



ORGANIZATION
AND
MANAGEMENT
THEORY

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ORGANIZATION AND MANAGEMENT THEORY

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PREFACE

In recent years, the teaching of organization and management subjects has experienced substantial change. One reason for this is the requirement of the American Assembly of Collegiate Schools of Business that a course in organization theory be included in the business school curriculum. Other reasons include the recognition that significant changes in the objectives and priorities of organizations have been precipitated by technological innovation, societal modulations, value modifications, and the awareness of increased competition both national and international. In addition, the emergence of the not-for-profit sector as a major organizational and management phenomenon has emphasized the necessity to reevaluate traditional approaches to the teaching of organization and management theory.

This book is designed for the basic course in management and organization theory. Our approach is different from most textbooks in the field in several respects. First, the structure and content have been designed to require minimal background. Specifically, Parts One and Two present an overview and analysis of the evolution of management thought and the concepts of organization. In addition, essential areas, not generally treated in any detail in basic courses, are discussed and analyzed. These chapters give the individual instructor and student the flexibility to either emphasize or deemphasize specific subject material. Second, Part Three is designed to deal with the application of concepts and theory. The chapters in this part address such subjects as managerial strategies, decision-making processes, and organization change and development constructs. The third difference is the inclusion of case studies. Since the reasons for this approach are discussed in detail in the Introduction, we will not elaborate on it here. It is our hope that the structure and combination of the material in this text will provide the instructor and student with a "total resource" book in the organization and management theory area.

Finally, we wish to extend our appreciation to the many students, colleagues, and associates who, through their research, discussion, and interaction, have contributed to the completion of this book. We gratefully acknowledge the permission of publishers and authors to use quotations or excerpts from copyrighted material. Our special appreciation goes to Professor Dalton E. McFarland of The University of Alabama in Birmingham for his helpful comments and suggestions during the review of the manuscript. Our sincerest thanks to everyone involved.

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Introduction

The seemingly endless progression in technological complexity, the attendant changes in our social system, and the ambiguity in integrating different perceptions of individual and societal values have resulted in a cry for relevance. This relevance has not only affected social ideology but has resulted in a reevaluation of organizational and management imperatives. The emphasis on research in various aspects of organization theory and behavior during the past several years leaves little doubt on this score.

Contemporary organizations are complex and dynamic. The management of such organizations must be adaptive and based on situational reality. Organization design must accommodate not only present requirements but also change, growth, and future planning. The student of organizations must have the ability to deal with rapid change and to analyze and solve real-world situations based on knowledge of the theoretical foundations of organization philosophy, concepts, and processes.

This book has been written to provide these theoretical foundations and to enable the application of the theory to real-world situations through case analysis. The book is designed for courses in organization theory and management as well as a reference for the practicing manager. It is structured in five parts. Part One provides a discussion of organizational evolution and management thought. It includes an overview and analysis of bureaucracy, scientific management, human relations, and what has been termed "industrial humanism." Part Two deals primarily with the conceptual imperatives of organizations. The chapters in this part address the problems of organization design, structure, and integration. Part Three is the application of organization and management philosophy and concepts to the administrative process. The sequence of application starts with the individual in the organization; then moves into group organization and interaction; then to leadership and communication; through the decision-making process; to the use of power and authority; and concludes with a treatment of change, development, and conflict within the organization.

We have found in our teaching of courses in organization theory that students are demanding more and more discussion and emphasis on the future of organizations. In other words, what will organizations be like when they, the students, move into the ranks of management? We believe this is a valid and relevant demand. While any discussion of this subject must of necessity be speculative, it is nevertheless an issue that requires serious consideration. For this reason we have included material in Part Four to address this issue. The recognition of futuristic implications in organization and management books is by no means novel. In our approach we have used a sequence that we have found is excellent in fostering student reception, feedback, and interaction. We start with a discussion of alternative societal configurations, which leads us to the implications of these changes in organization size and eventually in management strategy. There are many books available on this general subject, some of which are

suggested for supplemental reading in the Additional Readings section following each chapter.

Part Five contains thirty cases in organization theory. These cases are classified into sections that correspond to the parts of this book. The diagram preceding Part Five presents a case-chapter correlation that suggests cases for each of the basic chapters. As noted earlier, we view case analysis as one of the best ways to provide situational relevance vis-à-vis the theoretical material. Although instructors obviously do not have to use the cases in order to use this book, we have found that more is learned by students using an applied approach rather than any other. Student feedback and course evaluations support this belief.

The cases are all original, many of them drawn from our own consulting experiences, and are not in any other text or case books. They have, however, all been used and tested in organization theory courses before being included in this book. They are specifically selected to deal with *today's* student. They are diverse and progressive in size, content, approach, and complexity. They include different types of organizations, such as a rock band, a school, a small sales organization, and a large aerospace corporation. However, we should note that all names, designations, identifications, and locations have been changed to protect the identity of the organizations and individuals involved. Each case is specifically constructed to demonstrate, in a realistic and practical fashion, the material discussed in the accompanying text of the relevant chapter. In other words, we have deliberately stayed away from the traditional, ponderous, massive "multicorporate" type of reorganization cases. The objective of our cases is to demonstrate the basic principles discussed in the text and to give students an approximation of the real world—not to intimidate them (and the instructor) with impossibly complex case situations.

Described below is a suggested approach for the analysis of these cases. This approach asks the student or team of students to analyze the case within the following framework.

- 1 Establish the facts. (Separate the relevant from the irrelevant.)
- 2 Identify the symptoms. (What is going on?)
- 3 Identify the underlying causes of the problem. (Why is it happening?)
- 4 Identify and analyze the different alternatives for correcting the causes.
- 5 Select the "optimum" solution and justify why it is optimum for this particular case or organization.

The learning experience associated with this approach consistently has shown that students learn significantly more in organization theory when it is presented in this way.

The primary objective of *Organization and Management Theory* is to provide a "relevant" textbook that not only covers organization constructs and processes, but also provides an opportunity to solve problems in a "real-world" situation. The primary focus is on *today's* students and on material and cases that they can identify with. In the final analysis, however, the only way to measure the degree of success in achieving this objective is to look at the reaction of faculty and students who have used this book.

PART ONE

THE EVOLUTION OF MANAGEMENT THOUGHT: OVERVIEW AND ANALYSIS

CHAPTER I

Bureaucracy

The concept of bureaucracy has suffered from the variable usage of the term including the popular connotation¹ as well as the variations of social science meanings. In common usage, the term is employed to describe and criticize any situations of rigid application of rules or procedures, slow operation, "buck-passing," redundancy of effort, empire building, exaggerated secrecy, and so forth, regardless of the actual organizational structure involved.²

C. Northcote Parkinson in 1957 formulated his pseudoscientific "Parkinson's Law" in which he postulated that bureaucratic staff increases in inverse proportion to the amount of work done.³ More recently, Laurence Peter proposed the "Peter Principle," whereby each executive rises to his level of incompetence within the organization.⁴ Whether or not these two postulates have a basis in actual organizational processes, Parkinson and Peter have added to the confusion surrounding the use of the term "bureaucracy" by increasing the popular pejorative connotations associated with it. Criticisms of the bureaucratic organizational form must be formulated on the basis of empirical testing to establish their "truth value." Parkinson and Peter each have, in all likelihood, exaggerated one inherent dysfunctional aspect of the bureaucratic organization without

- 1 Rigorously testing their postulates.
- 2 Formulating constructive, scientific suggestions as to possible improvements to the structure.
- 3 Recognizing that their particular dysfunctions may be compensated for in a real organization by other organizational features that they neglect to include in their analysis of the situation.

By focusing on one specific dysfunction, they deny the dynamic nature of all organizations and, indeed, all human relationships. These two writers have primarily capitalized on the frustrations toward government and business administration felt by the general public, which is not familiar with the processes necessitated by large-scale organization. Parkinson and Peter made a profit on their best sellers; they added little to the scientific study of organizations. In all probability, they only further confused the issues. Therefore, while the popular meanings attached to the concept "bureaucracy" may not be *wrong*, they are not based on scientific empirical formulations and conceptualizations, and thus should not be confused with the social science variations of the term. For our purposes, we will consider those definitions and elaborations of bureaucracy that are the end result of serious academic research.

CLASSICAL THEORIES OF BUREAUCRACY

Marxist Theory of Bureaucracy

Karl Marx's concept of bureaucracy can best be understood within the general framework of his theory of class conflict, the crisis of capitalism, and the eventual advent of

communism.⁵ The bureaucratic administration is seen as an instrument by which the dominant class exercises its domination over the other social classes, not as a neutral “bridge” between the state (acting on behalf of general interests) and the society, as the then current Hegelian philosophy proposed. The bureaucracy was controlled by the power elite, and its purpose was to maintain the status quo. Marx outlined some of the features of bureaucracy as: strict hierarchy and discipline, veneration of authority, incompetence of officials, lack of initiative and imagination, fear of responsibility, process of self-aggrandizement. Marx believed that bureaucracy was an instrument of the capitalist class, and that this form of organization would disappear within a classless society. Lenin and Trotsky subsequently spent considerable effort attempting to explain why bureaucracy did not disappear after the Bolshevik revolution.⁶

In relating Marx to the management of organizations, the bureaucratic administration is seen as primarily a means of exerting control over the members of the organization; control being maintained through force, coercion, withholding of pertinent information from the members, and the management of psychologically powerful myths and symbols. Fundamental to the theory is a continual power conflict between the elite/executive and the proletariat/lower-echelon workers, a conflict, however, that may be kept smouldering below the class-conscious level. Organizational goals are relevant only to the elite; workers must be coerced or tricked into obedience. The possibility of revolution is omnipresent.

Weberian Theory of Bureaucracy: The Establishment of Political Sociology

Max Weber recognizes Marx’s premise of power conflict in beginning his discussion of bureaucracy by dealing with the concepts of power and authority. Power is the ability to impose one’s will upon others,⁷ while domination (authority) is legitimized power—the *right* of the ruler to exercise his power, and the *obligation* of the ruled to obey his commands.⁸ Power is legitimized through one (or a combination) of the following three modes, each with its associated administrative apparatus.

- 1 *Charismatic domination.* Associated with a loose and unstable administrative apparatus.
- 2 *Traditional domination.* Associated with a patrimonial apparatus (personal retainers) or a feudal administration apparatus (limited autonomy from the master).
- 3 *Legal/rational domination.* Associated with the bureaucratic administration.

Thus bureaucracy is an administrative arrangement through which legitimated power is channeled toward the performance of objective-oriented tasks.

Weber develops the concept of bureaucracy in the context of political sociology but uses the term in a much more extensive way. Bureaucracy, as a type of organization, has gradually penetrated all social institutions, with large-scale economic enterprises being a striking example. The organizational structure is consciously designed according to rational principles with the goal of maximum productivity, the extreme form being the American system of scientific management.⁹ The structure’s impact on individuals is an extreme limitation of their personal freedom and spontaneity.

Weber formulated his Ideal Type bureaucracy, a conceptual construction that is essentially utopian, as consisting of the following characteristics.¹⁰

- 1 Limited areas of command and responsibility attached to each position within the organization.
- 2 Hierarchical authority structure with control and responsibility concentrated at the top of the hierarchy.
- 3 Central system of file collections summarizing the activities of the organization.
- 4 High degree of specialization based on expert training.
- 5 Activity demanding the full working capacity of the member, that is, full-time staff and the job as a "career."
- 6 Definite outlined rules of procedure for rational coordination of activities.
- 7 Impersonality of relationships between the organizational members.
- 8 Recruitment of officials on the basis of ability and technical knowledge.
- 9 Distinct separation of private and public lives and positions of members.
- 10 Promotion by seniority.

Weber's Ideal Type has been criticized for not focusing on other crucial aspects of organizational reality, such as the informal organization or dysfunctional consequences of the characteristics. However, it was not Weber's intention to create a *model*, but rather to identify the administrative characteristics typical of a certain kind of organization. The Ideal Type is not meant to be

- 1 An average or typical instance.
- 2 A simple classificatory type.
- 3 An extreme type on a continuum (although it has been used in this sense).
- 4 A theoretical model (set of interconnected hypotheses to be tested by empirical research).¹¹

Rather it was meant to be an analytic tool contributing directly to the explanation and interpretation of social phenomena. The elements for the Ideal Type were selected in such a way as to be interconnected to form a whole portraying an inner consistency and logic. The validity of the Ideal Type can be judged, according to Weber, by the following criteria.

- 1 Adequacy at the level of meaning: Is the Ideal Type consistent and plausible? Or does it violate known laws of nature?
- 2 The criterion of objective possibility: Is the Ideal Type empirically possible?

In the case of the Ideal Type bureaucracy, it is the meaning of rationality that links the various ideal characteristics and supposedly gives consistency and logic to the whole