

ORGANIZATION AND MANAGEMENT

Third Edition

A SYSTEMS AND CONTINGENCY APPROACH

FREMONT E. KAST • JAMES E. ROSENZWEIG



INTERNATIONAL
STUDENT
EDITION

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Third Edition

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INTERNATIONAL STUDENT EDITION

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A Systems and Contingency Approach

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Preface

This book is about organizations and their management. We are all aware of the dramatic changes that have taken place in our society over the past century. The transformation from a predominantly agrarian society with emphasis on the family, informal groups, and small communities to a complex industrial society characterized by the emergence of large, formal organizations has affected our lives in many ways. We are amazed at accelerating and apparently unbounded scientific and technological achievements, but a second thought causes us to recognize a major factor underlying these achievements—our ability to develop and manage a vast array of *social organizations* for accomplishing our purposes. Designing and managing complex organizations is a social technology that is comparable to the physical manifestations of technology evident in our communication systems or space programs. *Effective management* of human endeavor is truly one of our greatest accomplishments, and it is a continuing challenge.

You are affected by organizations and management in many of your daily activities—sometimes for the good and sometimes for the bad. Indeed, some aspects of your life may seem disorganized and mismanaged. Organizations designed to serve you—schools, government agencies, businesses, and so on—may appear to hinder progress toward your individual goals. Your new car is recalled by the manufacturer because of a defective brakeline, transit employees are on strike to protest management's use of part-time drivers, and the first class you attend (after hitchhiking to school) is cancelled because of lack of staff. These are examples of unintended consequences of organization and management which, although they are evident and noteworthy, often obscure the predominantly functional aspects of organizational endeavors.

Families, clubs, schools, hospitals, restaurants, retail stores, distributors, manufacturers, financial institutions, cities, states, and federal agencies provide goods and services that we, as individuals, cannot provide for ourselves. We are members of an organizational society—people cooperating in groups to accomplish a variety of purposes. Overall, the system works reasonably well.

Organizations come in various types, sizes, and forms and are designed to accomplish specific goals. Our purpose in this book is to help you understand organizations better—what makes them work well and what makes them not work so well. Understanding the factors and forces involved should help prepare you to be a more effective organizational member. In addition, increased knowledge plus skill gained through experience should enhance your potential as a manager and leader.

Systems and contingency concepts have become key considerations in the study of organization and management. A systems philosophy is a way of thinking about complex human endeavors. It facilitates recognition of the context within which organizations operate and emphasizes *understanding* the interrelationships among the various activities that are required to accomplish goals. A contingency view is a way of thinking about managing organizational endeavor. It facilitates situational diagnosis that leads to managerial *action* that is appropriate in specific circumstances.

In this edition we have continued to develop the open-system model as an overall framework for understanding organizations and their management. We have illustrated contingency views throughout our discussion of the various organizational subsystems. We have expanded our treatment of comparative analysis by including more material on organization and management in other countries. We have added a chapter on the city to complement earlier coverage of the hospital and the university.

This book is not meant to be the last word. Rather, we hope that it is an integrated view of organization theory and management practice at one particular time. The field is evolving and dynamic; it is difficult to keep the concepts and research findings up to date with actual practices.

We wish to thank our students and colleagues in the Department of Management and Organization, University of Washington, who have questioned many of our ideas—lending both support and criticism. In academia, an active, intellectually stimulating environment is essential for research and writing. Our colleagues help provide this. It is quite likely that many ideas that we think are original were first suggested by our professional colleagues. Numerous organizations and managers have provided us with illustrative material. It has been particularly helpful to share ideas with managers and colleagues in other countries.

We appreciate the resources made available by the Graduate School of Business Administration. Excellent typing, clerical, and artistic support was provided by Beth Verdin and Sheryl Rosenzweig.

Fremont E. Kast
James E. Rosenzweig

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ORGANIZATION AND MANAGEMENT

A SYSTEMS AND CONTINGENCY APPROACH

*Whenever I have studied human affairs, I have
carefully labored not to mock, lament, nor condemn, but only
to understand.*

Spinoza

*Where there is much desire to learn, there of
necessity will be much arguing, many opinions; for opinion in
good men is but knowledge in the making.*

Milton

*A good theory is one that holds together long
enough to get you to a better theory.*

D. O. Hebb

*The dissenting opinions of one generation become
the prevailing interpretation of the next.*

Burton Hendrick

*Sooner or later, we shall learn what everything is
made of and how everything works—everything, that is,
except men and their societies. . . . Attempts to develop the
scientific laws of human nature are likely to have limited
success and application. But we can try to find out where we
are, how we got there, what we know and do not know, and
we can try to discern tendencies and probable results.*

Robert Hutchins

*In one way or another, we are forced to deal with
complexities, with “wholes” or “systems,” in all fields of
knowledge. This implies a basic re-orientation in scientific
thinking.*

Ludwig von Bertalanffy

Conceptual Foundations



Part 1 is designed to set the stage for the entire book. It establishes a framework within which the other seven parts can be integrated.

In Chapter 1, the pervasiveness and importance of organization and management is stressed. The eclectic nature of organization theory is emphasized, indicating the role played by various disciplines. Organization theory is described as the foundation for management practice. Key concepts that recur throughout the book are introduced. And, finally, the plan of the book is set forth by parts and chapters.

Chapter 2 traces management values over many centuries. The impact of contemporary cultural or societal values on management thought is emphasized. The evolution of Western culture and value systems has had an important influence on managerial attitudes. Of particular concern are the developments since the industrial revolution and the accelerating changes in the twentieth century. Contemporary society, with its pluralistic values, provides an exceedingly complex and dynamic setting for organizations and managers.

The Setting of Organization and Management

One

We are social animals with a propensity for organizing and managing our affairs. We do so in an increasingly complex and dynamic environment. Many disciplines are contributing to an eclectic body of knowledge—organization theory—which, coupled with experience, is the foundation for management practice. In this chapter the setting of organization and management will be introduced via the following topics:

- Our Organizational Society
- Relevant Research and Knowledge
- Increasing Complexity of Organizations
- Major Themes and Concepts
- Systems Approach—Understanding
- Contingency View—Acting
- Performance
- Outline of Book

Our Organizational Society

Groups and organizations are a pervasive part of our existence. Typically, we are born into a family with the aid of a medical organization, the hospital. We spend a great deal of time in educational institutions. Informal groups develop spontaneously when several people have common interests and agree (often implicitly) to pursue common goals—a picnic or a fishing trip. Work organizations account for a large part of our time, with formal or informal relationships often carrying over into the leisure-time activities such as bowling or softball teams. It is easy to see that all of us, except for hermits, are involved in a variety

of groups and organizations. We tend to develop cooperative and interdependent relationships.

Humans are activists. We have created and destroyed civilizations. We have developed vast technological complexes. We have utilized natural resources in ingenious ways and in the process have wreaked havoc with the ecosystem. We have even broken the umbilical cord holding us to mother earth; we have been to the moon and returned. Future generations may see us go to the planets and beyond. We are all amazed at (and probably fail to comprehend fully) the enormity of modern scientific and technological achievements. But a second thought causes us to recognize a major factor underlying these achievements—our ability to develop *social organizations* for accomplishing our purposes. The development of these organizations and *effective management* of them is truly one of our greatest achievements.

It is worth reminding ourselves that management does not really exist. It is a word, an idea. Like science, like government, like engineering, management is an abstraction. But managers exist. And managers are not abstractions; . . . they are human beings. Particular and special kinds of human beings. Individuals with a special function: to lead and move and bring out the latent capabilities—and dreams—of other human beings. . . . This I believe, and this my whole life's experience has taught me: the managerial life is the broadest, the most demanding, by all odds the most comprehensive and the most subtle of all human activities. And the most crucial.¹

This book is about organizations and their management. It is an attempt to facilitate understanding of the managerial role in a complex and dynamic organizational society. The tendency to organize or cooperate in interdependent relationships is inherent in human nature. Although conflict within families and clans is evident, the group provides a means of protection and hence survival. Organized activity today ranges on a continuum from informal, ad hoc groups to formal, highly structured organizations. Military activities and religious affairs were among the first to become formally organized. Elaborate systems were developed and by and large have persisted, with modifications, to the present. Business, government, and education are other spheres of activity that have developed formal organizations geared to task accomplishment. We engage in many voluntary organizations in our leisure time—some recreational, some philanthropic, and some of a crusading nature.

Many different definitions of organization have been set forth, but they have certain fundamental or essential elements. Organization behavior is directed toward objectives that are more or less understood by members of the group. The organization uses knowledge and techniques in the accomplishment of its tasks. *Organization* implies structuring and integrating activities, that is, people working or cooperating together in interdependent relationships. The notion of interrelat-

¹ David E. Lilienthal, *Management: A Humanist Art*, Columbia University Press, New York, 1967, p. 18.

edness suggests a social system. Therefore we can say that organizations are: (1) **goal-oriented**, people with a purpose; (2) **psychosocial systems**, people interacting in groups; (3) **technological systems**, people using knowledge and techniques; and (4) **an integration of structured activities**, people working together in patterned relationships.

The Importance of Management

Management involves the coordination of human and material resources toward objective accomplishment. We often speak of individuals managing their affairs, but the usual connotation suggests group effort. Four basic elements can be identified: (1) **toward objectives**, (2) **through people**, (3) **via techniques**, and (4) **in an organization**. Typical definitions suggest that management is a process of planning, organizing, and controlling activities. Some increase the number of sub-processes to include assembling resources and motivating; others reduce the scheme to include only planning and implementation. Still others cover the entire process with the concept of decision making, suggesting that decisions are the key output of managers.

Management is the primary force within organizations that coordinates the activities of the subsystems and relates them to the environment. The study of management is relatively new in our society, stemming primarily from the growth in size and complexity of business and other large-scale organizations since the industrial revolution.

The emergence of management as an essential, a distinct and a leading institution is a pivotal event in social history. Rarely, if ever, has a new basic institution, a new leading group, emerged as fast as has management since the turn of this century. Rarely in human history has a new institution proven indispensable so quickly; and even less often has a new institution arrived with so little opposition, so little disturbance, so little controversy Management, which is the organ of society specifically charged with making resources productive, that is, with the responsibility for organized economic advance, therefore reflects the basic spirit of the modern age. It is in fact indispensable—and this explains why, once begotten, it grew so fast and with so little opposition.²

Managers convert diverse resources of people, machines, material, money, time, and space into a useful enterprise. Essentially, management is the process whereby these unrelated resources are integrated into a total **system for objective accomplishment**. Managers get things done by working with people and physical resources in order to accomplish the objectives of the system. They coordinate and integrate the activities and work of others.

A recurring question is the distinction between the terms **management**

² Peter F. Drucker, *The Practice of Management*, Harper & Row, Publishers, Incorporated, New York, 1954, pp. 3-4.

and **administration**. "Administration" often has had the connotation of governmental or other nonprofit organizations, whereas "management" has been relegated to business enterprises. However, there is considerable overlap in usage. YMCAs have boards of managers, for example. The military has program managers with overall responsibility for mission accomplishment. On the other hand, many colleges of business administration have management departments. We will use the terms interchangeably and tend toward the use of the term management regardless of whether the specific example involves business organizations, hospitals, philanthropic institutions, or government bureaus. On this basis, management is a most pervasive activity. According to Hertz, "the single ubiquitous mind-driven activity of mankind is management."³ We are all involved in management—of ourselves, of our economic and social activities, and of society as a whole. Individuals and Organizations make adaptive decisions continually in order to remain in a dynamic equilibrium with their environment. Information flow is essential for the decision-making process. It involves knowledge of the past, estimates of the future, and timely feedback concerning current activity. Management's task is implementing this information-decision system to coordinate effort and maintain a dynamic equilibrium.

With organization and management as pervasive as they are, we might naturally assume a well-defined body of knowledge that provides a framework for research, teaching, and practice. There is a body of knowledge, but it is not particularly well defined, and currently it appears to be evolving rapidly. A number of conditions have hampered the development of a well-defined body of knowledge—particularly the increasing complexity within organizations and the dynamic nature of their environment. Theories developed to fit organizations in the early 1900s are not likely to be appropriate for many organizations in the 1980s.

Relevant Research and Knowledge

Scientific disciplines have emerged as separate and distinct bodies of knowledge as our search for enlightenment has continued. However, the entire social science field, behavioral science in particular, has been relatively slow in developing.⁴ Anthropology, sociology, and psychology are products of the last 100 years. Economics and political science emerged somewhat earlier as specific disciplines. Organization theory and/or management practice did not receive concerted attention until the twentieth century.

³ David B. Hertz, "The Unity of Science and Management," *Management Science*, April 1965, p. B-89.

⁴ Kenneth E. Boulding, *The Impact of the Social Sciences*, Rutgers University Press, New Brunswick, N.J., 1966.

Within this historical context, a well-developed body of knowledge may be too much to ask of this fledgling discipline. Yet significant strides have been made, and a body of knowledge has been developing which in turn has been useful in managing organizations of diverse characteristics and objectives.

We think it is helpful to distinguish organization theory and management in order to provide a useful framework for research, teaching, and practice. We suggest that organization theory is the body of knowledge, including hypotheses and propositions, stemming from research in a definable field of study which can be termed **organization science**.⁵ The study of organizations is an applied science because the resulting knowledge is relevant to problem solving or decision making in ongoing enterprises or institutions.

Because of the pervasiveness of organizations, the related theory and scientific study are extremely broad-based. It is an eclectic theory, a total system comprised of many subsystems of relevant disciplines such as parts of sociology, psychology, anthropology, economics, political science, philosophy, and mathematics (see Figure 1.1). Not all these above-mentioned disciplines are applicable to the same degree; only a small subpart of a particular subject-matter area may be relevant. During the twentieth century, however, society's organizations have received increasing attention, and the study of organizations has evolved as an important, visible, and definable field.

As indicated in Figure 1.1 contributions to organization theory come from many sources. Deductive and inductive research in a variety of disciplines provides a theoretical base of propositions that are useful for understanding organizations and for managing them. Experience gained in management practice is also an important input to organization theory. In short, Figure 1.1 illustrates how the art of management is based on a body of knowledge generated by practical experience *and* scientific research concerning organizations.

Organization theory itself stems from an applied science that draws upon the basic disciplines and their relatively more abstract theories only as they are relevant to organizations found in society. Management technology stems from organization theory and is even more applied in the sense that it focuses on the practice of management in ongoing organizations. With this view of the relationship between organization theory and management in mind, let us turn to a more specific discussion of the requirements of an organization science.

Foundations of Organization Theory

The pervasiveness of organizations and management argues for considerable latitude with regard to the organizations studied and the scientific methods used. Moreover, the value systems of researchers, teachers, and practitioners are quite diverse, and hence the determination of relevance and scientific method may

5 "Organizationology" might be appropriate if the term were less cumbersome.

Figure 1.1 The Foundations of Organization Theory and Management Practice.

