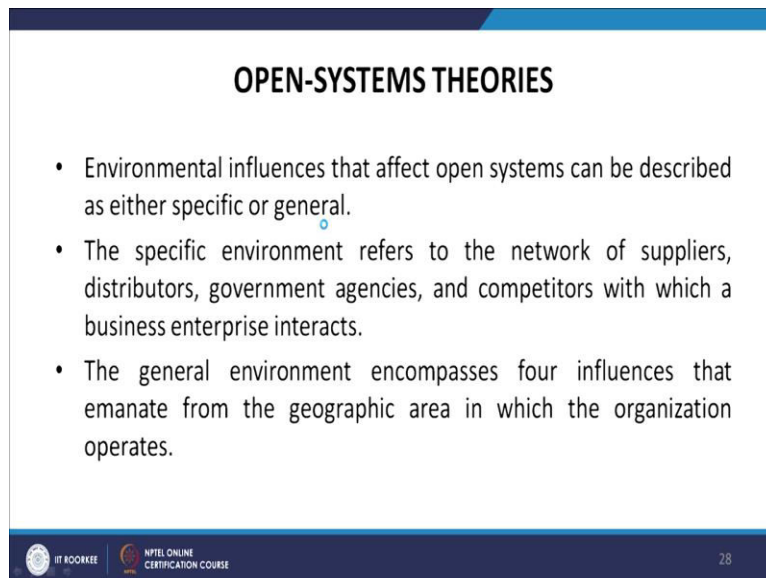
**OPEN-SYSTEMS THEORIES**

- These are:
  - *Legal/political environment*, which effectively helps to allocate power within a society and to enforce laws.
  - The legal and political systems in which an open system operates can play a key role in determining the long-term stability and security of the organization's future.

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The legal and political systems in which an open system operates can play a key role in determining the long term stability and security of the organization's future.

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**OPEN-SYSTEMS THEORIES**

- Environmental influences that affect open systems can be described as either specific or general.
- The specific environment refers to the network of suppliers, distributors, government agencies, and competitors with which a business enterprise interacts.
- The general environment encompasses four influences that emanate from the geographic area in which the organization operates.

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So, these are the four components or influences of the general environment, that are dependent on the geographic area.

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**OPEN-SYSTEMS THEORIES**

- These are:
  - *Cultural values*, which shape views about ethics and determine the relative importance of various issues.
  - *Economic conditions*, which include recessions, regional unemployment, and many other regional factors that affect a company's ability to grow and prosper.
  - *Quality of education*, which is an important factor in high technology and other industries that require an educated work force.

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**OPEN-SYSTEMS THEORIES**

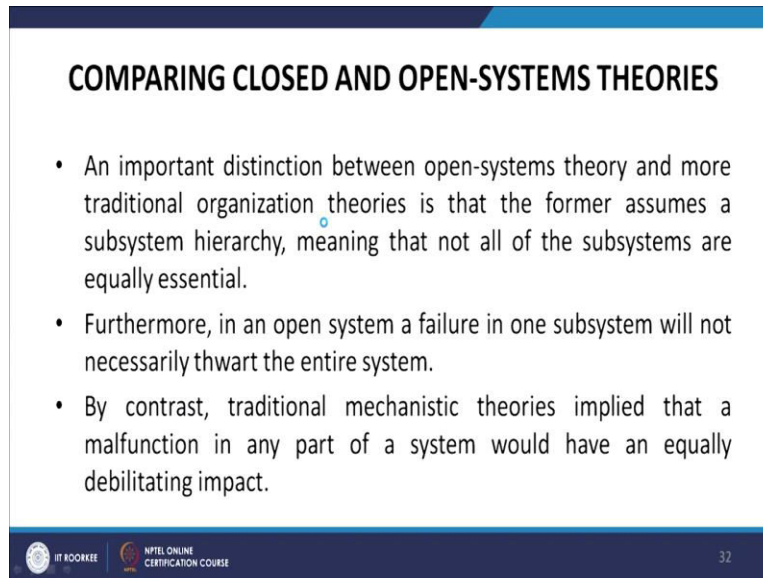
- These are:
  - *Legal/political environment*, which effectively helps to allocate power within a society and to enforce laws.
  - The legal and political systems in which an open system operates can play a key role in determining the long-term stability and security of the organization's future.

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So, one is the culture values, then economic conditions, quality of education, and legal and political environment. The open systems theory also assumes that all large organizations are comprised of multiple subsystems. Each of these subsystems receives inputs from other subsystems and turns them into outputs for use by other subsystems.

The subsystems are not necessarily represented by departments in an organization, but might instead resemble patterns of activity. Now, let us compare the closed and open system theories.

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**COMPARING CLOSED AND OPEN-SYSTEMS THEORIES**

- An important distinction between open-systems theory and more traditional organization theories is that the former assumes a subsystem hierarchy, meaning that not all of the subsystems are equally essential.
- Furthermore, in an open system a failure in one subsystem will not necessarily thwart the entire system.
- By contrast, traditional mechanistic theories implied that a malfunction in any part of a system would have an equally debilitating impact.

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And important distinction between open system theory and more traditional organization theories is that the former assumes a subsystem hierarchy, meaning that not all the subsystems are equally essential. Furthermore, in an open system a failure in one subsystem will not necessarily thwart the entire system. By contrast, traditional mechanistic theories implied that a malfunction in any part of a system would have an equally debilitating impact.

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**POST-INDUSTRIAL SOCIETIES**

- The changes brought in post-industrial society steered the development of current state of organization theory.
- These are characterized by:
  - Basic shift in orientation from goods-production to services-rendering or information-processing.
  - Gradual and steady rise in the influence of professional and technical occupations.
  - Growing influence and centrality of theoretical knowledge as source of innovation and policy formation for society.

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What are these post industrial societies? So, what happened in this post industrial societies? The changes brought in post industrial society steered the development of current state of

organization theory. And they are characterized by one basic shift in orientation from goods production to services rendering or information processing.

Second is gradual and steady rise in the influence of professional and technical occupations. And the third is growing influence and centrality of theoretical knowledge as source of innovation and policy formation for society.

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**POST-INDUSTRIAL SOCIETIES**

- Increased need for planning and control of technology and its growth.
- Emergence of integrated computer systems to create new intellectual technology.

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Then comes increased need for planning and control of technology and its growth and emergence of integrated computer systems to create new intellectual technology. What are these post industrial pressures? One is growing global competition, increased government regulations dealing with social controversies, resource scarcity, increased labor force diversity, changing cultural norms and supply demand pressures.

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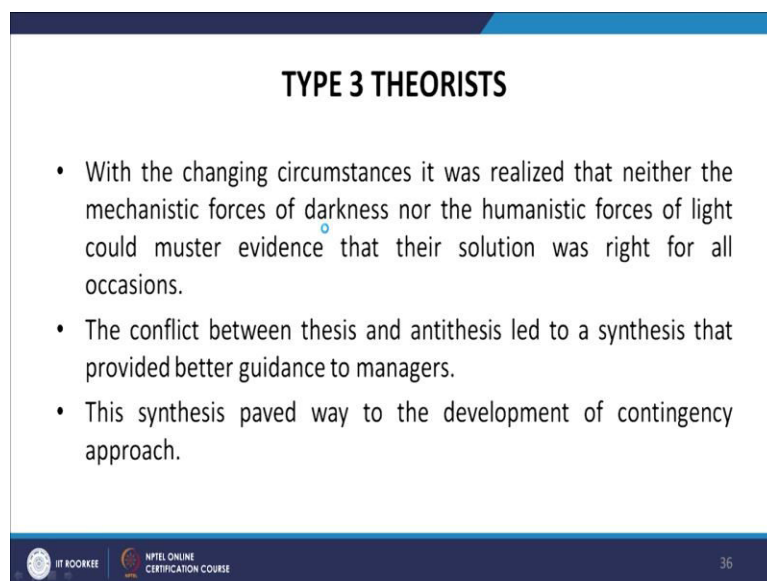


**POST-INDUSTRIAL PRESSURES**

- Growing global competition
- Increased governmental regulations dealing with social controversies
- Resource scarcity
- Increased labor-force diversity
- Changing cultural norms
- Supply-demand pressures

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**TYPE 3 THEORISTS**

- With the changing circumstances it was realized that neither the mechanistic forces of darkness nor the humanistic forces of light could muster evidence that their solution was right for all occasions.
- The conflict between thesis and antithesis led to a synthesis that provided better guidance to managers.
- This synthesis paved way to the development of contingency approach.

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Then we move on to type 3 theorists; with the changing circumstances it was realized that neither the mechanistic forces of darkness nor the humanistic forces of light could muster evidence that their solution was right for all occasions. The conflict between thesis and antithesis lead to a synthesis that provides better guidance to managers. This synthesis paved way to the development of contingency approach.

The main characteristics of theories developed under this category are - organizations as the vehicle for achieving goals.

Major contingencies determined organizational structure size, technology and environmental uncertainty. Proper alignment of a structure to organizational contingency facilitates the achievement of the organizations goals.

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**TYPE 3 THEORISTS**

- The main characteristics of theories developed under this category are:
  - Organizations as the vehicle for achieving goals.
  - Major contingencies determine organization structure.
  - Size, technology, and environmental uncertainty.
  - Proper alignment of structure to organizational contingency facilitates the achievement of the organization's goals.

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**TYPE 3 THEORISTS**

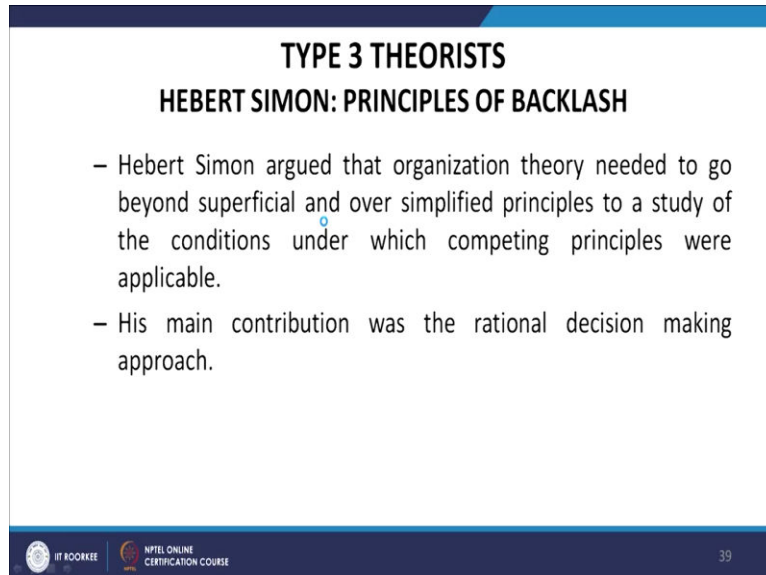
- Under Type 3 theorists, we will discuss the following:
  - Hebert Simon: Principles of Backlash
  - Katz and Kahn: Environmental Perspective
  - Joan Woodward, Charles Perrow, & James Thompson: The Case for Technology
  - The Aston Group and Organization Size

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Under type 3 theorists we will discuss following: Herbert Simon and his Principles of Backlash, Katz and Kahn and Environmental Perspective, Joan Woodward, Charles Perrow and James Thompson, The Case of Technology and The Aston Group and Organizational Size.

Let us start with Herbert Simon and the Principles of Backlash. Herbert Simon argued that organization theory needed to go beyond superficial and oversimplified principles to study of the conditions under which competing principles were applicable.

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**TYPE 3 THEORISTS**

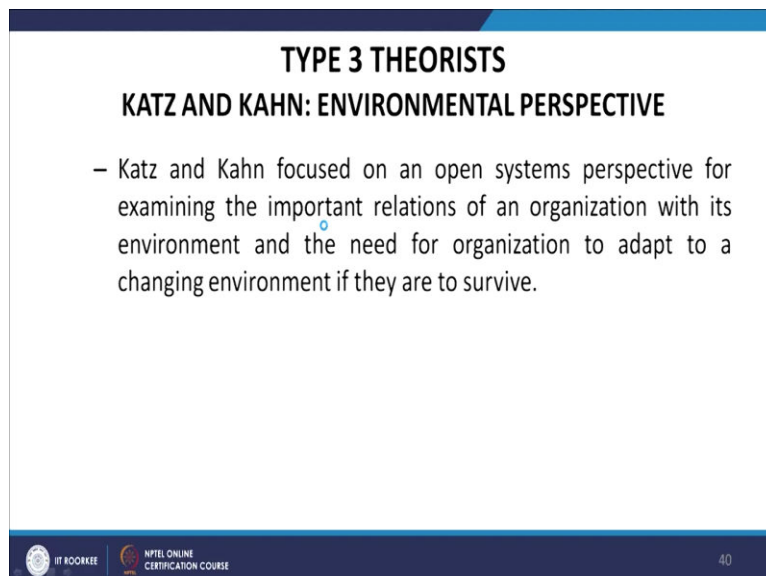
**HERBERT SIMON: PRINCIPLES OF BACKLASH**

- Herbert Simon argued that organization theory needed to go beyond superficial and oversimplified principles to a study of the conditions under which competing principles were applicable.
- His main contribution was the rational decision making approach.

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His main contribution was the rational decision making approach.

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**TYPE 3 THEORISTS**

**KATZ AND KAHN: ENVIRONMENTAL PERSPECTIVE**

- Katz and Kahn focused on an open systems perspective for examining the important relations of an organization with its environment and the need for organization to adapt to a changing environment if they are to survive.

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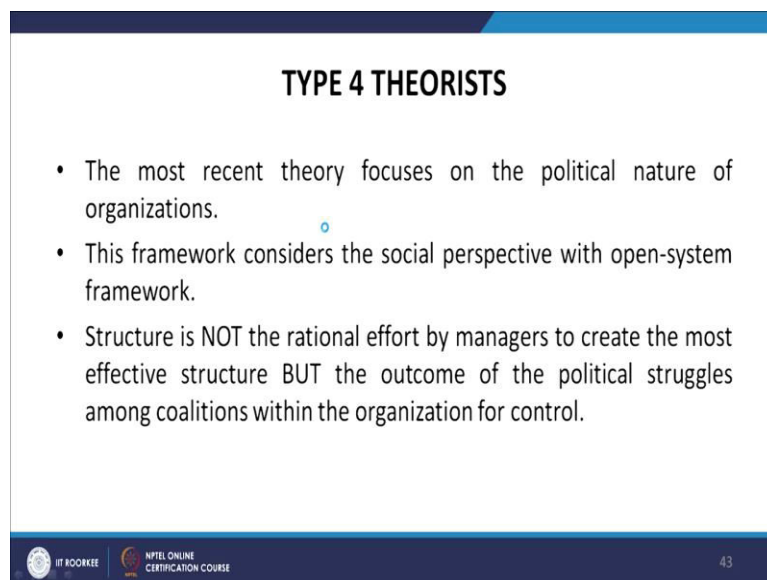
Katz and Kahns Environmental Perspective - Katz and Kahn focused on an open systems perspective, for examining the important and relations of an organization with its environment and the need for organization to adapt to a changing environment if they are to



survive. Next comes John Woodward, Charles Perrow and James Thompson and they built up the case for technology. The importance of technology in determining the appropriate structure of an organization.

The Aston group and organization size is considered as an important factor influencing structure and an established pattern as organization expand in size.

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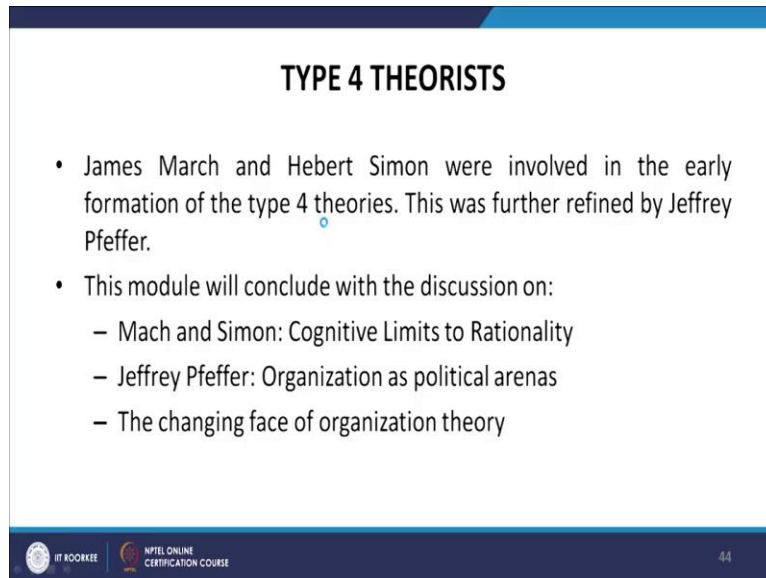
**TYPE 4 THEORISTS**

- The most recent theory focuses on the political nature of organizations.
- This framework considers the social perspective with open-system framework.
- Structure is NOT the rational effort by managers to create the most effective structure BUT the outcome of the political struggles among coalitions within the organization for control.

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Then comes type 4 theorists. The more recent theory focuses on the political nature of organizations. The framework considers the social perspective with open system framework. Structure is not the rational effort by managers to create the most effective structure, but the outcome of the political struggles among coalitions within the organization for control.

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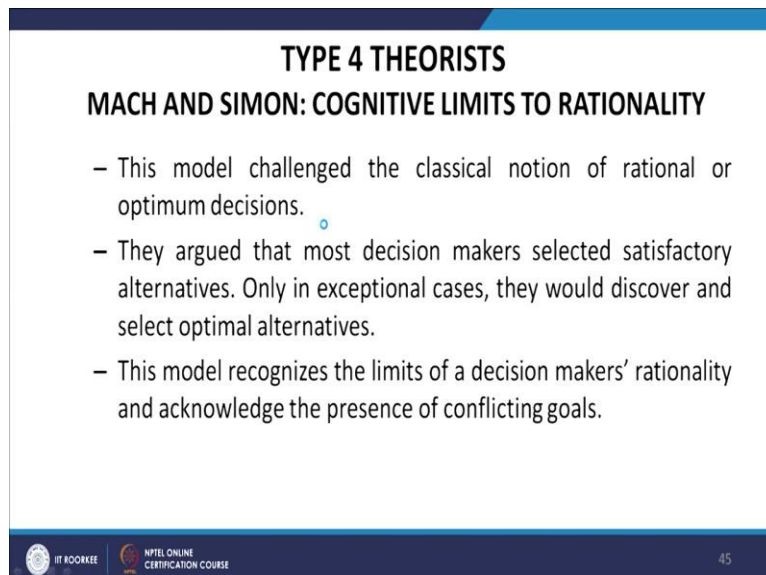
**TYPE 4 THEORISTS**

- James March and Hebert Simon were involved in the early formation of the type 4 theories. This was further refined by Jeffrey Pfeffer.
- This module will conclude with the discussion on:
  - Mach and Simon: Cognitive Limits to Rationality
  - Jeffrey Pfeffer: Organization as political arenas
  - The changing face of organization theory

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James Mach and Herbert Simon were involved in the early formation of the type 4 theories. This was further refined by Jeffrey Pfeffer. This model will conclude with the discussion on Mach and Simon's Cognitive Limits to Rationality. Jeffrey Pfeffer Organization as political arena and the changing face of organization theory.

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**TYPE 4 THEORISTS**

**MACH AND SIMON: COGNITIVE LIMITS TO RATIONALITY**

- This model challenged the classical notion of rational or optimum decisions.
- They argued that most decision makers selected satisfactory alternatives. Only in exceptional cases, they would discover and select optimal alternatives.
- This model recognizes the limits of a decision makers' rationality and acknowledge the presence of conflicting goals.

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So, we will start with Mach and Simon Cognitive Limits to Rationality. This model challenged the classical notion of rational or optimum decisions. They argued that most decision makers selected satisfactory alternatives. Only in exceptional cases, they would

discover and select optimal alternatives. This model recognizes the limits of our decision makers' rationality and acknowledge the presence of conflicting goals.

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The slide features a blue header with the text 'TYPE 4 THEORISTS' in white. Below the header, the title 'JEFFREY PFEFFER: ORGANIZATION AS POLITICAL ARENAS' is displayed in bold black text. A single bullet point follows, stating: '- According to Pfeffer, in order to design an organization design, we need to assess the preferences and interests of those members in the organization who have influence over the design decisions.' The slide footer contains the logos for 'IIT ROORKEE' and 'NPTEL ONLINE CERTIFICATION COURSE' on the left, and the number '47' on the right.

Jeffrey Pfeffer - Organization as Political Arenas. Pfeffer has built on Mach and Simons work to create model of organization theory that encompasses power coalitions, inherent conflict over goals and organizational design, that favor the self-interest of those in power. He proposed that control in organization becomes an end rather than merely a means to rational goals such as efficient production of output.

According to Pfeffer, in order to design an organization design, we need to assess the preferences and interests of those members in the organization who have influence over the design decisions. Then we will look at the changing face of organization theory. Organizations are no longer compartmentalized or restricted to their local employees, organizations are collaborating across countries and cultures using the benefits of the internet and wireless communication networks in all possible areas.

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**TYPE 4 THEORISTS**

- **The changing face of organization theory**
  - Organizations are no longer compartmentalized or restricted to their local employees.
  - Organizations are collaborating across countries and cultures using the benefits of the internet and wireless communication networks in all possible areas.
  - Virtual organizations have emerged: this new status of organizations has revamped the way in which we approach organizational theory.

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Virtual organizations have emerged. This new status of organizations has revamped the way in which we approach organization theory.

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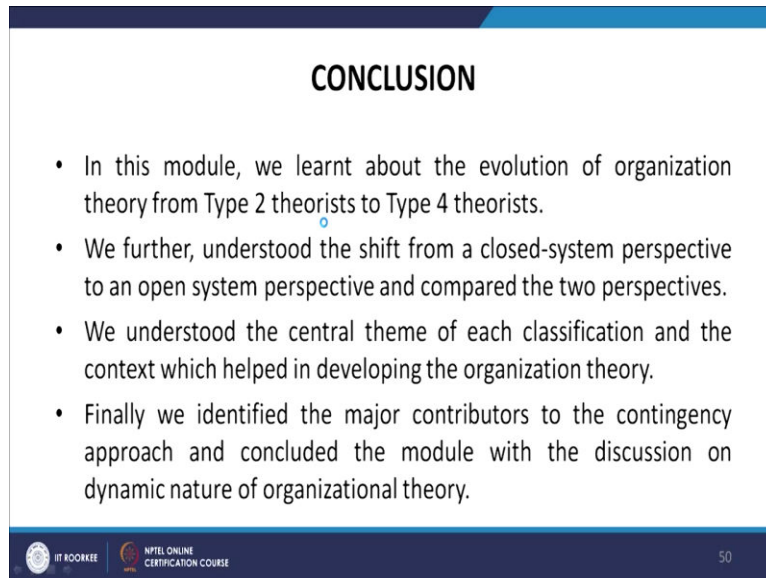
**TYPE 4 THEORISTS**

- **The changing face of organization theory**
  - The boundaries of the organizations have become more fluid and flexible, those who have influence over organizational design decision have edge of getting the best talent to work.

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The boundaries of the organizations have become more fluid and flexible; those who have influence over organizational design decisions have edge of getting the best talent to work.

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**CONCLUSION**

- In this module, we learnt about the evolution of organization theory from Type 2 theorists to Type 4 theorists.
- We further, understood the shift from a closed-system perspective to an open system perspective and compared the two perspectives.
- We understood the central theme of each classification and the context which helped in developing the organization theory.
- Finally we identified the major contributors to the contingency approach and concluded the module with the discussion on dynamic nature of organizational theory.

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So, to conclude this module; In this module, we learnt about the evolution of organization theory from type 2 theorists to type 4 theorists. Then we further understood the shift from a closed system perspective to an open system perspective and compared the two perspectives.

We understood the central theme of each classification and the context which helped in developing the organization theory. Finally, we identified the major contributors to the contingency approach, and concluded the module with the discussion on dynamic nature of organization theory.

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And these are the four books from which the material for this module was used.

Thank you.