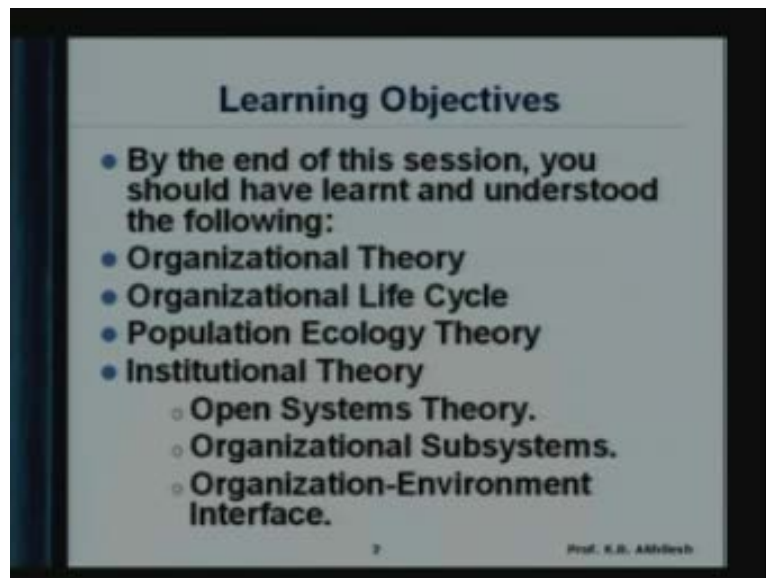


Concept of Management and Evolution of Management Thought
Prof. K.B. Akhilesh
Department of Management Studies
Indian Institute of Science, Bangalore

Lecture - 30
Organization Theory - I

Hello, in the last couple lectures we are exploring various dimensions of change, organization and organization development and today we will more focus on organizational theories and in next couple of lectures we will explore different aspects of understanding the given organization.

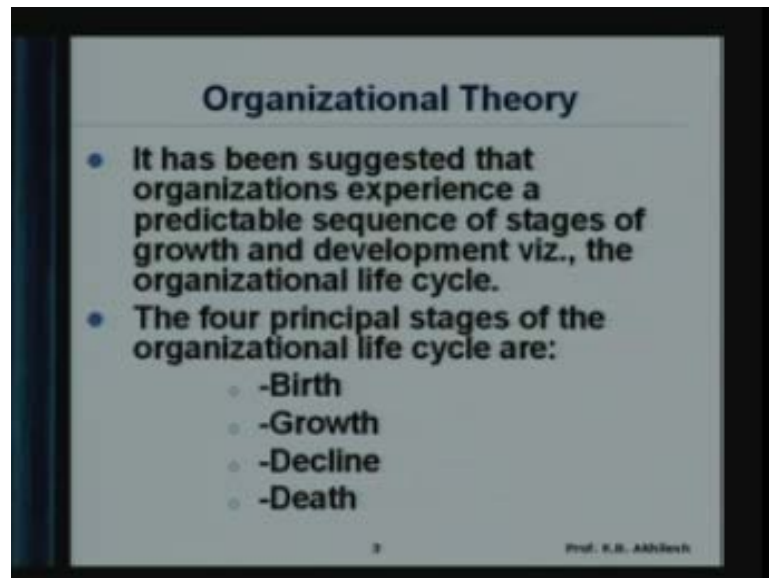
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In this lecture, I want you to see and understand what are these organizational theory, organizational life cycle then we will also look at the population ecology theory, institutional theory, open systems theory, organizational subsystems and how organization and environmental interface can be understood. We will also look at the way the or different stages of the organization can help us to increase overall organizational effectiveness. So the best way to start organizational theory discussion is that organizations go through a series a sequence of steps stages which are predictable. So that means we try and see the growth and development from a purely from a point of view of the organizational life cycle as we know the life cycle has these stages of birth, growth, decline and death. So the four principal stages

of the life cycle can also be applied to the organizational system, so that means we construct these word as organizational life cycle.

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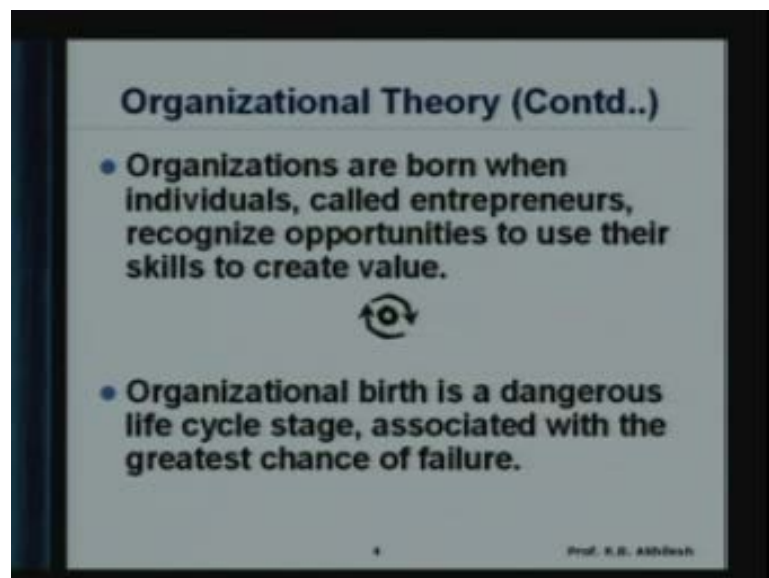


Organizational Theory

- It has been suggested that organizations experience a predictable sequence of stages of growth and development viz., the organizational life cycle.
- The four principal stages of the organizational life cycle are:
 - -Birth
 - -Growth
 - -Decline
 - -Death


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Organizational Theory (Contd..)

- Organizations are born when individuals, called entrepreneurs, recognize opportunities to use their skills to create value.



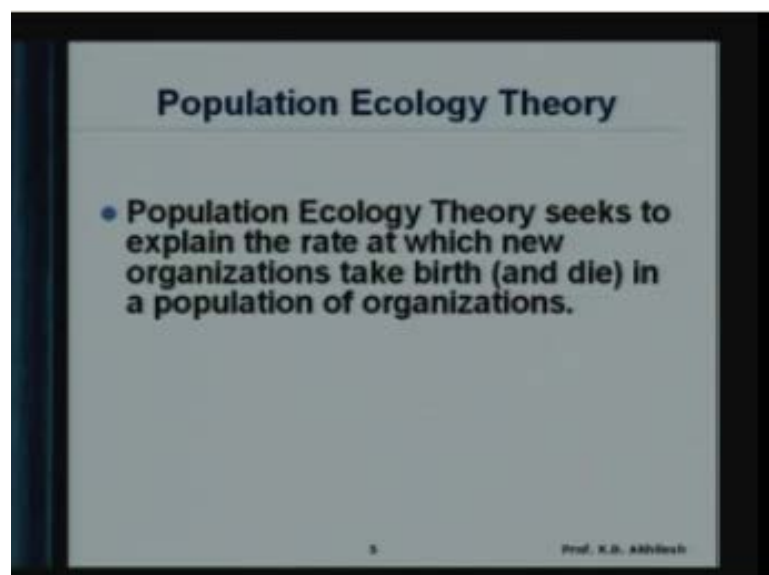
- Organizational birth is a dangerous life cycle stage, associated with the greatest chance of failure.

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So that means we are talking about organizational birth, organizational growth, organizational decline as well as organizational death. In other words theories which helps us to see or help us to look at these life cycle becomes very important. So organizations are born

as we are seeing individuals, entrepreneurs come together. So they recognize a business opportunity and to use their skills and to create value and create value means they are able to bring a change in the market place through introduction of new products or services and there are customers who pay money for such products and services and that is what we have theories or talking about is this creation of value. So the organizational birth is the most dangerous in terms of the life cycle stage because it is associated with the greatest chance of failure so the, so the several of the people are talking about that at the initial stage itself one need to be careful.

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So this population ecology theory talks about the this birth as well as the next stages. So theory 6 explain the rate at which the new organizations take birth and also the die in a population of organizations. So that means we are talking about which are those things very conducive for this birth of the organization which are of those situations where it does not help if the organizations to grow and contribute and also contributes for the decline of the organization.

So the population ecology theory the rate of birth of new organizations in an environment they talk about increases rapidly at first. So that means you will see there are mushrooming but then it then it tapers off and there are different reasons for explaining this, the shape of the curve over a period of time.

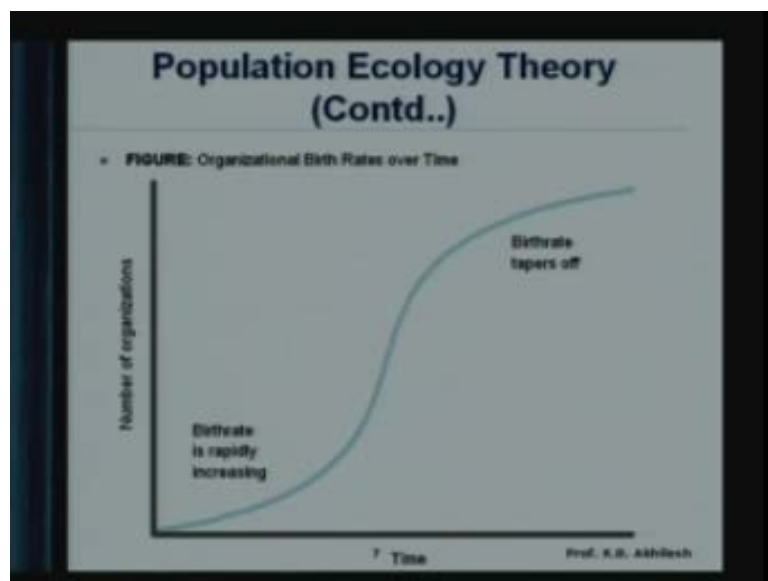
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Population Ecology Theory (Contd..)

- According to Population Ecology Theory, the rate of birth of new organizations in an environment increases rapidly at first and then tapers off.
- There are different reasons for explaining the shape of type of curve over time.



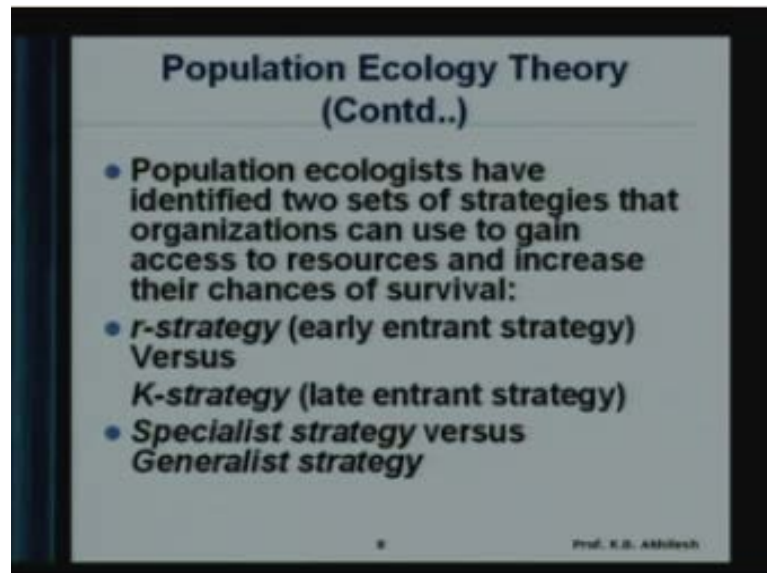
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So in some situation see this they are very conducive kind of an environment then it moves like a till you know typically like an s curve the, then it reaches that kind of a plateau but lot of initial investments are made in terms of increasing the number of organizations but some of them will grow but many of them will decline. So the population ecologist have identified two sets of strategies that organizations can use to gain access to resources and increase their

chances of survival. So that means an early entrant so if you are the kind of what people talk about the first mover advantages.

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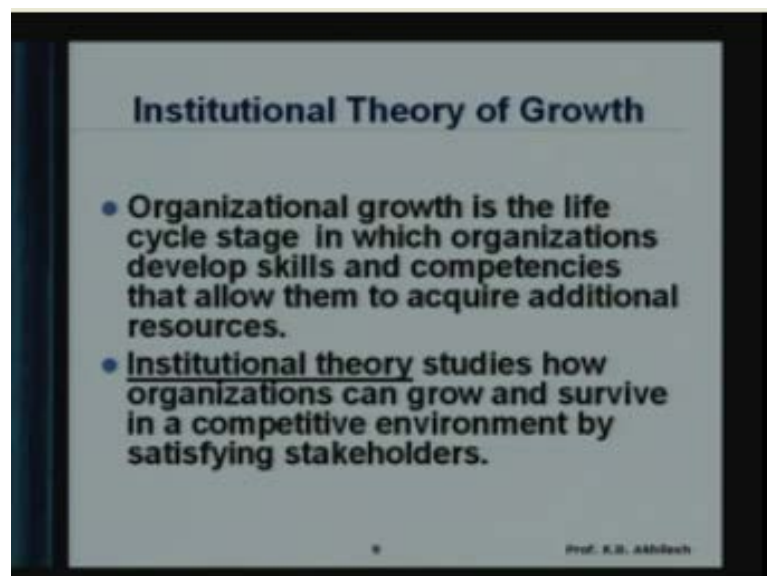


Population Ecology Theory (Contd.)

- Population ecologists have identified two sets of strategies that organizations can use to gain access to resources and increase their chances of survival:
- *r-strategy* (early entrant strategy) Versus *K-strategy* (late entrant strategy)
- *Specialist strategy* versus *Generalist strategy*

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Institutional Theory of Growth

- Organizational growth is the life cycle stage in which organizations develop skills and competencies that allow them to acquire additional resources.
- Institutional theory studies how organizations can grow and survive in a competitive environment by satisfying stakeholders.

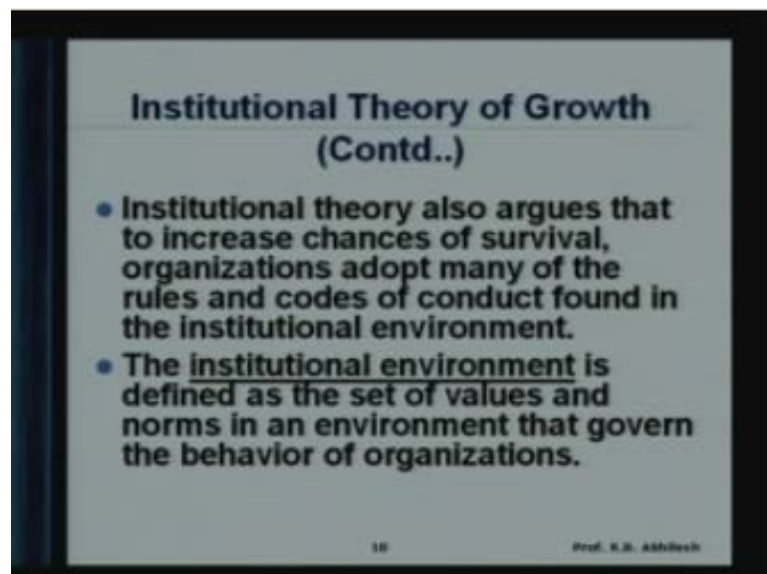
Prof. K.B. Abhisek

So that is if you are the first then you likely that you will have more you know survival and also kind of a late entrant strategy where that you do have a set of experiences of the other people and then you can see to you know that where you want to do that required

piggybacking and things like that. So the kind of a thing is that very specialist strategy versus the generalist strategy in terms of establishing the organization ensuring that the survival of the organization and over a period of time several books have come in terms of talking about the built to last the things like that where you are trying to see how do organizations survive or contribute over a period of time.

So when you are talking about this there is an institutional theory of growth that means organizational growth is the life cycle stage in which organizations develop skills and competencies that allow them to acquire additional resources. So the institutional theory studies that how organizations can grow and survive in a competition or in a competitive environment by satisfying the stakeholders. So the organizations all the time meets the stakeholder expectations understands and by doing this it draws that kind of a required energy to expand, grow and contribute.

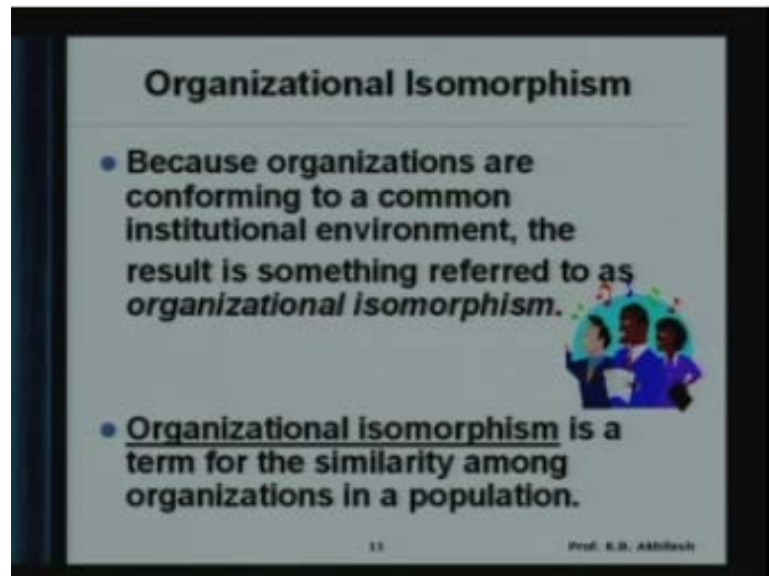
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So institutional theory also argues that to increase the chances of survival the organization adopt many of the rules and codes of conduct, the found in the institutional environment. So that means the institutional environment is defined as the set of values and norms in an environment that govern the behavior of organizations. So the it is able to understand it is able to relate to and then by adopting this, the rules and procedures it survives and then you know the institutional theory of growth have tried to explain this kind of a thing,

organizational isomorphism is conforming because this organization are conforming to a common institutional environment.

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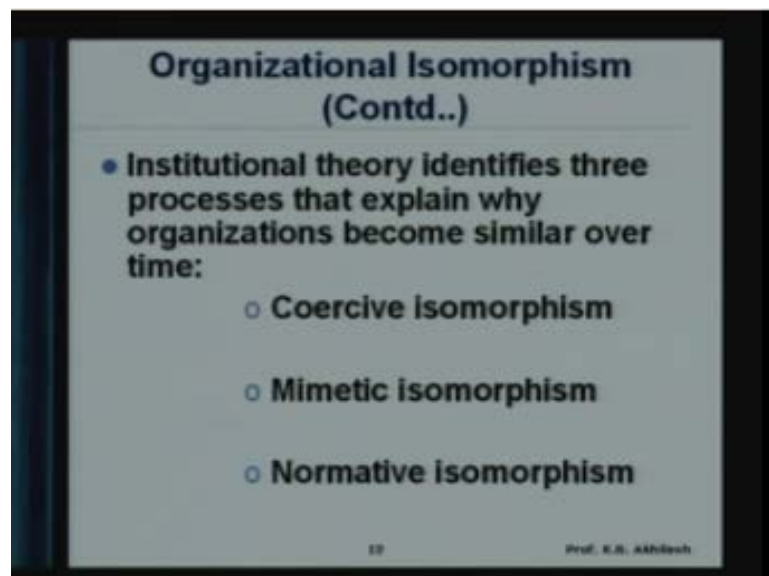
Organizational Isomorphism

- Because organizations are conforming to a common institutional environment, the result is something referred to as *organizational isomorphism*.
- Organizational isomorphism is a term for the similarity among organizations in a population.

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The slide features a title 'Organizational Isomorphism' at the top. Below it, there are two bullet points. The first bullet point explains that organizations conforming to a common institutional environment result in organizational isomorphism. The second bullet point defines organizational isomorphism as a term for similarity among organizations in a population. To the right of the text, there is a small illustration of three people in business attire. At the bottom, the slide number '11' and the name 'Prof. K.B. Ahluwalia' are visible.

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Organizational Isomorphism (Contd..)

- Institutional theory identifies three processes that explain why organizations become similar over time:
 - Coercive isomorphism
 - Mimetic isomorphism
 - Normative isomorphism

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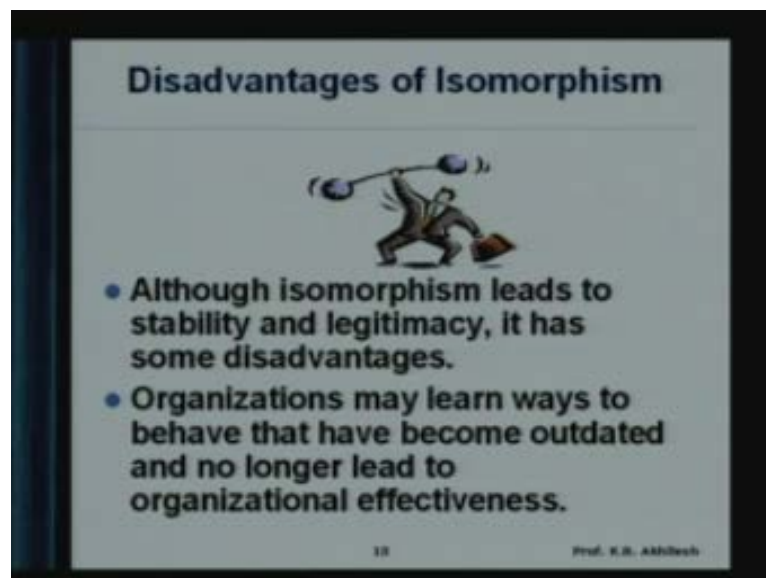
The slide features a title 'Organizational Isomorphism (Contd..)' at the top. Below it, there is a bullet point stating that institutional theory identifies three processes that explain why organizations become similar over time. These three processes are listed as Coercive isomorphism, Mimetic isomorphism, and Normative isomorphism. At the bottom, the slide number '12' and the name 'Prof. K.B. Ahluwalia' are visible.

So the question is the result is something referred to as organizational isomorphism, organizational isomorphism the term for the similarity among the organizations in a population that means if you see the code of conduct, the recruitment rules, the various

practices within. So all that gets controlled why the external environment which also sends signals of what is correct and what is not correct. So institutional theory identifies three processes that explain that why organization become similar over time. It could be the coercive or it is also called as mimetic and also it is the kind of a normative. So coercive isomorphism is that the rules are again expectations are stated very clearly and they are severely punished for not following.

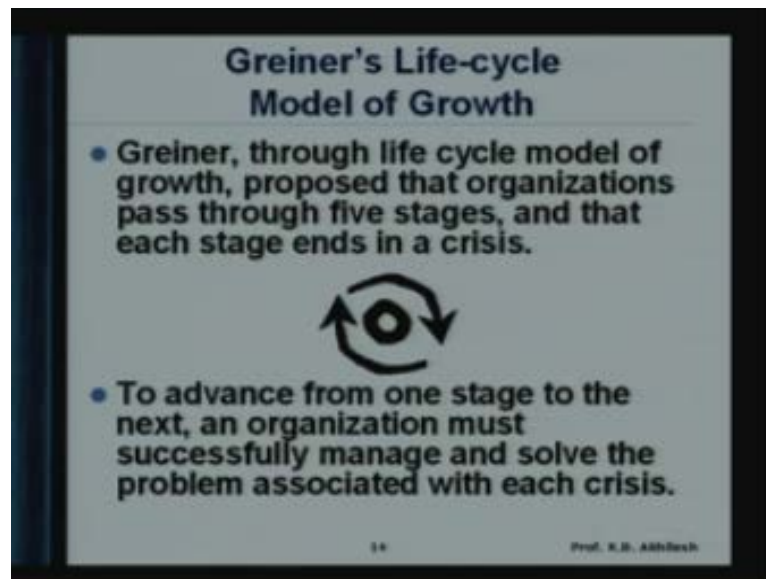
So we are seeing that some of the hotels and entertainment things are to be closed by this hour. So and the business has to start around this hour. So these are like very clearly laid out by the society of what is to what is acceptable and what is not acceptable. Similarly, the normative ones are the unwritten rules but it is clarified through series of expectations but the disadvantages of the if you see that the you know the very clearly as the isomorphism leads to a kind of a stability and a kind of a legitimacy but it has many disadvantages.

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So in other words organizations may learn ways to behave the way you know what people call it as they become outdated and may no longer they lead to the organizational effectiveness that means that they may not be creating that kind of a value. So they exist but not perceived as anywhere or any closer to the requirements of the customer and that is where it fails as a system of delivery.

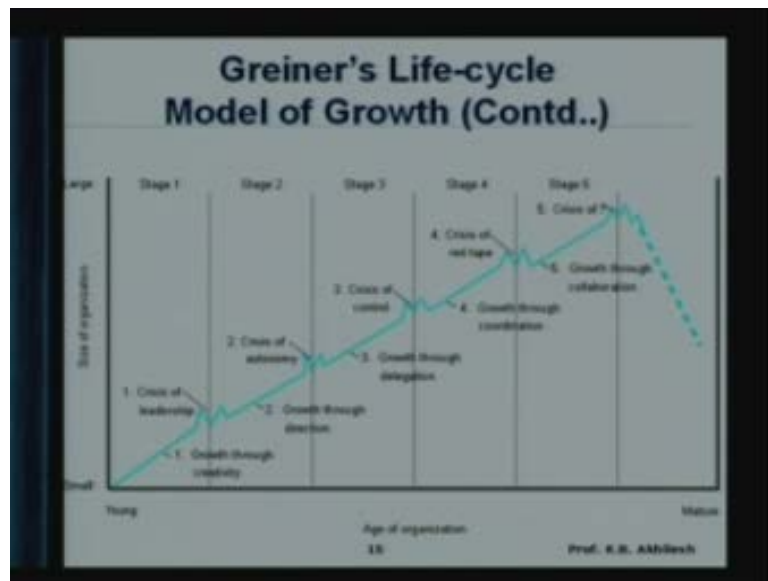
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So the institutional theory, the ecological aspects and the earlier ones it always talks about what triggers the organizational birth, the organizational growth and also the organizational decline but the Greiner went little further in using the word life cycle model of growth, the Greiner through life cycle model of growth proposed that organizations pass through the five stages and then each stage ends in a kind a crisis and organizations respond to overcome this crisis through reorganization. So to advance from one stage to the other the organization must successfully manage and survive solve the problems associated with each of such crisis situations. I tried to explain this model quickly in the previous lectures but this one would clearly show what Greiner's meant in terms of the life cycle model of growth as you will see in this in the x axis, there is this age of the organization and the age of the organization has been described as the young as well as the mature and similarly, we will see that the stages of the of what we are talking about the size of the organization.

So the age and size when you see we will start from that the small to a large organization and at the beginning it is the small and the young organization, the small and the young organization means that it is basically we are talking about growth through creativity. So that means a set of you know entrepreneur with set of people they work hard they try and meet the customer understanding, they may not have the technology with them, they may not have the resources with them, they may not have to competencies with them.

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So they work hard acquire the competencies acquire the rule of the game acquire the resources understand the customer and try and do all the things whatever required to meet those customers things. So the growth through creativity the this it is always in the flux always it is creating new value propositions and moving rapidly and brings that kind of a high energy. Now let us see there if any of these things are not happening then the organization may gets into the kind of a decline mode at that stage itself but then they becomes a crisis of leadership, the crisis of leadership is so yes, they have all done but now tell me what is in it for me.

So people start thinking end of the 3, 4, 5 years, 2 years could be in some situations, so then you know tell me I have worked hard now what is my role what is my designation, what is this to be you know who will do what the kind of a things. So that means you know the you have to create an organization. So it has to have a kind of a purpose it has to have a kind of a long-term goal it has to have a kind of a long term goal it has to have a that kind of a structure which provides or meets the career and career aspirations. I think that is where you move through a second step or the second stage of growth through the direction and growth through the direction where the individual, individuals define the kind of a structure, individuals define the kind of the future. So they start moving around that but then since all of it is a kind of a thing control thing it be there is a crisis of autonomy, the crisis of autonomy people

would like to see now why you know because probably it has become large it has now people know the rules of the game so they are prepared to take the responsibilities.

So they want much more guidance than dictating everything step-by-step, so people are used to this set of task and set of things have gone into in terms of the standardization and that is where you see the crisis of autonomy should be referred to through the crisis of delegation but then crisis of delegation would make much more divisions much more empowered groups things like that then you move through one more that is as these people are called so and so as the functional heads or the business group heads things like that then there will be a crisis of control, the crisis of control, duplication of resources, people are not accountable to each other interdependencies are not well managed as it used to happen in the first stage then it runs through an aspect of coordination, people do not know what is happening in other divisions or in other groups.


So they run in to the issues of the crisis and the crisis of this control and that has to be taken care of through the coordination. So that means newer coordination mechanisms are required and then so integrations, so whatever call it as the the coordination or groups or the newer integrator or some few general managers positions are created so the, so growth comes through this kind of a coordinated activity but as you put this coordination suddenly we will see there is a corporate and then there are units, different manufacturing units are controlled by the corporate office but the corporate office defines the broad rules of the game but the specifics are adapted by each of the divisions, each of the units, lot of correspondence, lot of movement of papers and then the code of the code of conduct and rules of the game and things like that it makes it much more a kind of a red tapism or what people call it as slows down and substantial time is spend in meetings and things like that.

So that is the time where you feel that paper has be replaced and with through some other mechanisms then one can think in terms of the growth through this kind of a collaboration. So that means you bring in more team spirit and the work on various processes within the organization. So the Greiner model interestingly brings these two combination of things, the age and the size of the organization and each time whatever we do it leads to another stage of crisis another stage of another level of functioning and that leads to an another crisis and they are talking about continuously how to manage these things.

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**Organizational
Decline and Death**

- **Organizational decline** is the life cycle stage that an organization enters when it fails to anticipate, recognize, avoid, neutralize or adapt to external or internal pressures that threaten its long-term survival.



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**Organizational
Decline and Death
(Contd..)**

- An organization may not easily adapt to meet changes in the environment because of organizational inertia.
- Organizational inertia results from forces inside an organization that make it resistant to change.

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So Greiner's life cycle model of growth has been a very interesting model to understand and the crisis can lead to the decline of the organization also leading to the death of the organization but successful things always can lead to a better performance. So organizational decline is the life cycle stage that enters when it fails to anticipate, recognize wide neutralize or adapt to the external or internal pressures that threaten it is a long-term survival. As we have seen in the context of managing changes in the organization there are issues where

people do not understand the drivers of the external change are not able to meet with aspirations of the internal people and that is where the organization experiences this.

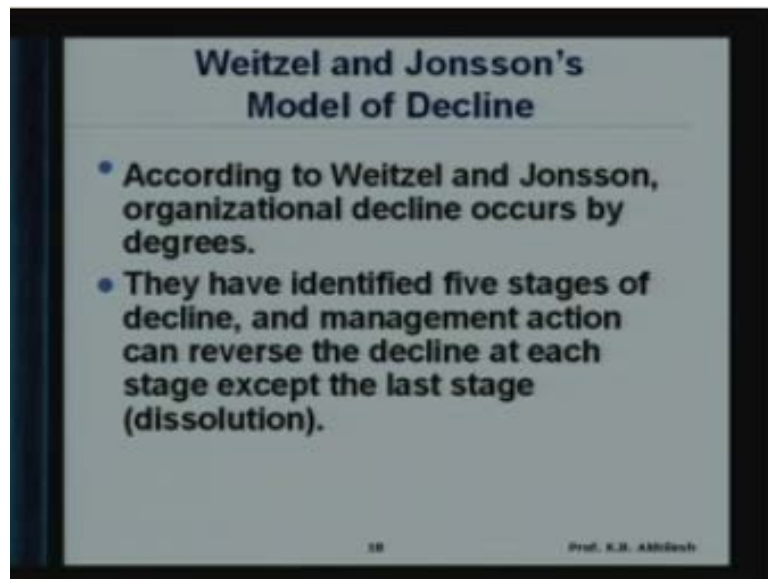
So when organization may not be easily adapt to meet these changes in the environment suddenly when twice or technology becomes irrelevant. So the competition becomes so intense and that is the time where the organization inertia results from the forces inside an organization may be the aging of the workforce where people are not prepared to move or change into new technologies or able to work with that required speed so or they do not want to without a price, we have seen happening in the textile mills. So many of the textile mills closed down because they were not able to move to the newer technologies or able to improve their productivity and productivity standards and the markets when it got opened up.

So there was a demand for a higher quality output and also at the lesser price and many other countries who are able to supply the same things. So the new technologies had to be deployed and unless those things were deployed which involved less manpower the organizations which had more manpower and not able to reduce that kind of a manpower or increase that kind of a productivity and were not able to manage the required changes in the technology and the people dimensions had to close down. So we talk about the sickness in the organizational, sickness of the industry, the sickness is a kind of a pre-stage of the decline and the death.

So organizations becomes sick in order to where they are not in a position to manage changes internally to meet those external realities and external situations. So the organizational declines occur you know occurs by degrees according to what we have seen “Weitzel and Jonsson”. So they have identified five stages of decline and management action can reverse the decline at each stage and probably the except the last stage is of the dissolution. So each of these stages need to be understood.

So the stage one they call it as a kind of a blinded organizations are unable to recognize the internal or external problems that threaten their long-term survival. So it could be the changes in the technology or demands of the customers for new product and new processes and that is when the competitors are introducing new products and services.

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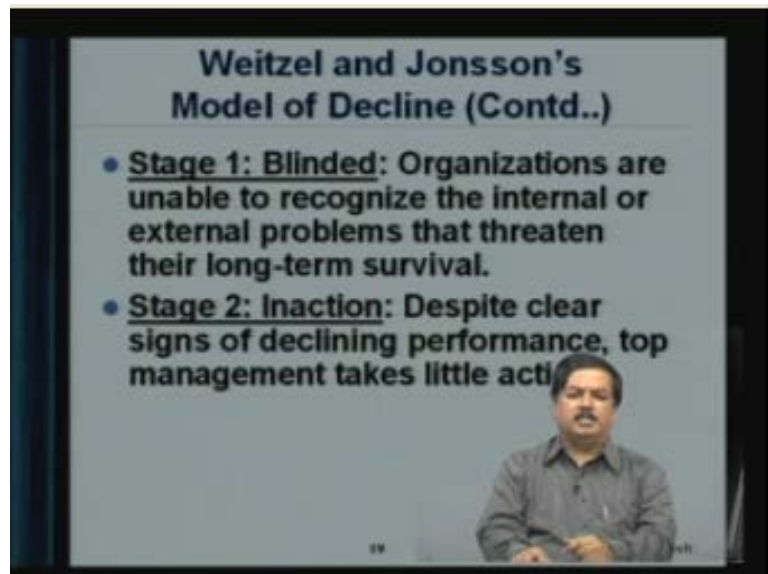


Weitzel and Jonsson's Model of Decline

- According to Weitzel and Jonsson, organizational decline occurs by degrees.
- They have identified five stages of decline, and management action can reverse the decline at each stage except the last stage (dissolution).

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Weitzel and Jonsson's Model of Decline (Contd..)

- **Stage 1: Blinded:** Organizations are unable to recognize the internal or external problems that threaten their long-term survival.
- **Stage 2: Inaction:** Despite clear signs of declining performance, top management takes little action.

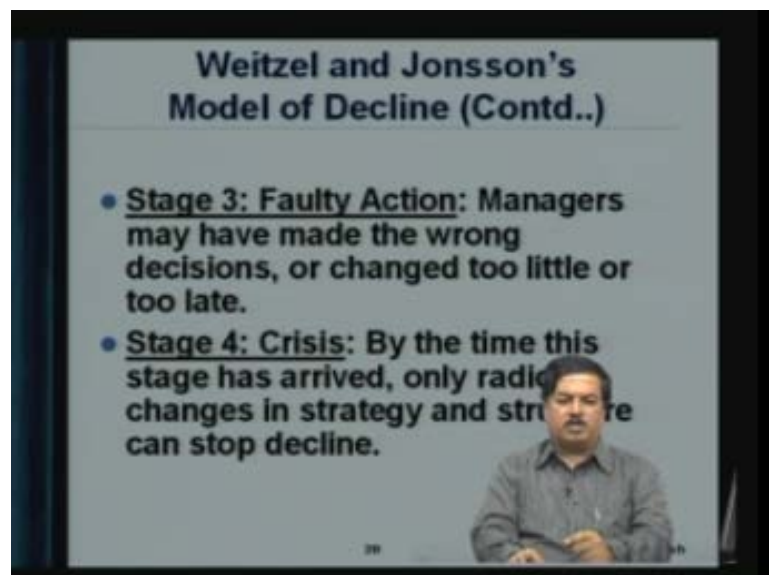
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So if you are blinded about those things because you have a committed customers and committed people for a long period of time the organization takes it for granted then the stage two is a kind of an inaction, despite very clear signals of suddenly you see that your market share is decreasing and are not able to see you know the it happened for many companies in the television markets when the foreign competition was increasing they thought as they will

be able to continue because they have the market delusion they thought they could survive it has happened in the consumer markets with particular television the fridge.

So when Samsung and LG entered many of the well established companies they thought they have the leadership in the market place but then they could not go with an offensive mode but certainly they affected their long-term health. So despite clear signs of declining of performances the top management takes a little attention or little action or sometimes no action so the blinded and there is an inaction and then stage three could be the faulty action.

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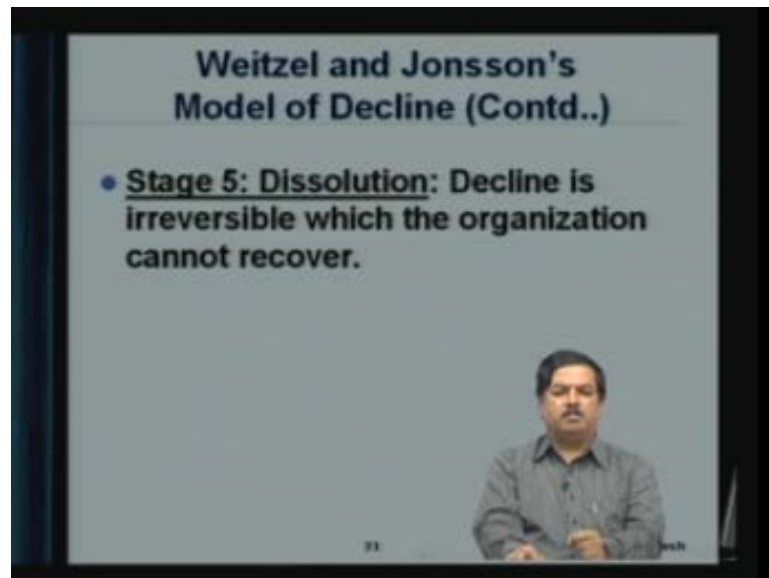
So that means you know you suddenly go in a full hog about the advertisements which may not bring the kind of a required results but you has spent lot of time and rather money but with too little kind of a thing because you have not introduced new technology or a new products but trying to create an impact in the market place through only advertisements.

So the managers may have made the wrong decisions or the change to little things. So the problems of this nature and then the stage four very clearly can be seen as a kind of a crisis by the time the stage has arrived the you know only some radical changes in strategy and structure can stop the decline.

So that means substantially you have to do a kind of a backward integration or you have to buy some new technologies because there is no time for development or you have to recruit

in a massive way to do some new things in the market place. So that means definitely a crisis has set in actions has little chances of success and organization are not to assure what if done will result in what kind of what kind of performance and that is the time where you can also see a it reaches a level of stage 5 dissolution.

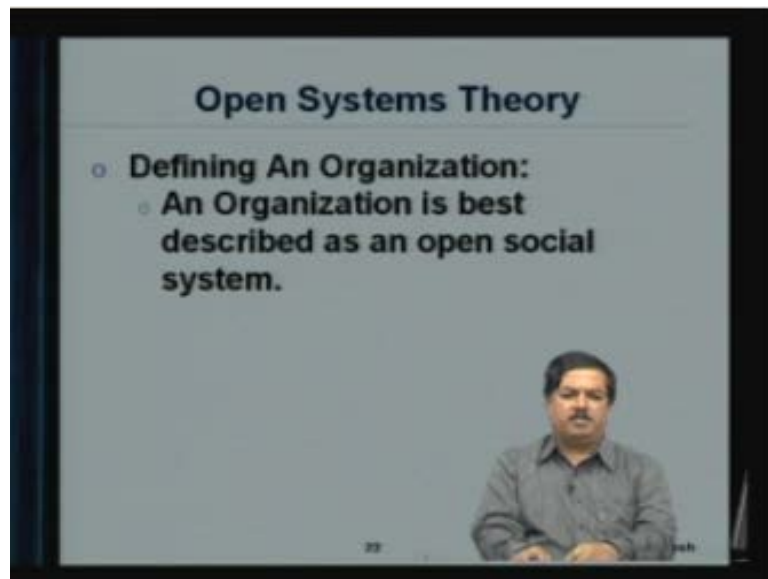
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So a kind of a decline is irreversible and which the organization cannot recover. So we have seen as this had mentioned you know these textiles many of the textile mills resulted in this. So the old machinery the ageing of workforce and attitudes are very strong no money to give incentives and unless you give incentives, no activities and by the time whatever you the things you put together you produce a quality which is of you know where you cannot market and also you are not in a position to invest in raw material which is of high quality because you have no capacity to process such fine and costly raw materials.

So in that is the stage where that you are not in a position to focus on your suppliers not on your processers not on your people and the structure is ineffective and together you know results in that kind of a sickness which can what people talk about is the turnover chances are very very low.

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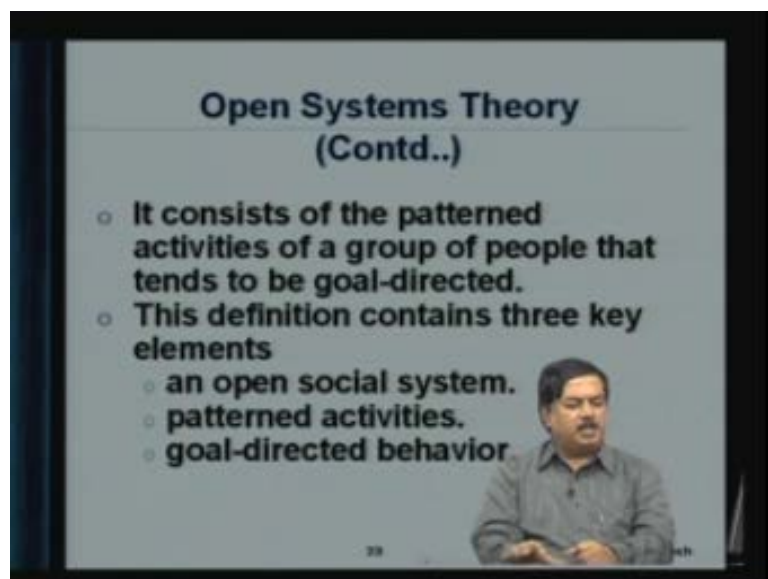
Open Systems Theory

- **Defining An Organization:**
 - **An Organization is best described as an open social system.**

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Open Systems Theory (Contd..)

- **It consists of the patterned activities of a group of people that tends to be goal-directed.**
- **This definition contains three key elements**
 - **an open social system.**
 - **patterned activities.**
 - **goal-directed behavior.**

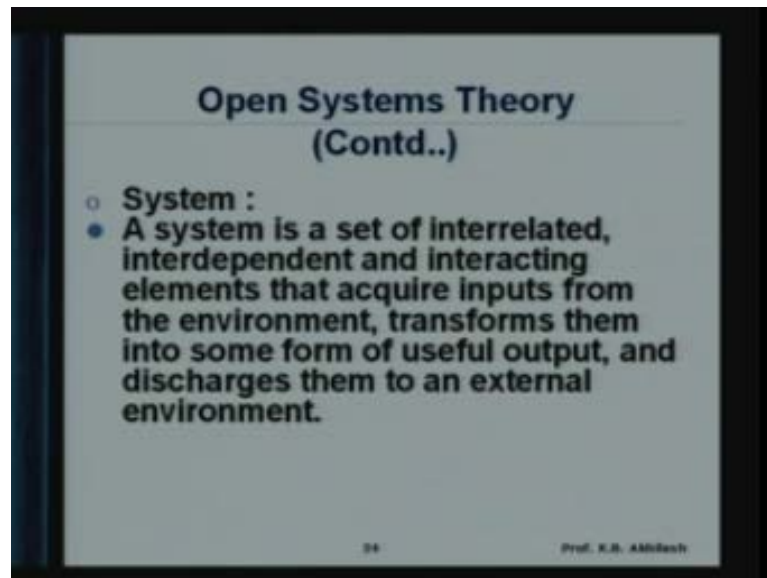
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A man in a grey shirt is visible in the bottom right corner of the slide.

So that means you are not able to turn around the organization towards any better performance. I think the important step we know the to see the organization as a open systems and in that is where open systems theory of organization becomes much more useful and understanding of this will help people to redesign and refocus, open systems theory defines an organization as the as a best could be any kind of an open social system what is what are we talking? It consists of the patterned activities of a group of people that tends to

be goal-directed and this definition contains the 3 key elements an open social system and a kind of a pattern activities and it is always a goal-directed behavior.

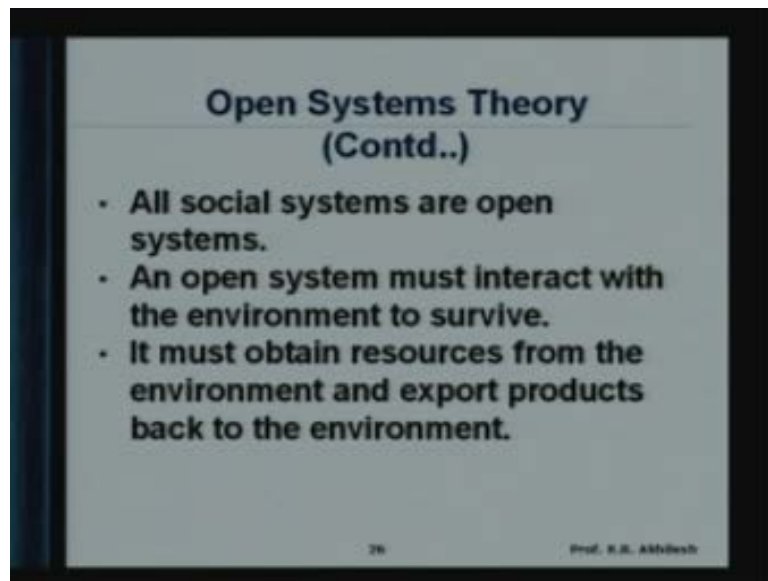
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So the all the 3 need could be elaborated and I see that the system means a set of interrelated interdependent and interacting elements that acquire inputs from the environment, transforms them into some form of useful outputs and discharges them to an external environment. So that mean there is a resource interdependent then you know the it relating where elements within the organization to convert these inputs and transformation and then continuing to the output which is back to the, so that is where we are talking about open systems theory as in transfer the social system. The social system exist within a changing social environment that requires them to adapt to the new demands.

So that means according to this theory that organizations are part of the changing context of the business economic social ecological changes within the society demands the or drives the changes within the organizational system. So in other words all social systems are open systems so no organization can say that they do not depend on the external things or the they can think that they can survive and deliver the services without understanding the changes which is coming in the societal systems. So an open system must interact with the environment to survive so that means it must obtain resources from the environment and it must export products and services back to the environment.

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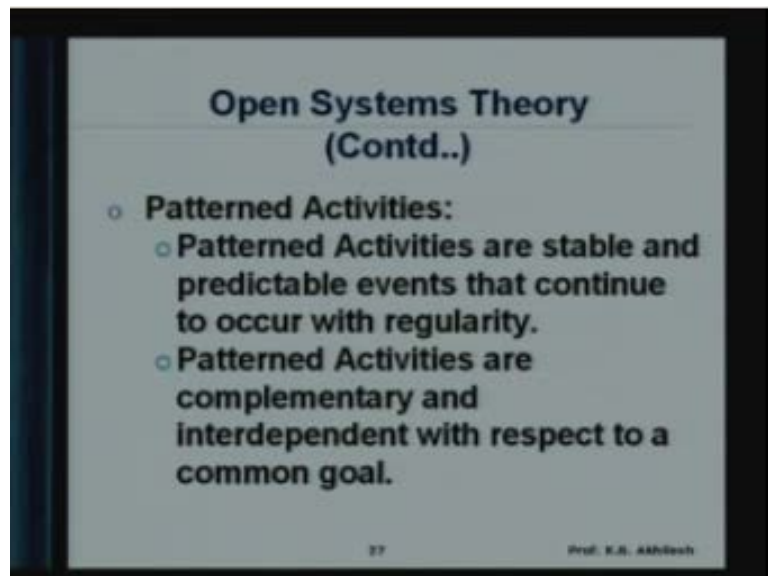


**Open Systems Theory
(Contd..)**

- **All social systems are open systems.**
- **An open system must interact with the environment to survive.**
- **It must obtain resources from the environment and export products back to the environment.**

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**Open Systems Theory
(Contd..)**

- **Patterned Activities:**
 - **Patterned Activities are stable and predictable events that continue to occur with regularity.**
 - **Patterned Activities are complementary and interdependent with respect to a common goal.**

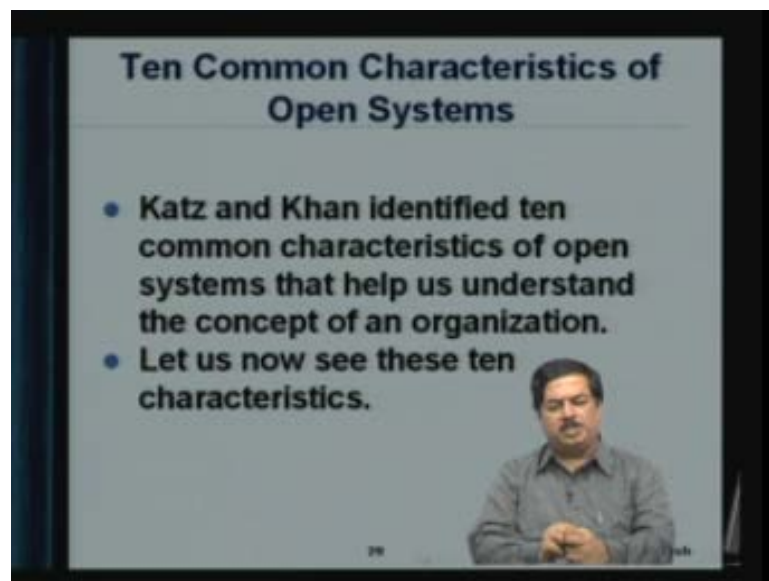
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So whatever happens in the organization it is a simple function of the kind of changes the kind of things happening at the larger system or the societal system so the when we are talking about the pattern activities the we can talk about what are the stable and predictable events I think that that continue to occur with regularity. So the even though we talk about organizational system is open systems but they are not so chaotic that means you know still

they have some boundaries, so that means activities are complementary and interdependent with respect to a common goal.

So that means every organization does set of activities which need to you know which meets the societal system requirements and also the patterned activities means that they can only be viewed maybe a kind of one at a time as they occur and then you know the for example the pattern activities in a hospital includes such activities as admitting patients conducting diagnostic tests performing operations providing health care. So that means you can see any organization does several of these things several of these things which can be put in a kind of a sequence and an interdependent fashion but one feeds to the to the other and the third view is that there are there is a common goal.

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So when we are talking about the systems then what are we talking the Katz and Khan defined the 10 common characteristics of open system that helps us to understand the concept of an organization. So we let us go through this 10 characteristics to see how it is important to maintain all of these things first is the importance of energy. So all open systems that import some form of energy from the external environment.

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Ten Common Characteristics of Open Systems (Contd..)

- 1. Importation of Energy :**
 - All open systems import some form of energy from the external environment.
 - This energy can appear in many forms, including human resources, raw materials, financial resources, status, recognition, satisfaction or future expectation.

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So that means the time whatever the organization gets creator so it is important that the in many forms it will come that means the human resources in terms of the raw material in terms of the financial resources the status the recognition satisfaction or future expectation all of these things are defined externally and then the next step is there is a throughput. So that is means the organization takes these energy and then gets into that kind of a transformation process or a throughput process.

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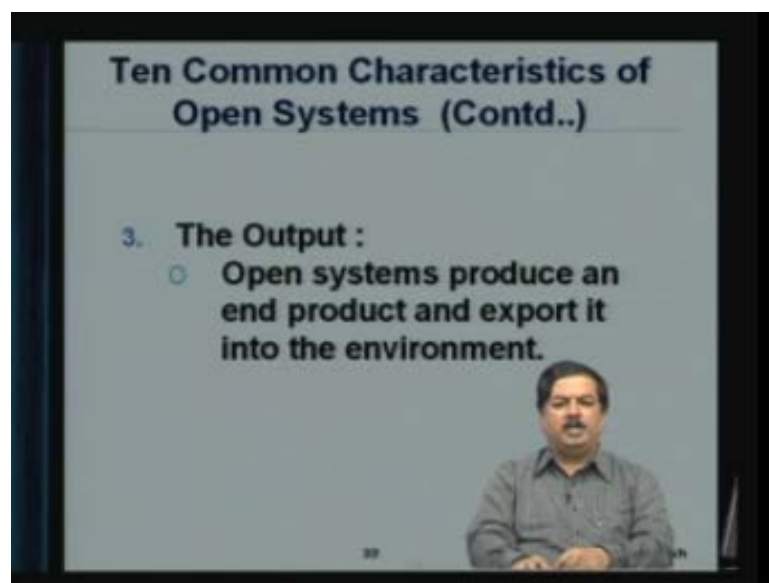
Ten Common Characteristics of Open Systems (Contd..)

- 2. The Throughput or Transformation Process :**
 - Open systems transform the energy into a product.
 - Universities conduct classes and seminars to educate students.

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So the open system transforms the energy into a product or into a service, so universities conduct classes and seminars and then educate students and educated students are seen as a kind of an output. So irrespective of whether it is a correctional system or it is an educational system or a hospital system. So every organization can be viewed as an open system, so it depends upon the energy and the resources from the outside elements and then secondly, as you know, open system theory is that they focus on this transformation which meets some of the requirements of the society.

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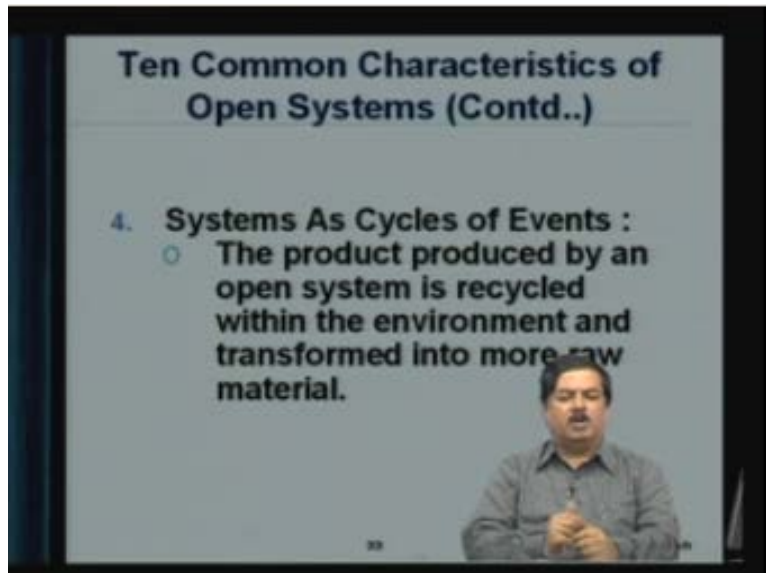


So that means there is also an output, so that means they produce an end product and a service and export it back to the environment. So there is an input and there is a throughput and the output and similarly, the system has a kind of a cycle of events. So the product produced by an open system is again it could be recycled within the environment and transformed into more raw material. So that means it is not that one time of and it can come back to the system and then you get either reeducated or you work on the same raw material to do different things and the another concept is a kind of a negative entropy.

So the open system always means you know there should be possibility of more energy coming to their organization more resources coming to the organization from its environment to the organization which expands in terms of producing its products can store energy and it can also get into that achieve negative entropy where it feels sometimes that in it can lift, it

can survive without dependent depending on the external changes you know changes or external environment and similarly, we are talking about open system thing the information input the feedback understanding and the coding processes all become very relevant.

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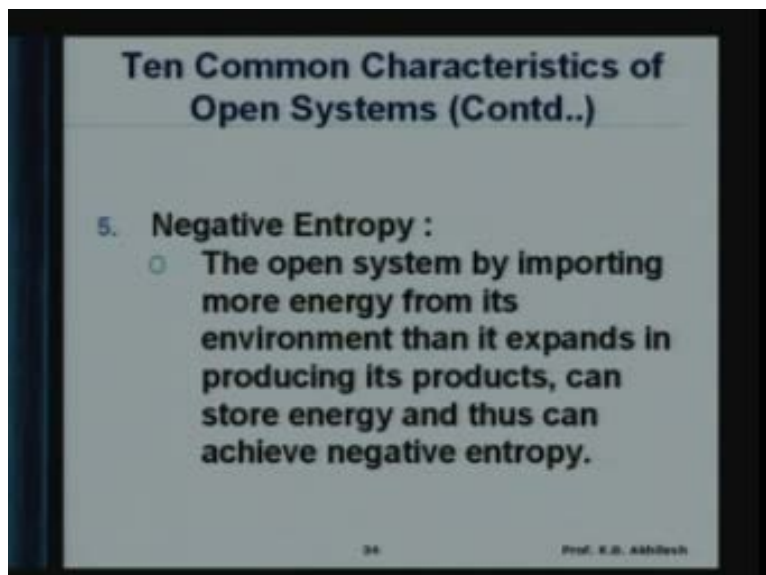
Ten Common Characteristics of Open Systems (Contd..)

4. **Systems As Cycles of Events :**

- The product produced by an open system is recycled within the environment and transformed into more raw material.

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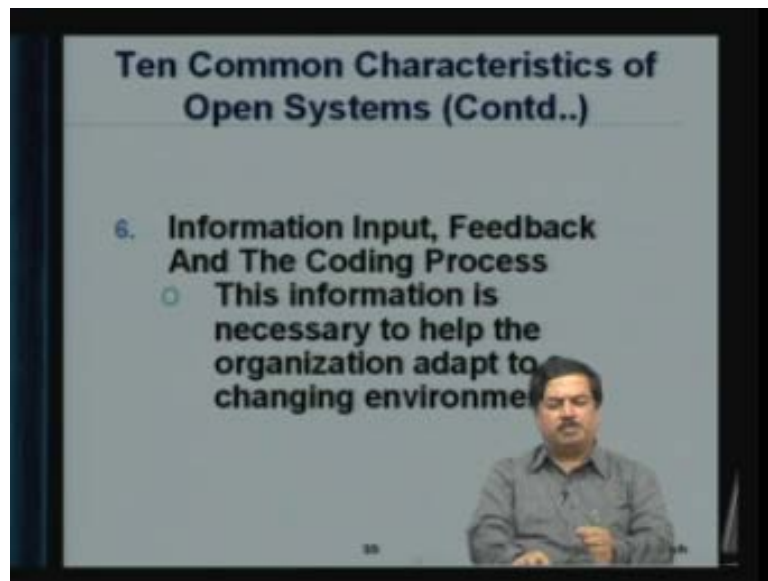
Ten Common Characteristics of Open Systems (Contd..)

5. **Negative Entropy :**

- The open system by importing more energy from its environment than it expands in producing its products, can store energy and thus can achieve negative entropy.

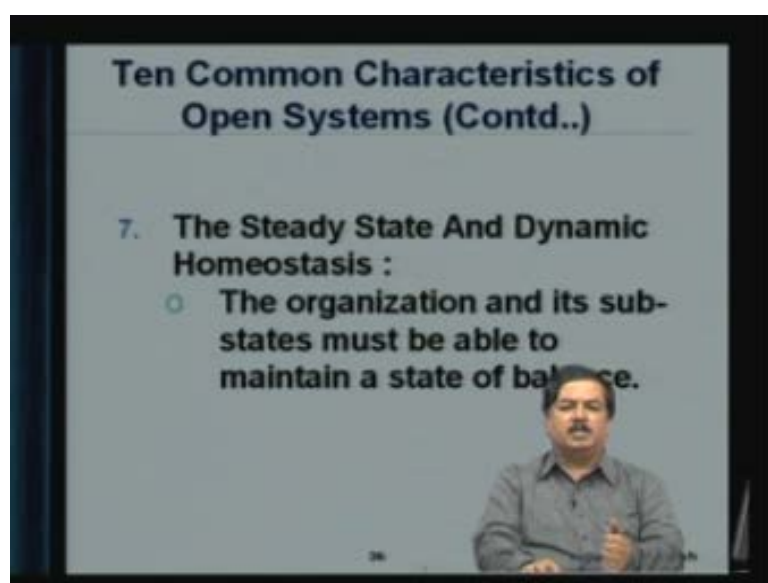
34 Prof. K.B. Ashish

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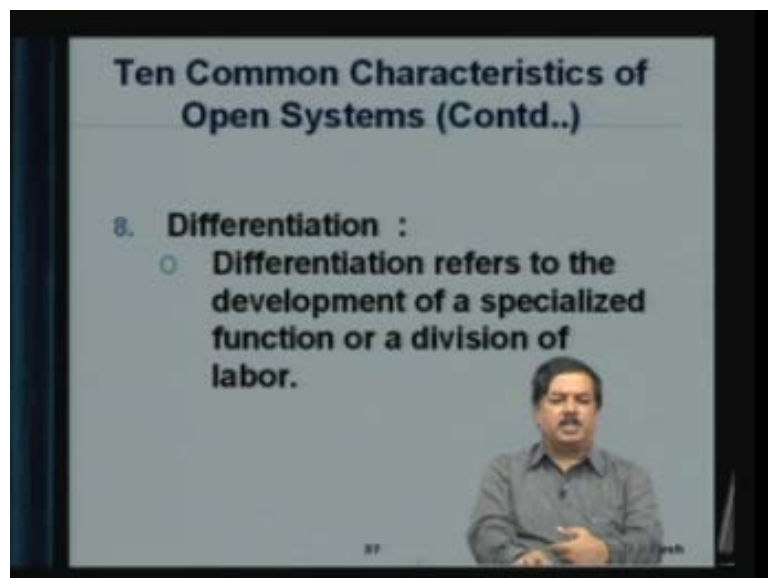
So this information is necessary to help the organization to adapt for changing environment. So that means a sensing mechanisms the clear perceptions of what is happening and the use of that external information to bring about internal changes are a part of this open systems view of the organization and similarly, we are talking about the steady state and the dynamic homeostasis.

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So that means the organization and its and its some systems and some states must be able to maintain a kind of a state of balance and in the balancing act that means you know it is, it is giving little more value to the to the external environment and otherwise, it gets pressured in terms of less resources or it may not get that kind of a required status and support from the external environment. So in other words, it is a kind of a dynamic balancing act in terms of what it uses and what it gives back to the to the other systems, another characteristics of this open system is the differentiation it refers to the development of a of a specialized function or a division of labor.

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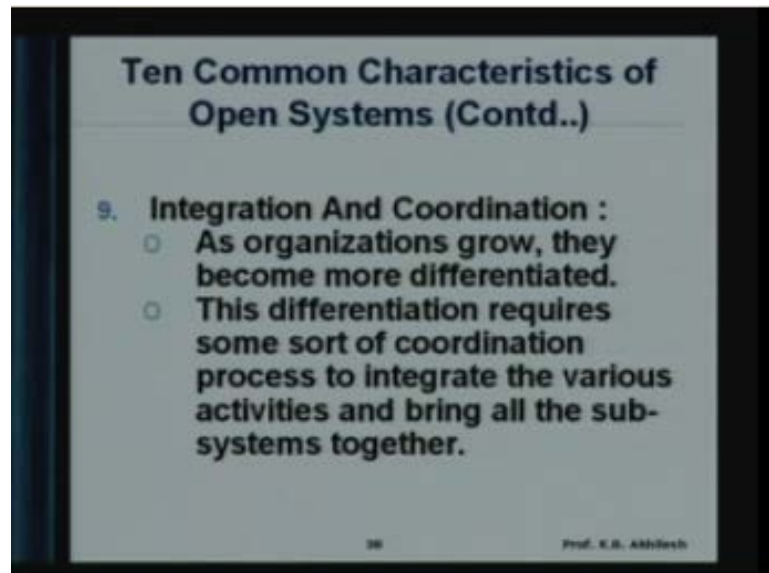


So the organization tries to so you know as it takes more resources probably whenever if they are not so environment friendly then they create a new group of people who will work on these new technologies or they may do something which is a kind of example when they cut the trees. So they may say a kind of a function which does that more and more of planting trees and forestation.

So the question is that it gets into that kind of a specialized and focus activities and it does these things to meet the kind of pressures what it gets from this environment and the ninth characteristic is about the integration and coordination as organizations grow, they become more differentiated then more differentiation is required to meet the external resource

acquisition and the kind of throughput activities and also the products and services it provides back to the open system.

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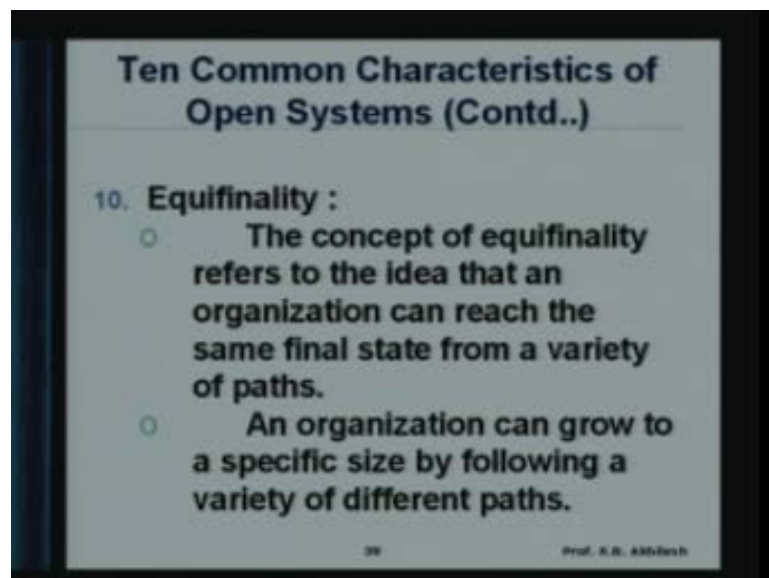
Ten Common Characteristics of Open Systems (Contd..)

9. Integration And Coordination :

- As organizations grow, they become more differentiated.
- This differentiation requires some sort of coordination process to integrate the various activities and bring all the sub-systems together.

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Ten Common Characteristics of Open Systems (Contd..)

10. Equifinality :

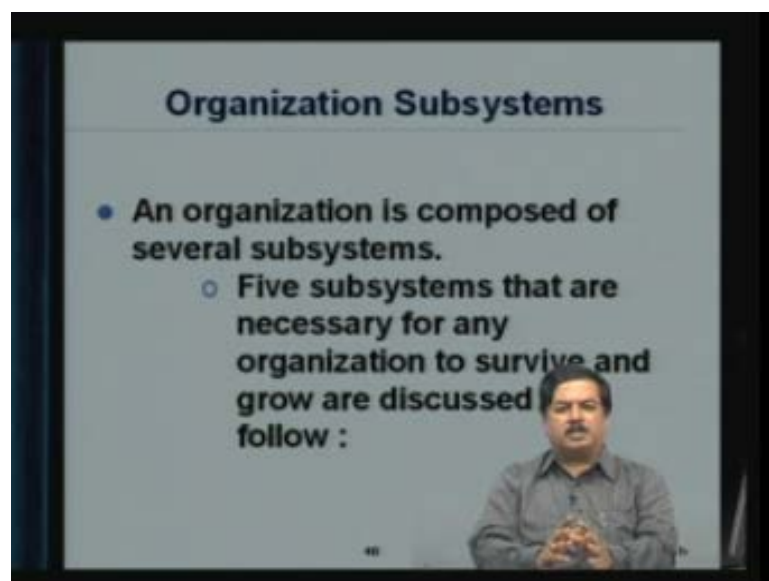
- The concept of equifinality refers to the idea that an organization can reach the same final state from a variety of paths.
- An organization can grow to a specific size by following a variety of different paths.

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So then this differentiation requires some sort of coordination, so process to integrate the various activities and making sure that there is no wastage of resources, wastage of activities and bringing all the subsystems together and the other word is used this equifinality. So the

concept of equifinality refers to the idea that an organization can reach the same final state from a variety of paths. So that means there are different methods to achieve, so organization has the always the goal centric and also can adopt different methodologies to identify or they get into that in results. So a specific size by following different paths sometimes it can increase the capacity of the people sometimes more people can do or it can do less people with more technology and things like that and that is where the relationship between organization as a whole and organization subsystems becomes very necessary.

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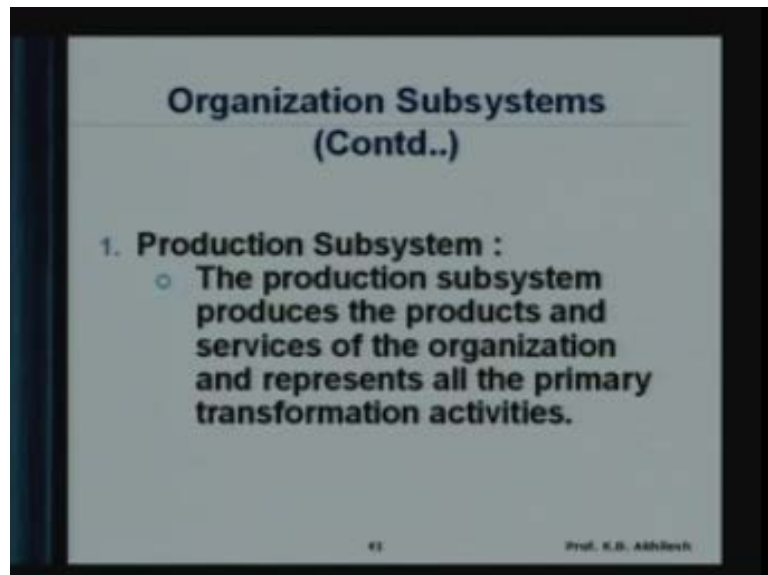


So an organization and is composed of several subsystems and so 5 systems, 5 or 5 subsystems that are necessary for any organization to survive and grow or to you know or very relevant and we can focus on those subsystems one of the key subsystems is this production subsystem, the production subsystem produces the products and services of the organization and represents all the primary transformation activities.

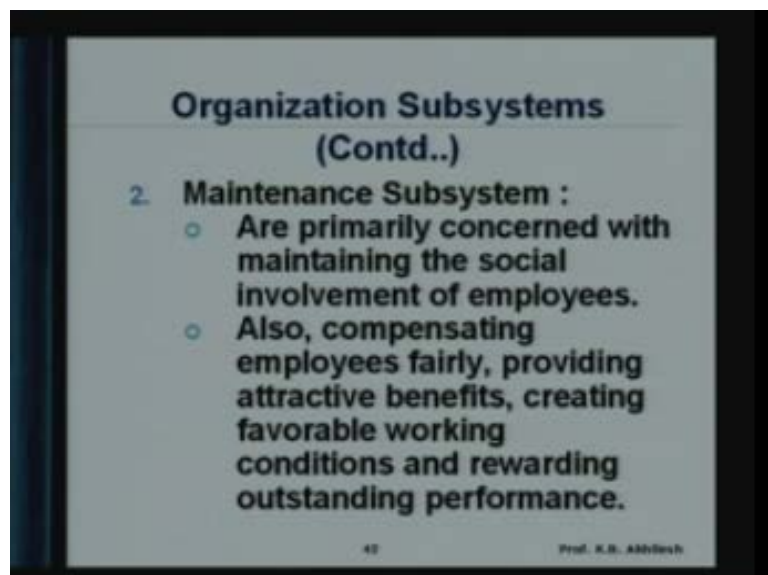
So whenever we see production subsystem it is focusing on this speed, it is focusing on the efficiency, it is focusing on the using of the less material but giving more value and the other one is the maintenance subsystems, they are primarily concerned with maintaining the it could be the social involvement of the employees or making sure that the machineries are may not kept up-to-date the older machineries are replaced or the compensating employees

have fair manner. So providing attractive benefits making sure that task are not seen as monotonous.

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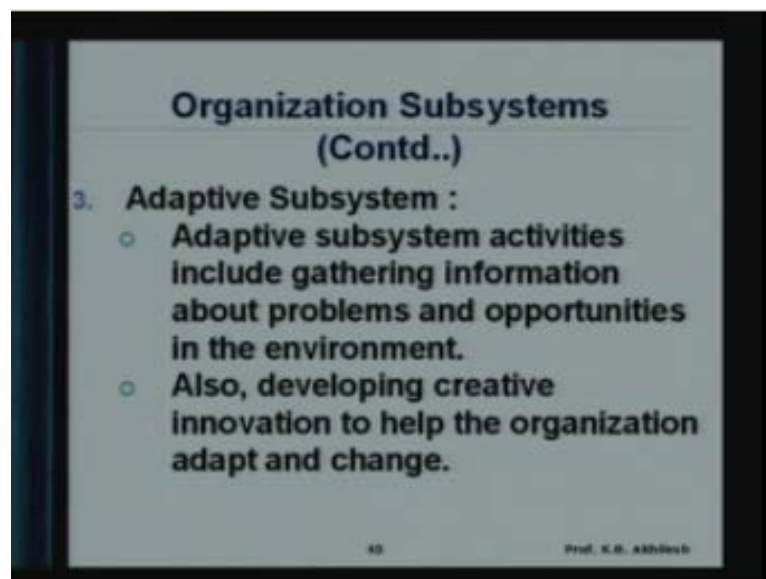
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So creating favorable working conditions and rewarding outstanding performance to create motivation. So that the activities are performed at the expected levels, so the maintenance subsystems is equally important compared to that what we are talking about the production

subsystems then you also require the adaptive subsystems, the adaptive subsystems activities include clearly the gathering information about the problems and opportunities in the environment. Today, we are using this adaptive subsystem to the next level called the BI business intelligence, you understand the kind of customers you understand the suppliers, you understand the kind of a governing or rules and mechanisms in the society.

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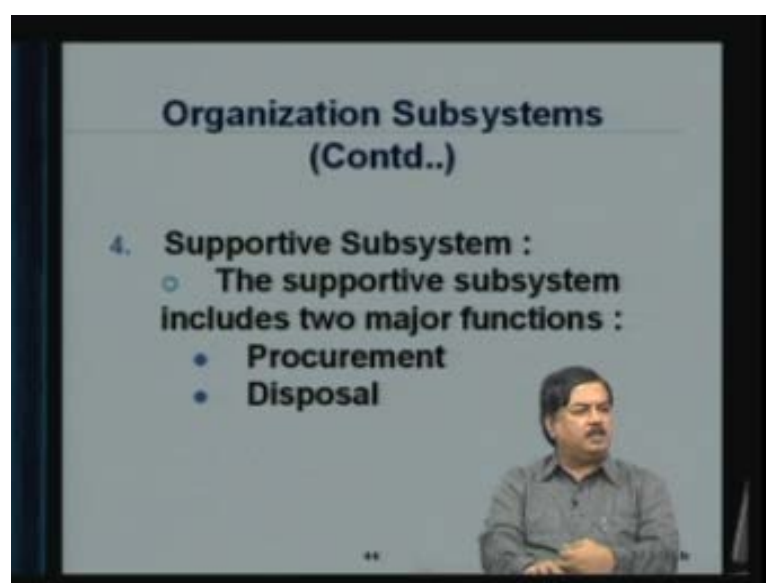
**Organization Subsystems
(Contd.)**

3. **Adaptive Subsystem :**

- Adaptive subsystem activities include gathering information about problems and opportunities in the environment.
- Also, developing creative innovation to help the organization adapt and change.

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**Organization Subsystems
(Contd.)**

4. **Supportive Subsystem :**

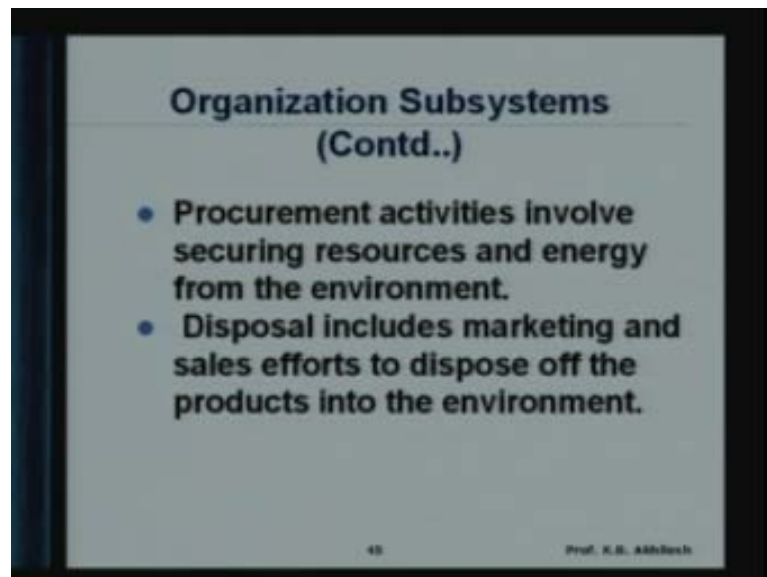
- The supportive subsystem includes two major functions :
 - Procurement
 - Disposal

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So continuously adaptive subsystems gather the data and analyze these data for the organization and so developing creative innovation to help the organization to adapt and change. So it depending on what are the new rules of the game, so the adaptive subsystems are also at the it helps the organization to be looking for newer opportunities, growth opportunities and also creating a new value to the stakeholders, customers, the suppliers and things like that then one should also talk about the supportive subsystems.

So the supportive subsystems includes two major functions both in terms of the procurement as well as the disposal when we are talking about today the supply change management, we are really talking about the procurement systems in fact today the arguments in the business situation is that everybody can have a locational advantages, everyone will also have a technology advantages. So what really matters is that the way efficiently they are able to gather the raw materials and with the speed with which they can supply and do that required servicing.

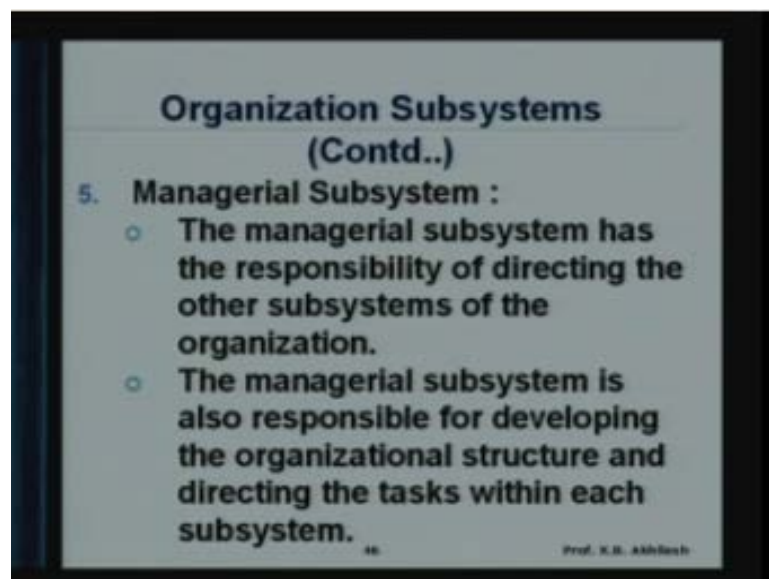
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So the supportive subsystems essentially perform these roles of the procurement and and also the disposal and the what we are talking about procurement activities involve securing resources and energy from the environment and the disposal includes marketing and sales efforts to dispose off the products not in the negative term what you know in terms of reaching out to the customer into the environment. So the procurement and the disposal

subsystems are so critical today because the throughput technology all these are getting standardized and so the margins the performance things come around this these two subsystems and finally, when also talks about the managerial subsystems, the managerial subsystems has the responsibility of the directing the other systems of the organization, what we talked about the throughput, the acquiring of the resources, how these resources should be reaching different groups in environment in terms of the disposal.

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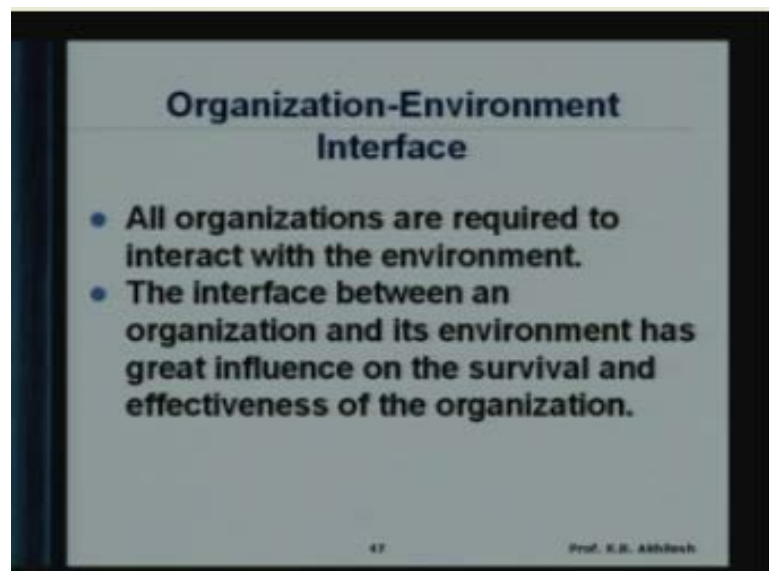
**Organization Subsystems
(Contd.)**

5. **Managerial Subsystem :**

- **The managerial subsystem has the responsibility of directing the other subsystems of the organization.**
- **The managerial subsystem is also responsible for developing the organizational structure and directing the tasks within each subsystem.**

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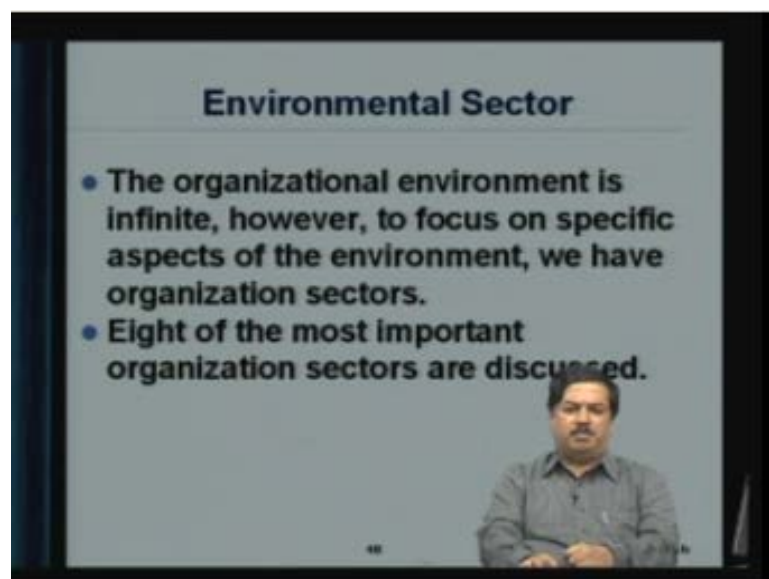
**Organization-Environment
Interface**

- **All organizations are required to interact with the environment.**
- **The interface between an organization and its environment has great influence on the survival and effectiveness of the organization.**

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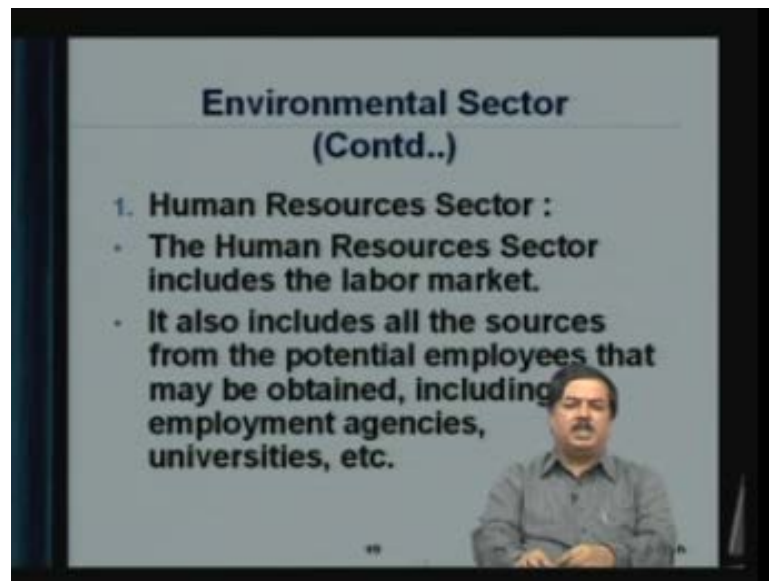
So the managerial subsystem is also responsible for developing the organizational structure and directing the task within the each of the subsystems. So together all these the 5 systems help the organization to perform at different stages of its growth and the a sustenance of this growth. So the next important thing when we need to see is that all organizations are required to interact with the environment, I think that is what is the concept of the open systems? So the interface between the organization and its environment has great influence on the survival and effectiveness of the organization.

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So how does this organization can relate to or can understand. So when we see the environment, the organization environment is the you know one can see as an infinite. However, it is to focus on specific aspects of the environment what people call it as where the we have to organizational sectors. So the eight of the most important organizational sectors are very relevant and we can discuss on those things. So people talk about this as the relevant environment or the specific environment or where the organization dependencies on the environmental elements are very high or also it gets influenced by these elements for its survival and for its growth, what are those eight elements? The human resource sector is one of the key things what people also call it as the labor markets.

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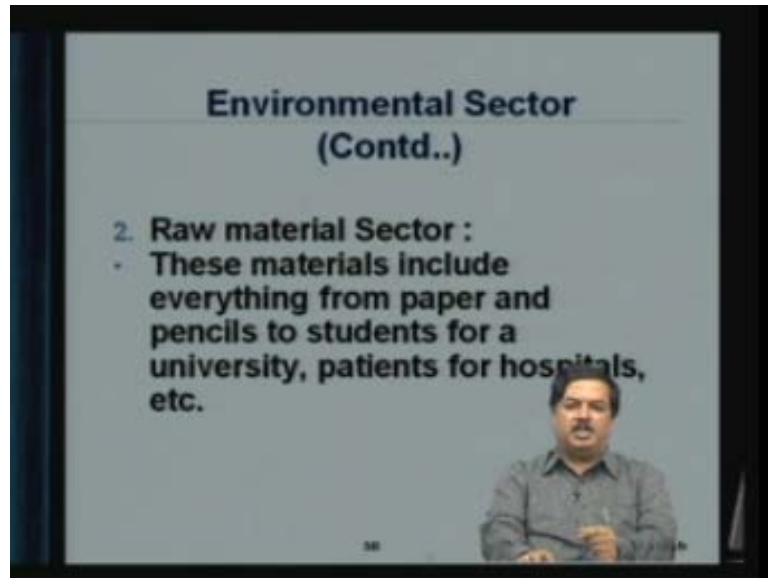
So the human resource sector includes the labor market and the dimensions of labor market in terms of it include the sources from which the people will come to the organization or the potential employees. So how you can get them it also talks about the various employment agencies it talks about the educational system in general the universities many of these things. So that means the organization critically depends on its kind of a quality and the capacities and the competencies of its you know manpower.

So the when sufficient supply is not there the organization gets affected where then you know the when sufficient supply is not there the organization gets affected where the you know the you may not get the kind of a right people for the right job. So then organization invest in educational institutions and then possibly contributes for restructuring of the syllabuses, restricting of the training process itself if these things cannot be done then organization has to spend much more time and resources within the organization to transform this human resource.

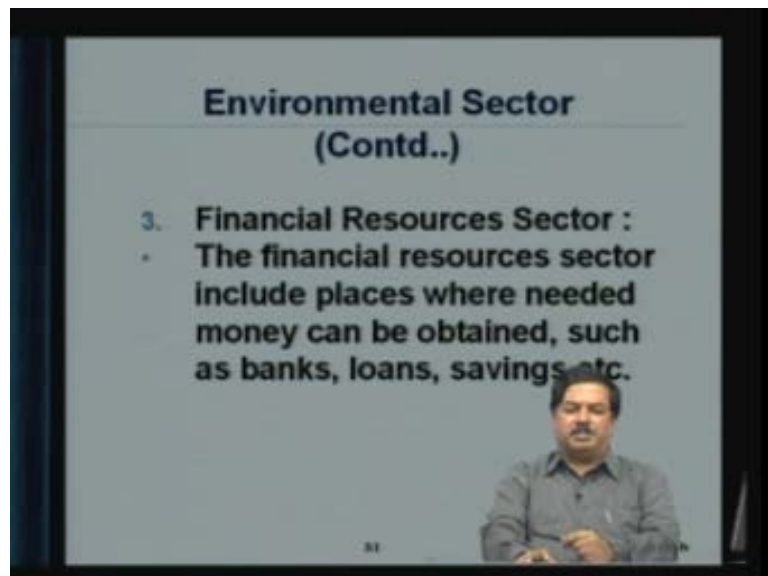
So this is one of the key dependence and the second part is the kind of a raw material. So the raw material sector means now we are talking about the in an university system it could be the paper, it could be the pencils, it could be the technologies you know, it could be in terms of the you know people talk about the in an a hospital so the it is patients, it is a very wrong thing to talk about patients as a raw material but what is important is that the from the

students is a kind of a raw material for the educational institutions to a patient in an hospital system, it is purely the different kinds of materials in a manufacturing sector.

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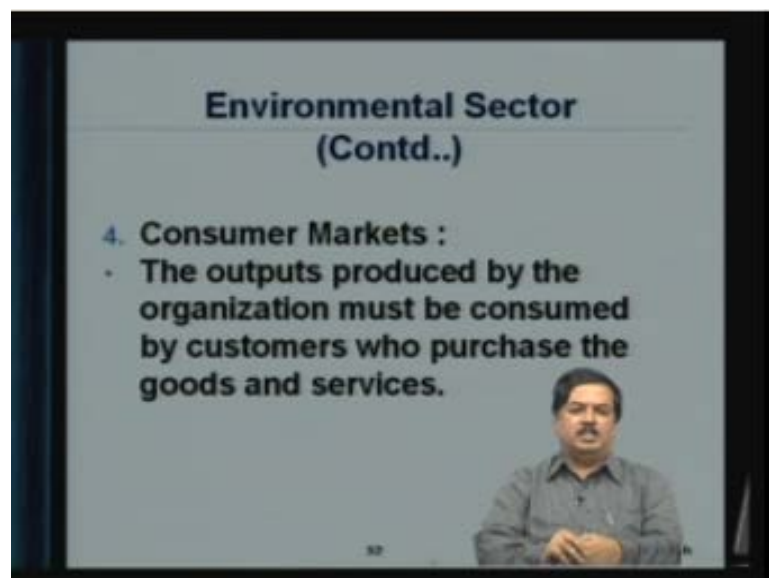
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So the supply of this raw material, the consistency and the quality of the raw material influences the overall performance of the organization both it is a throughput activities as well as the kind of output it talks about it satisfying the environment elements apart from

human resource and then the raw materials, the third one is the financial resources. So the financial resources includes definitely the way they can require money can be obtained the it could be the banks, it could be the loans, it could be the kind of savings of different people, it could be the donations, it could be the grants it could be the kind of the financial resources which organization has to get from this environmental elements. The human resource, the raw materials the financial resources and the next one could be in terms of the consumers and the markets. The outputs produced by the organization you know there is you are talking about the consumers, it should be consumed by the customers and who purchases who pay for the goods and services of the organization.

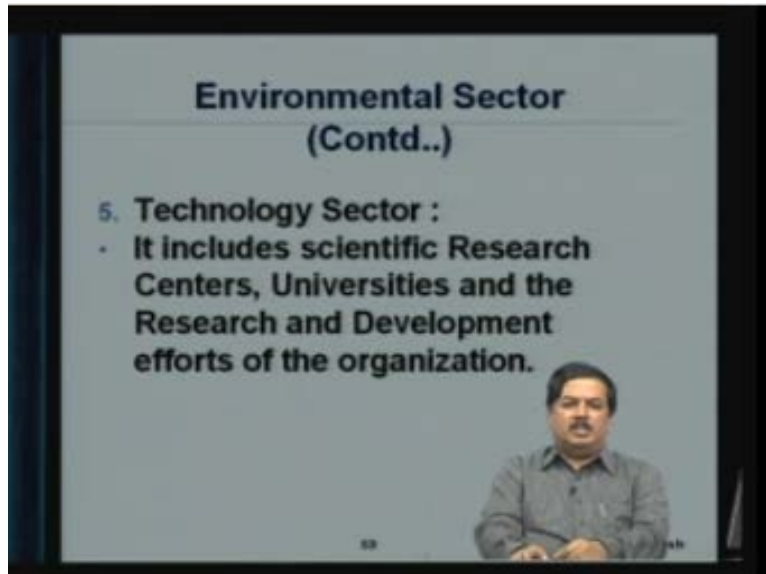
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So some are highly driven by the consumer markets and consumer preferences for example, the fashion items the, it highly depends upon the kind of a the market fluctuations and the market changes and similarly the fast moving consumer durables called the FMCG's also depends substantially on the consumer preferences it can change and as it changes it has to provide some newer things. So the consumer and consumer preferences in the markets is an another aspect which organizations bother and respond to. The next one is the technology sector it includes the kind of developments happening within the within the particular technology domain, we have seen the kind of cell phones.

So as you have seen the new technologies are integrated into the cell phones. So the what kind of work is going on within that the you know if you see technologies, it could be happening in the lab level the scientific research centers or it could be at the universities or it could be the kind of R and D efforts within the organization or with the similar organization.

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**Environmental Sector
(Contd..)**

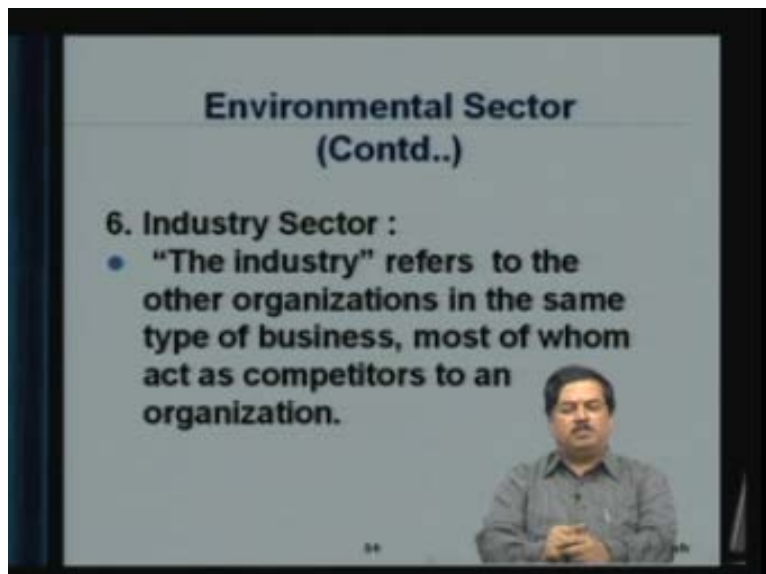
5. Technology Sector :

- **It includes scientific Research Centers, Universities and the Research and Development efforts of the organization.**

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**Environmental Sector
(Contd..)**

6. Industry Sector :

- **"The industry" refers to the other organizations in the same type of business, most of whom act as competitors to an organization.**

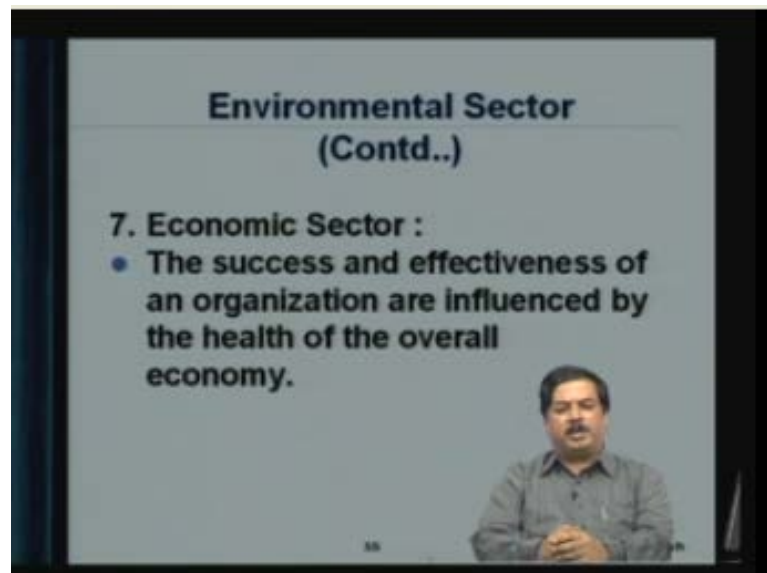
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So the technology provides another it is what people are talking about a kind of a competitive edge. The next important thing is the industry sector, so the when we are using this word industry it refers to the other organizations in the same type of business it could be the machine tool and machine building or it could be in the textiles or it could be in the automotives or it could be in the Agri business. So what you are trying to see is that what are the other organizations doing?

So in the similar industry if there is lot of other people are coming into that similar industry then you are seeing a kind of a very competitive kind of a situation if you are only one then you know, you are in a kind of a very monopolistic state kind of a situation. So the industry sector the here we are trying to see how many people how many organizations how many entities are doing the similar kind of activities and how many of them are in direct competition between providing extremely similar services and very close to the kind of operation, what the organization is doing and the next one is the economic sector, the success and effectiveness of any organization are influenced by the health of the overall economy. In other words, the success depends upon the overall employment availability.

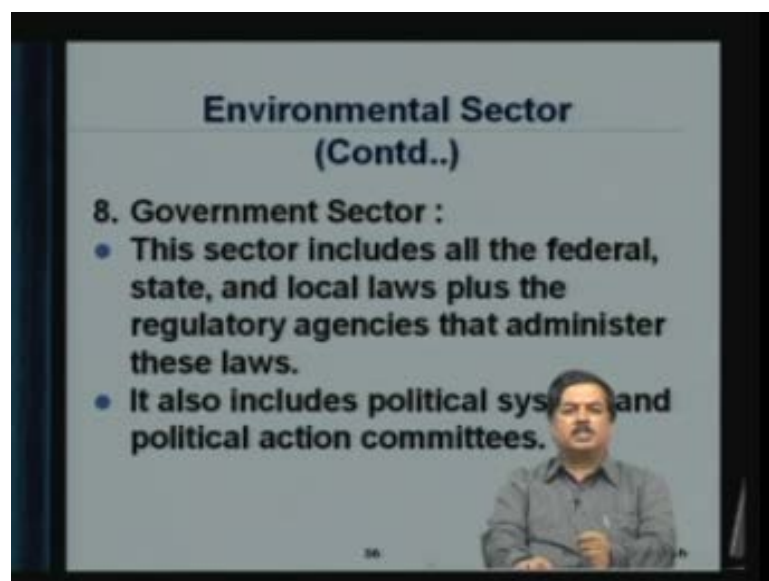
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So if the more growth in employment sector means there is more economic activity with the more economic activity with more money supply things like that. So for example for a machine made in company that you know the success of that depends upon the automotive

companies, say more you know people are buying automobiles then you know the success for that success for that particular organization. So more automotive for buying means it then there must be more money supply, so that means more employment must be there. So the more employment demands that an influence in the housing and similar things. So the question is that each of the sector in the economy feeds to the other. So a booming economy is one kind of a situation or a an economy with recessionary kind of a tendencies where money supply is less the people are not in a position to buy.

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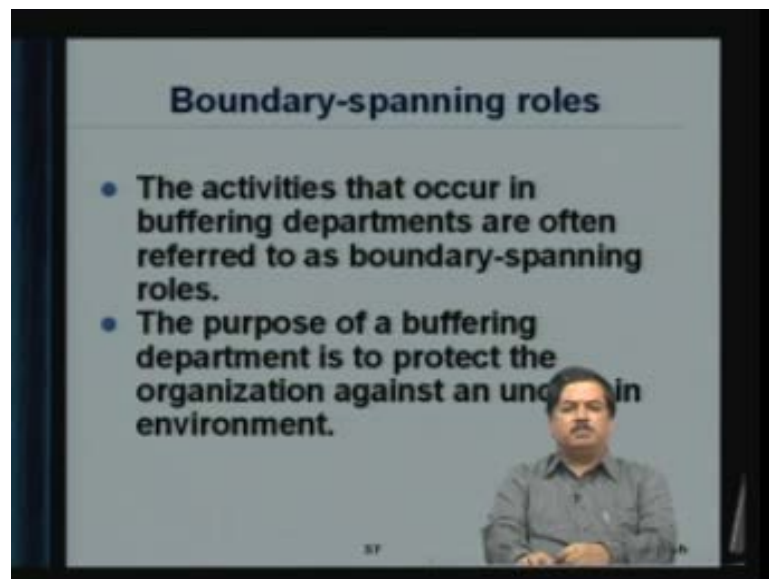


So consumers are very careful there are holding and the holding on to the kind of wealth whatever they have and then you see there is not much of an economic activity and people use this word like the word stagnation or recession. These things do influence the performance of the organization and the other important thing is the government sector. So this sector includes the federal, the state as well as the local laws which influences the regulatory aspects, it could be the allocation of the land or it could be the shift hours or it could be the employment or certain categories of people.

So many of these things through influence and what people also use this word government as well as the political system and the political action and committees we are seeing suddenly brings pressures on the organization and it may create an opportunity or it may seriously inhabit the opportunities before the organization. So in government sector when the

government we are talking about the policies and practices not only of the local governments but at the state as we have seen in terms of the language in terms of the employment of the local persons or the federal laws about the taxation or about the kind of exchange rates and things like that which can economic as well as the government factors can affect the performance of the organization.

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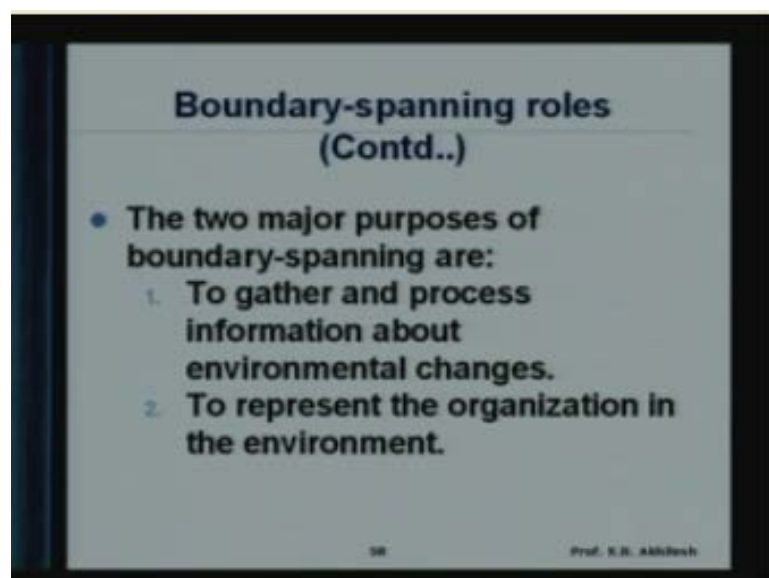
Boundary-spanning roles

- The activities that occur in buffering departments are often referred to as boundary-spanning roles.
- The purpose of a buffering department is to protect the organization against an uncertain environment.

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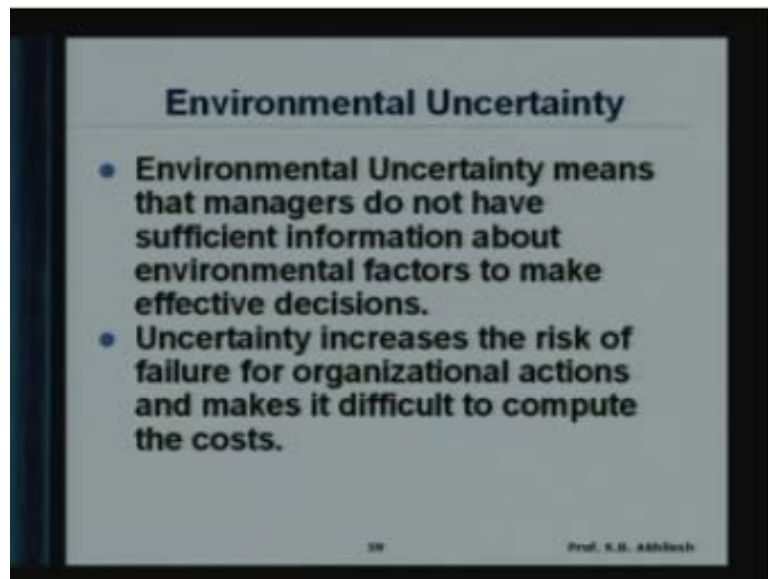


**Boundary-spanning roles
(Contd..)**

- The two major purposes of boundary-spanning are:
 1. To gather and process information about environmental changes.
 2. To represent the organization in the environment.

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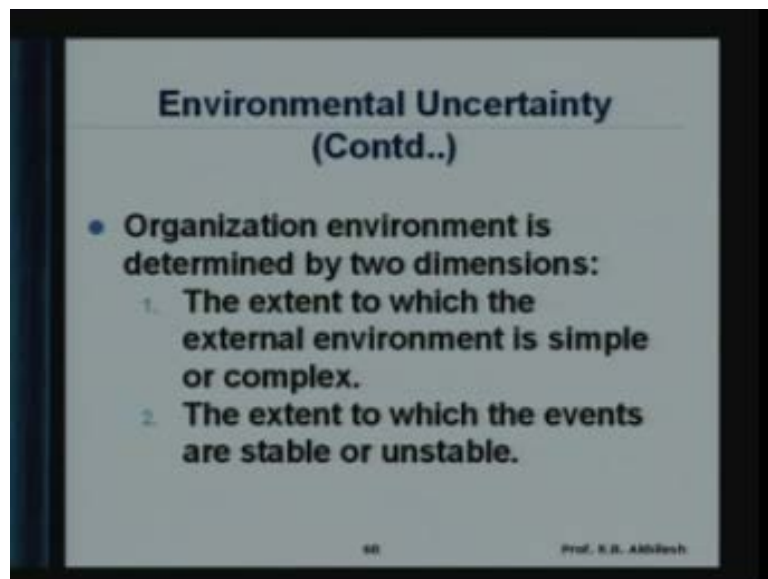


Environmental Uncertainty

- **Environmental Uncertainty means that managers do not have sufficient information about environmental factors to make effective decisions.**
- **Uncertainty increases the risk of failure for organizational actions and makes it difficult to compute the costs.**

39 Prof. K.B. Abdallah

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Environmental Uncertainty (Contd..)

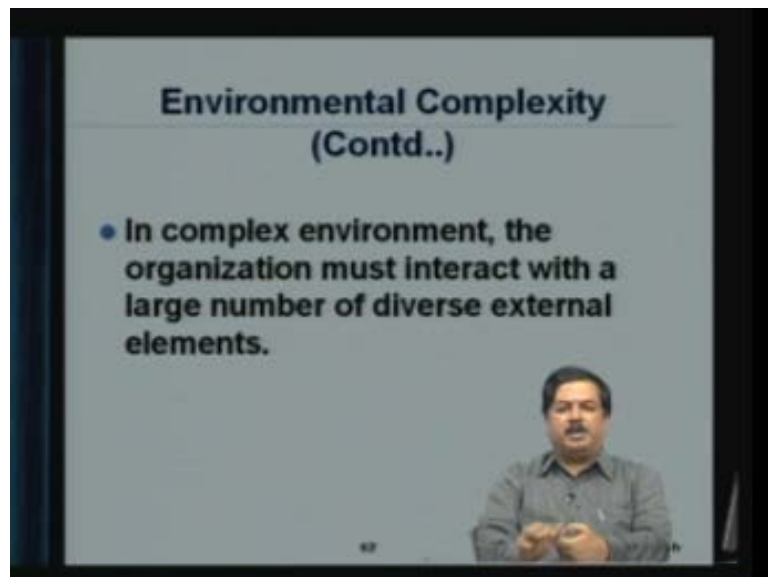
- **Organization environment is determined by two dimensions:**
 1. **The extent to which the external environment is simple or complex.**
 2. **The extent to which the events are stable or unstable.**

40 Prof. K.B. Abdallah

So in this kind of a thing the what is important is the boundary-spanning roles, the activities that occur in buffering departments are often referred to as this boundary-spanning roles. So basically to scan the environment and interpret the details of the environment to the organization, so to gather and process the information about the changes what is happening in the environment and then to represent the organization by providing proper information and the details to the others. So this is where the two important activities of the boundary-

spanning and to deal with environmental uncertainty that managers do not have sufficient information most of the time. So they have to take very clear decisions to make the organization effective.

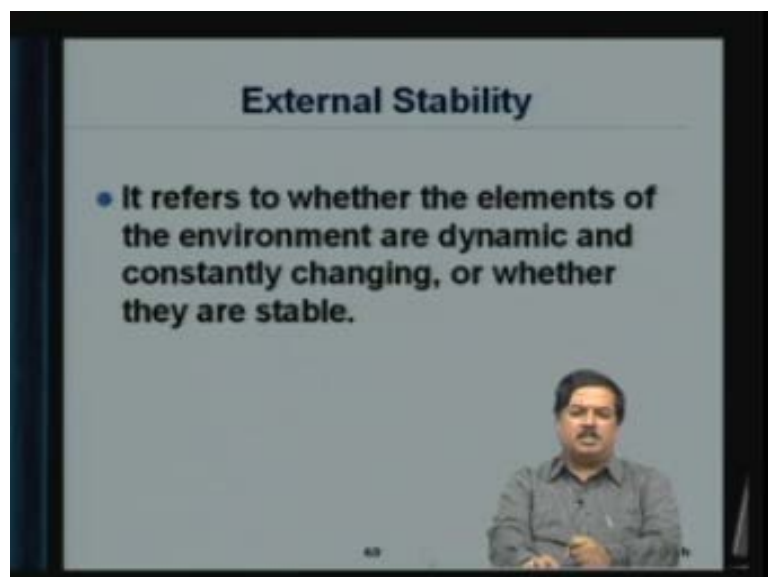
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**Environmental Complexity
(Contd.)**

- **In complex environment, the organization must interact with a large number of diverse external elements.**

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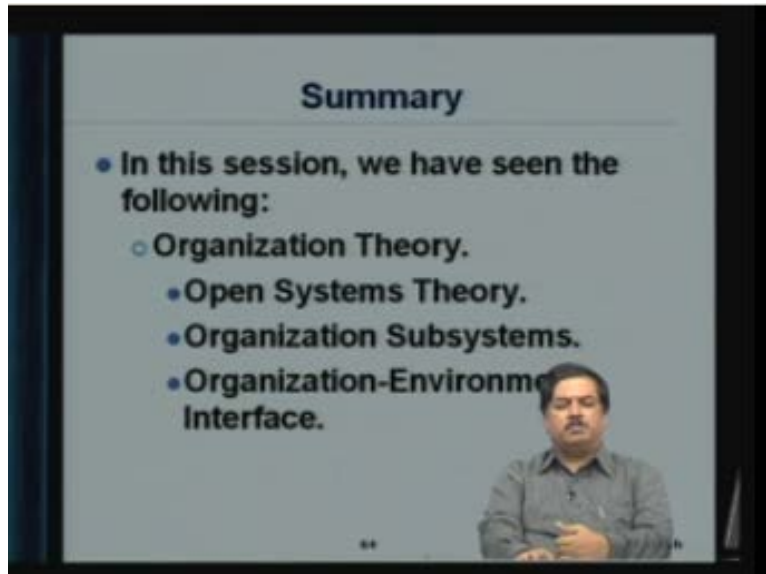
External Stability

- **It refers to whether the elements of the environment are dynamic and constantly changing, or whether they are stable.**

So that is where there is kind of a risk and one needs to talk about the risk and uncertainties and organizations have to take actions to make this more effective and it is

sometimes they are very difficult to compute the cost of these things. So that is where the extents to reach the whole external environment is simplest or simple or complex and you know the whether the events are stable or unstable. So dynamic static or simple or complex it defines the how organization can respond to.

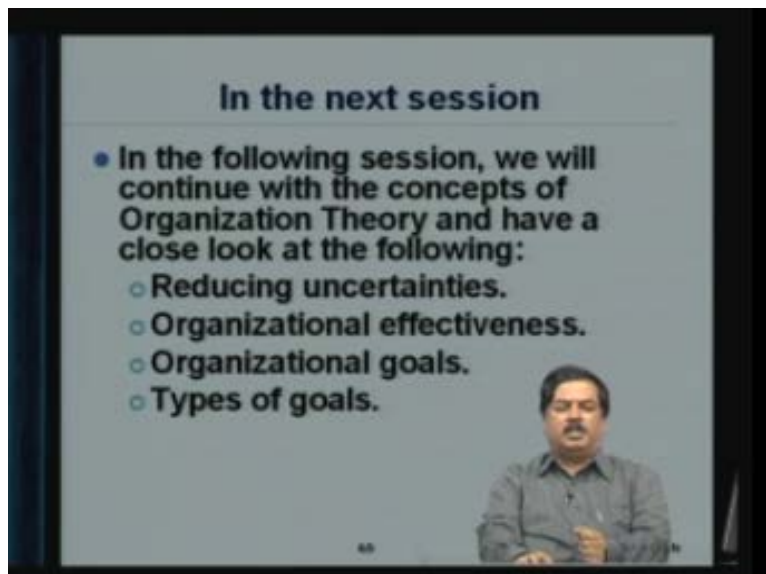
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Summary

- In this session, we have seen the following:
 - Organization Theory.
 - Open Systems Theory.
 - Organization Subsystems.
 - Organization-Environment Interface.

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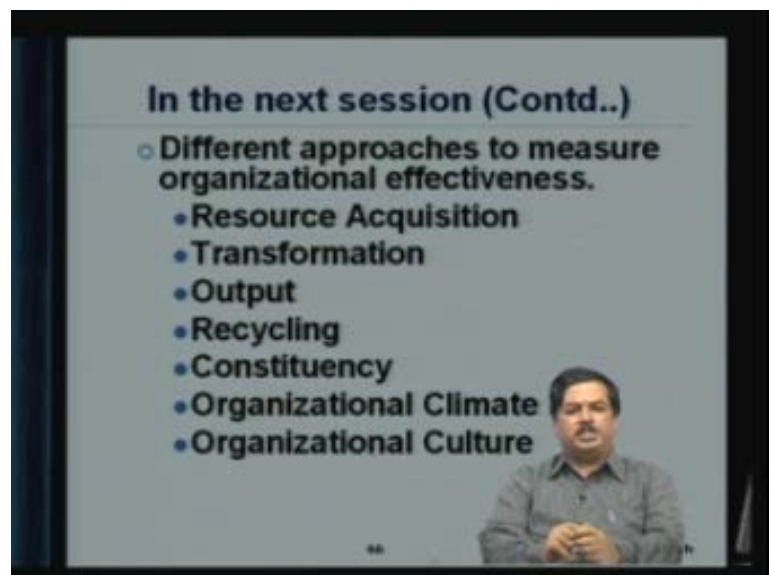


In the next session

- In the following session, we will continue with the concepts of Organization Theory and have a close look at the following:
 - Reducing uncertainties.
 - Organizational effectiveness.
 - Organizational goals.
 - Types of goals.

So the complexity refers to the number of external elements that are relevant to the organization a simple environment where the organization interacts with only one small with one a very small number of external elements but in a complex thing it is dealing with several stakeholders which may influence the performance of the organization. So complex environment must interact with a large number of diverse external elements and then and then the it always tries to have that kind of a stability. So the external stability refers whether the elements of the environment are dynamic and constantly changing or whether they are stable, stable means the rate of change is slow.

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We will explain on these things further but essentially what we have covered in this session is we have talked about organizational theory particularly, the open systems theory, organizational subsystems and how organization environmental interface gets defined and in the next session, we will continue our discussion on the how to reduce these uncertainties and how organizational theory helps in terms of increasing the organizational effectiveness and how organizations can achieve its goals and various types of goals and the different approaches to measure these organizational effectiveness from resource acquisition, transformation, output, recycling, consistency and also we will talk about organizational climate and organizational culture and the organizational theory helps us to get this overall picture or the functioning of the organization in its different forms.