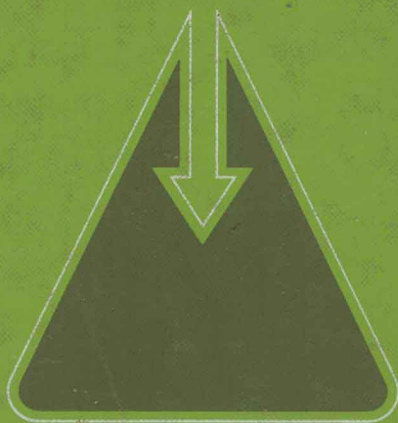
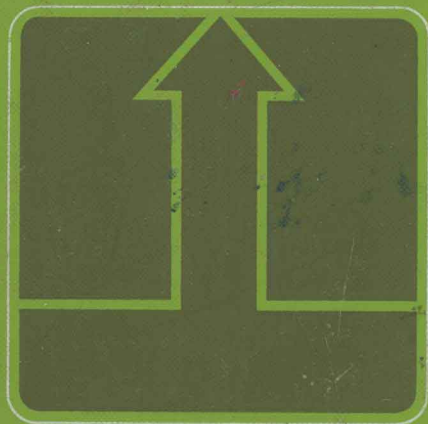
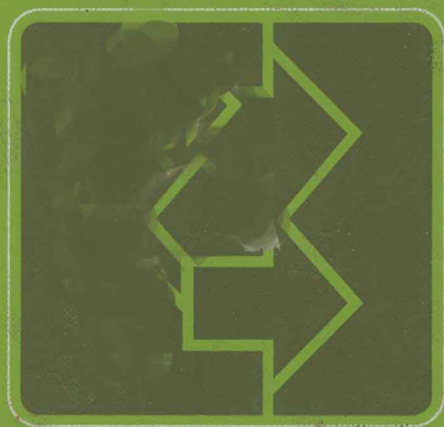
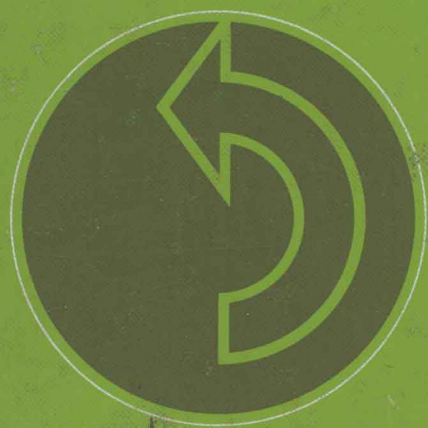


Organizations: Theory and Behavior

McGRAW-HILL
SERIES IN
MANAGEMENT



HERBERT G. HICKS
C. RAY GULLETT



Organizations: Theory and Behavior

ORGANIZATIONS: THEORY AND BEHAVIOR

Copyright © 1975 by McGraw-Hill, Inc. All rights reserved. Printed in the United States of America. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.

4 5 6 7 8 9 0 DODO 8 3 2 1 0

This book was set in Elegante by Rocappi, Inc. The editors were Thomas H. Kothman and Matthew Cahill; the designer was Joseph Gillians; the production supervisor was Dennis J. Conroy. The drawings were done by Eric G. Hieber Associates Inc. R. R. Donnelley & Sons Co. was printer and binder.

Library of Congress Cataloging in Publication Data

Hicks, Herbert G

Organizations: theory and behavior.

(McGraw-Hill series in management)

1. Organization. 2. Management. 3. Power
(Social sciences) I. Gullett, C. Ray, joint author.
II. Phillips, Susan M. III. Slaughter, William S.
IV. Title.

HM131.H48 301.18'32 74-16452

ISBN 0-07-028730-9

Preface

During the last few years, a shift has been taking place in the study of organizations and management. Traditionally, the functions of the manager have been the framework for the analysis and synthesis of organizational activities. Organizations have been commonly studied under the managerial function "organizing." They were thus viewed as a subset of the larger activity of "managing."

By contrast, many individuals today view organizations as much more than the formal structure that managers create. Although managers can have a marked effect upon the complex entities we call organizations, they are only one of several influences upon them.

Organizations are systems composed of many subsystems functioning in an environment. One of the most important of these subsystems is management. The managerial subsystem must attempt to integrate these other subsystems so that they are compatible with one another, with the organization's environment, and with its goals. To do this, managers must understand how and why organizations function.

The authors thus think that organizations are a distinctive field of study. We are convinced that the study of organizations will be a—perhaps

the—central focus around which other business and administrative studies will be designed. As a result, many instructors may prefer to replace more traditional management approaches with a study of organization theory and behavior.

This text is designed to provide a broad, integrated introduction to the study of organizations and their management. All types of organizations—business, governmental, educational, religious, sports teams, clubs, and so forth—are considered. However, with the view that most readers will have a primary interest in business administration, most of the illustrative examples have been selected from business organizations.

We have attempted to explain organizations and their management in a clear, direct, and easily understandable manner. To aid the learning process, each chapter has a number of review and discussion questions, cases, and an annotated bibliography. The instructor's manual contains additional teaching aids.

This book is intended to serve as a text in junior and senior courses in organizational theory and behavior. In addition, it is appropriate for use in MBA programs and in other disciplines where organizations are studied. For example, some instructors in departments of sociology and psychology may find it a satisfactory text for their courses in organizations.

Part 1 gives an overview and explains how organizations are formed. Persons have individual objectives that they often can best attain within organizations. They form coalitions, that is, organizations, which also have objectives that are different from but based upon individual objectives. These organizational objectives provide the bases for the formation of formal organizations. Informal organizations emerge in the "shadow" of formal organizations.

Part 2 is a study of the principal contributing streams of theories of organizations and management. Classical theory includes bureaucracy, administrative theory, and scientific management. Theories of neoclassical and modern systems also are explained.

Part 3 analyzes some of the principal processes that occur in organizations. These include the uses of power; the processes of motivation, leadership, communication, and decision making are also studied.

Part 4 explains the elements needed for maintaining viable organizations. Organizations exist only because they provide utilities for their members. Furthermore, every organization exists only in relationship to its environment. The organization and its environment must be mutually supportive if the organization is to remain viable. The final chapter reviews the development of theories of organizations and suggests that a situational ("it all depends") or contingency view has evolved. Although the label "contin-

gency theory" has not been used throughout, this perspective was always in mind in the writing of this book.

In preparing this text, we were fortunate to have the assistance of a number of persons. Professor William S. Slaughter, III, prepared Chapters 6 and 18. Susan M. Phillips prepared Chapters 19 and 23. Both provided much additional assistance. Professor Frederick H. Cain prepared Chapters 16 and 17. Finally, we thank Professor Keith Davis and several anonymous reviewers for their most valuable assistance. We also are indebted to Professor Davis for his substantial contributions to the final chapter. None of these contributors should be held accountable for deficiencies because decisions on the final draft rested solely with the authors.

We hope our readers will share the excitement that we feel about this most challenging field of study.

Herbert G. Hicks
C. Ray Gullett

Contents

Preface	xv
----------------	-----------

PART 1 THE FORMATION OF ORGANIZATIONS

1	The Study of Organizations—Focus and Purpose	3
	The Complexity of Organizations	4
	Levels of Organizations	6
	Relationships in Organizations	8
	Functional Relationships	12
	The Study of Organizations in Perspective	14
	Summary	15
2	Individuals and Organizations	23
	The Importance of Individual Objectives	23
	Individuals and Goal-directed Activity	26
	The Individual and the Organization	31
	Summary	34

3	Coalition Formation and Organizational Objectives	41
	The Organization and Its Participants	41
	Individuals and Coalition Formation	45
	Goal Setting in Organizations	45
	Goal Achievement: Maximizing versus Satisficing	49
	Management by Objectives	51
	Summary	56
4	Formal Organizations	62
	Characteristics of Formal Organizations	62
	The Need for Formal Organizations	68
	Structuring Organizational Relationships	70
	Organizational Formats	74
	Summary	80
5	Trends in Formal Organization Design	87
	Research on Effective Organizational Design	87
	Importance of the Environment	88
	Variations within the Environment	91
	Technology and Organizational Grouping	94
	The Need for Integration	100
	Implications for Formal Organizational Design	101
	Summary	102
6	Informal Organizations	107
	Nature of Informal Organizations	108
	Informal Organization's Influence on Formal Organization: Management Implications	115
	Summary	119

PART 2 CONTRIBUTING THEORIES OF ORGANIZATIONS AND MANAGEMENT

7	Classical Theory—Bureaucracy: Elements and Functions	125
	Development of Classical Theory	125
	Prevalence of Bureaucracy	127
	Elements of Bureaucracy	129
	Normative Quality of Bureaucracy	131

	Functions of Bureaucracy	134
	Summary	138
8	Classical Theory—Bureaucracy: Dysfunctions and a Perspective	143
	Dysfunctions of Bureaucracy	143
	A Perspective of Bureaucracy	150
	Summary	152
9	Classical Theory—Administrative Theory	158
	Relationship of Administrative Theory to Bureaucracy	158
	Validity of Administrative Theory	160
	Elements of Administrative Theory	163
	Summary—A Perspective of Administrative Theory	169
10	Classical Theory—Scientific Management	170
	Relation to Other Classical Theories	176
	Assumptions	177
	Contributors to Scientific Management	177
	Summary	186
11	Neoclassical Theory—The Human Relations Movement	192
	Development of Neoclassical Theory	193
	Elements of Neoclassical Theory	197
	Neoclassical Theory in Perspective	201
	Summary	204
12	Modern Theory—Systems Analysis of Organizations	209
	Development of Modern Theory	210
	Characteristics of Modern Theory	213
	Is There a General Theory of Organization and Management?	219
	Summary	220

PART 3 SOME PROCESSES OF ORGANIZATION

13	The Nature of Power	229
----	---------------------	-----

	Power Defined	230
	Importance of Power	230
	Attitudes Toward Power	232
	Methodological Problems of Power	238
	Motivations for Power	238
	Summary	240
14	Kinds, Laws, and Effects of Power	245
	Kinds of Power	245
	Some "Laws" of Power	249
	Power and the Distribution of Utilities	251
	Power and the Evaluation of Organizational Effectiveness	253
	Summary	255
15	Dynamics of Power in Organizations	260
	The Formation of an Organization	260
	Coalitions	262
	The Manager's Power	264
	Continuing Operations of an Organization	265
	Some Unsettled Questions of Power	267
	Summary	270
16	Motivation	275
	Internal Motivation	276
	External Motivation	283
	Productivity and Satisfaction—Porter and Lawler's Model	293
	Motivation Theory—A Perspective	295
	Summary	295
17	Leadership	300
	Purpose and Need for Leadership	301
	Leadership Styles	301
	Continuum of Leadership Styles	304
	Tannenbaum and Schmidt in Retrospect	311
	Fiedler's Contingency Model	312
	Summary	314
18	Communication	318
	The Role of Communication in Organizations	319
	The Communication Process	321

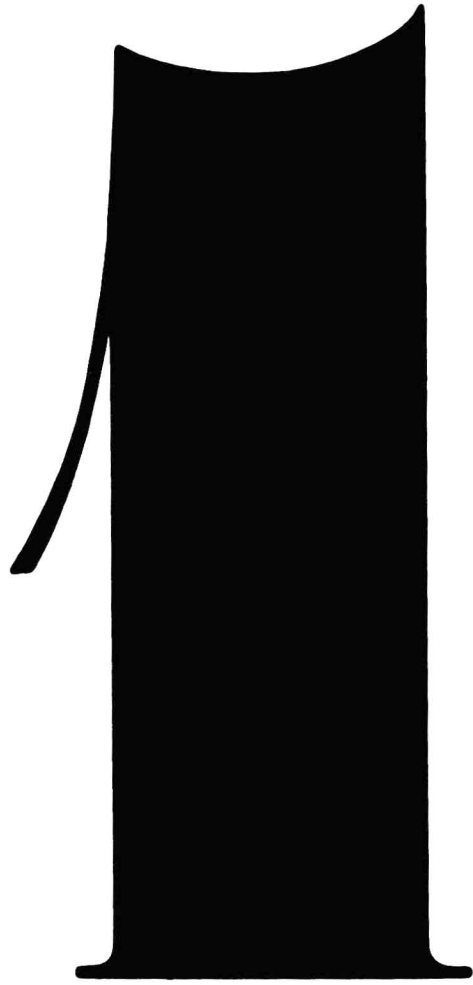
	Fundamentals of Communication	325
	Malfunctions of Communication	329
	Improving Organizational Communication	330
	Summary	331
19	Decision Making	335
	Levels of Decisions	336
	Decisions in the Organizational Setting	338
	Some Frequently Used Decision Models	341
	Summary	350

PART 4 MAINTAINING VIABLE ORGANIZATIONS

20	Creation of Utilities by Organizations	359
	Dimensions of Utilities	360
	Relationships of Utilities	363
	Measurement of Utilities	364
	Organizations as Stores and Creators of Utilities	365
	Consumer's Surplus	366
	Summary	367
21	Processes for Creating Utilities	372
	Supplementary Similarities	373
	Complementary Differences	374
	Exchange	377
	Combination Organizations	380
	Summary	381
22	Viability of Organizations	386
	The Ecological Viewpoint—A Theoretical Perspective	386
	Organizational Change	393
	Resistance to Change	397
	Creating Change	398
	Summary	399
23	Some Environmental Challenges	405
	Examination of Some Environmental Challenges	406

	Conflicts and Pressures Related to Environmental Challenges	411
	Motivation for Accepting Environmental Challenges	413
	Summary	413
24	Toward Contingency Views of Organizations and Management	420
	Looking Backward: Classical Organization Theory	420
	Neoclassical Thinking	421
	The Contingency Approach	425
	Summary	428
	Indexes	431
	Name Index	
	Subject Index	

Part



THE FORMATION
OF ORGANIZATIONS



THE STUDY OF ORGANIZATIONS— FOCUS AND PURPOSE

"Slowly men learned the value of working together and the meaning of co-operation. At first they helped only members of their own tribe, neither wondering nor caring what neighboring tribes were doing. Gradually they realized that if they all joined forces, they could accomplish far more. Slowly the idea of working with one's neighbors for the common good became widespread. Speed of transportation and communication now make all nations neighbors. Today no individual or nation can exist without the help of others."

Sigmund A. Lavine

This book is about organizations. It is about companies, armies, governments, churches, schools, clubs, teams, and car pools; all these are organizations. This book is a study of what organizations are, why they exist, and how they can be more effective. We hope that this study will make organizations increasingly valuable; better understanding of organizations might also reduce the threats they sometimes offer.

Persons working together—in organizations—often are efficient, powerful, productive, and rewarding. But organizations also sometimes produce frustration, oppression, and death. From another viewpoint, organizations and civilization are practically synonymous; without organizations civilization could not exist. Yet concern often has been voiced that persons through organizations will destroy that very civilization. Because of the profound importance and necessity of organizations, their study justifies serious attention.

Terminology used to describe important features of organizations has varied both in the literature and in practice. To gain initial perspective for this study of organizations, it may be helpful to examine several related terms. Organizing is the process by which the structure of an organization

is created and maintained. This process includes the determination of the specific activities that are necessary to accomplish the objectives of the organization, the grouping of those activities according to some logical pattern, and assignment of these grouped activities to a responsible position or person. Because these activities usually are done by a manager, organizing (together with other activities such as creating, planning, motivating, communicating, and controlling) is considered to be a function of management.¹ "Organization" is perhaps a broader term referring to the process of organizing, the structure of an organization, and the processes that occur within an organization. Inquiry about organizations often has been described as the study of organization theory or even the theory of organizations.²

This book focuses on the total process of organizations, including such questions as what they are, why they exist, and the processes by which they work. We have endeavored to provide explanations about organizations and the events that occur in them—explanations that are systematic and supported by evidence.³ The activities, structures, and other aspects of organizations are diverse and complex, but, fortunately, concepts that describe and that can assist us in dealing with that complexity are available. The study of both processes and structure of organizations is supportive of the recent shift in emphasis away somewhat from the study of management per se and more toward the study of things or processes (that is, organizations) with which the manager deals. This more recent perspective retains management as an important component of the broader subject of organizations.

THE COMPLEXITY OF ORGANIZATIONS

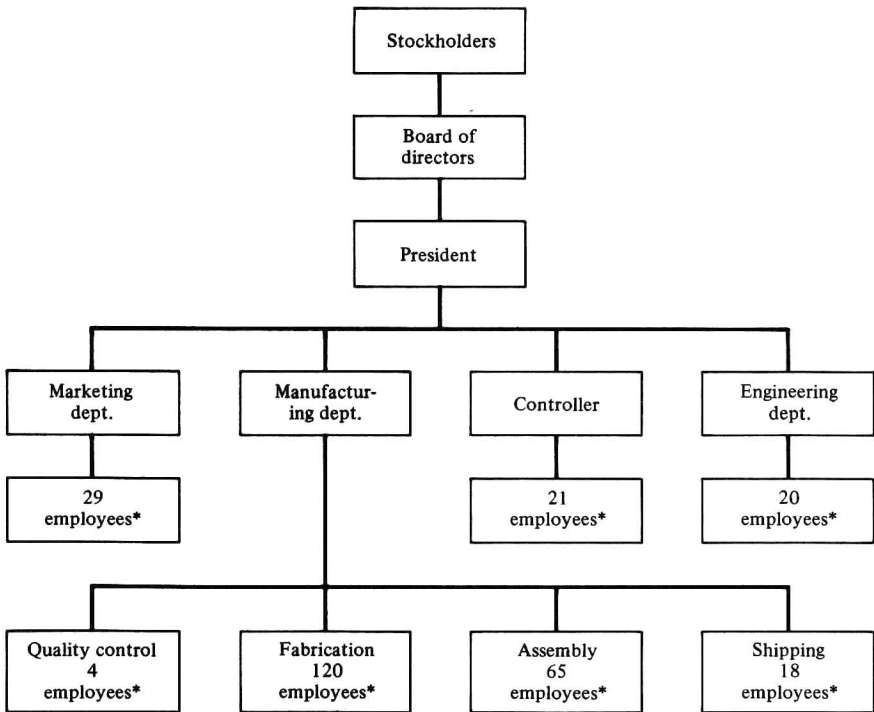
Organizations—and thus their study—can be extremely complex. For example, organizations can have both macro and micro aspects. A macro viewpoint considers an aggregate organization that has component (micro) parts. These parts can have objectives or other characteristics that are different from those of the macro system.

To illustrate partially the complexity of organizations, consider, for example, the manufacturing department of the Tapley Products Company, whose organization chart is shown as Figure 1-1. Is the manufacturing

¹ See, for example, Herbert G. Hicks, *The Management of Organizations: A Systems and Human Resources Approach*, 2d ed., McGraw-Hill, New York, 1972, especially chap. 17.

² For examples, James G. March and Herbert A. Simon, *Organizations*, Wiley, New York, 1958, pp. 4-5; William G. Scott, "Organization Theory: An Overview and an Appraisal," *Journal of the Academy of Management*, Apr., 1961, p. 7; William G. Scott and Terence R. Mitchell, *Organization Theory: A Structural and Behavioral Analysis*, Irwin, Homewood, Ill., 1972.

³ Ernest Nagel, *The Structure of Science*, Harcourt, Brace and World, New York, 1961, p. 4. It is recognized, however, that not all the apparently valuable assertions made about organizations here or in other sources can be supported by rigorous scientific studies.



*Detailed organization structure of this unit is omitted.

FIGURE 1-1 Tapley Products Company organization chart.

department a macro or a micro organization or unit? It is both. It is macro in relation to subordinate units (quality control, fabrication, assembly, shipping, and the subordinate units of these). The manufacturing department, on the other hand, is a micro unit of the entire company, the industry, the economy, et cetera.

The effects of this difference in perspective (viewing a given organization unit as macro compared with viewing it as micro, or vice versa) can be substantial—perhaps critical. Failure to understand this difference can lead to fallacies of composition, which often can produce serious descriptive and prescriptive distortions about organizational phenomena.⁴ As an example, suppose that Mr. Roth, a gifted engineer in the engineering department of Tapley Products Company, requested a 10 percent raise. He further said he would quit if he did not get it. Tapley might retain him by giving the raise; he might even thereby be motivated toward greater productivity. However, Mr. Roth's raise might have a disastrous effect if it destroyed the entire

⁴ Campbell R. McConnell, *Economics*, 5th ed., McGraw-Hill, New York, 1972, pp. 4-5.