Organisational Design, Development and Change

By: Nirman Kaur

This reference book can be useful for

BBA, MBA, B.Com, BMS, M.Com, BCA, MCA

and many more courses for Various Universities

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INTRODUCTION

Organization is a sequential form in which a body of knowledge, data, people, things or other elements are arranged. An organization could be a company, business firm, or association. Organization is not simply for the business world. It can make our overall life better in general. Organizing our life will make things easier to find. It helps us to save our time and money. Time and money are two main valuable commodities that can yield to better results. Organization affects all areas of life. There are many things that we can do to make our life easier. One of the most important traits is organization. The main characteristic of our modern society is that people work together in organizations of all shapes and sizes in order to earn their livings by producing goods and services.

CHAPTER AT A GLANCE

MEANING AND CHARACTERISTICS OF ORGANIZATION

Organization is a system having an established structure and planning where people work and deal with each other in a co-ordinated and co-operative manner for achieving goals. Max Weber has defined following features and dimensions for all organizations:

- **The organization has transparent and different boundaries:** An organization is a social element having boundaries which restricts the admission of outsiders.

- **The organization has a central co-ordination system:** The organization has a central authority system. All the decisions are made by the executives centrally.

- **The organization is differentiated internally:** All the internal organizational roles are regulated by formal rules. Rules are implemented in disciplined manner.

- **The organization is legitimate:** The organization is justifiable by order, distribution of authority, power and responsibilities. Employees hold certain positions in the organization and have the authority to force orders and rules to obey.

- **The organizations' characteristics establish what is achieved:** Organization goals, structures, processes, behaviour and outcomes have a high level of reliability. The achievement of organizational goals is dependent upon organizational structure and processes.

- **The organization is flexible:** The organizations' structure and tools can be altered in order to improve the problems and solving capacity.

- **The organization is a part of societal transformation:** Organization is a part of society. Its growth reflects a changing or from traditional to a modern society.

ORGANIZATION AS SYSTEM

Meaning of System: System is a set of independent entities that forms an integrated whole. Systems have structure, behaviour and a group of functions. It may also refer to as a set of rules that controls structure. The main characteristics of a system:

- A system should be planned according to the objectives.
- A system is a collection of parts called subsystems that must have an established arrangement.
- The objectives of an organization are more important than the objectives of its subsystems.
- A system contains certain individual elements which need to be interrelated to each other.
- The basic components of a system are: flow of information, energy and materials.

Organization as Systems

Components of Organization System: Organization consists of four major internal components such as: task, people, technology and structure. The main task of the organization is to achieve its goal or purpose for existence. The people are the main resource of the organization. The technology consists of tools, knowledge and techniques which are used to convert inputs into outputs. The structure states that how the overall work of an organization is designed. In addition to these internal components there are few external components such as: suppliers, customers and regulators. These external components help in achieving the organizations' goal.

Differentiation and Integration: Organization system consists of two distinct forces: differentiation and Integration. Organization has different departments, division or units to perform distinct activities. The work is distributed among different departments. In order to maintain the unity among departments, every system has a mutual process i.e. integration. Integration can be achieved by implementing different methods such as co-ordination in hierarchy levels; direct supervision; rules, procedures and policies.

The Organization as an Open System

The two basic types of systems are: Open system and closed system. The open system theory was initially developed by Ludwig von Bertalanffy (1956). But Katz and Kahn were the first to implement the open system theory to organization. An open system means that the system depends on open interaction with its external environment. All living systems are open systems. For example, a consumer purchasing an organization's product; it is an open interaction of the organization with its external environment. Thus, all organizations have open systems. A closed system is isolated from its environment. It exists only in theory.

The main characteristics of an open system are:

- **Subsystems:** A system is a collection of parts known as *subsystems*. The subsystem must be interdependent.
- **Synergy:** When two or more people of an organization work together and the results are greater than the sum of their individual effects or capabilities is known as *synergy*. The system should be viewed as a whole and its performance should be viewed as an integrated system.
- **The Input-Output Model:** All the open systems exchange inputs into outputs. Thus a system is viewed as a transformation process.
- **Goal Seeking-open System:** Open system interacts between elements and exchange information with their environment that result in final stage.
- **Entropy:** Energy and resources are required to keep a system operating. *Entropy* is a measure of the disorders that exists in a system and it measures the errors occurring in the transformation process.
- **Steady State:** Any state of a system where the rate of input of energy and matter is equal to the rate of dispersal of energy and output of materials known as a *steady state*. Open systems always tend to exhibit a steady state.
- **Feedback:** *Feedback* refers to the system's knowledge of how well it is accomplishing its purpose. It also measures whether the purpose itself is appropriate in the current environment. It tends to provide useful information for future decisions and development.

The organization as an open system is a collection of following subsystems:

- Goals and values, technical, psychosocial, structural and managerial which are reliant on each other.
- Organizations are open to their environment and compete to achieve an appropriate relation with that environment.
- Organization as an open system is influence by the external environment that results in a dynamic equilibrium.
- The organization is expressed in terms of input-output mechanisms. There are three basic elements in the input/output model:

 (i) **Inputs:** The inputs received into the system are subject to a transformation process that converts the inputs into an output through a variety of processes.

 (ii) **Process:** The transformation process yields outputs of materials and energy that are exported to the environment.

(iii) **Outputs:** The outputs are the system's attempt to fulfil its purpose.

The open system interacts with its environment and receives information, feedback from its environment. The following figure shows the open system model that interacts with its environment:
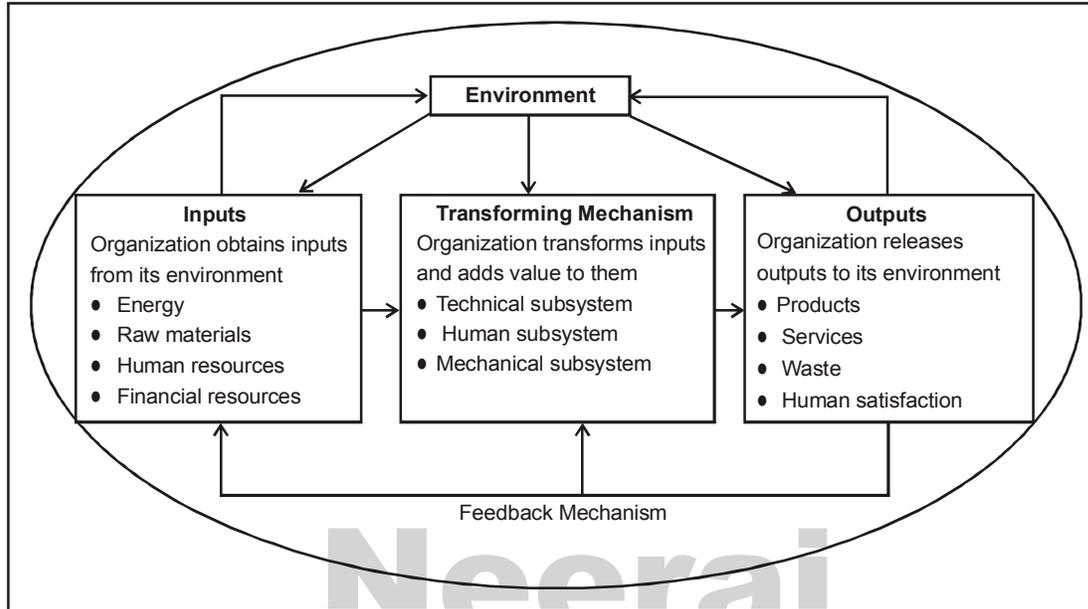
APPROACHES TO ORGANIZATION

A metaphor is a figure of speech in which an implied comparison is made between two dissimilar things that actually have something in common. According to Gareth Morgan "the one of the most basic problem of modern management is that the mechanical way of thinking which is often difficult to organize." For which Morgan provides his ideas: to explore a number of alternative metaphors to create new ways of thinking about organization; to show how metaphors can be used to analyze; He illustrates his ideas by exploring eight standard metaphors of organization– Machines, Organisms, Brains, Cultures, Political Systems, Psychic Prisons, Flux and Transformation, Instruments of Domination.

Archetypical Metaphors for Organizations

Machines	Efficiency, waste, maintenance, order, clockwork, programmess, inputs and outputs, standardization, production, measurement and control, design
Organisms	Living systems, environmental conditions, adaptation, life cycles, recycling, needs, evolution, survival of the fittest, health and illness
Brains	Learning, parallel information processing, distributed control, mindsets, intelligence, feedback, requisite variety, knowledge, networks
Cultures	Society, values, beliefs, laws, ideology, rituals, diversity, traditions, history, service, shared vision, understanding, qualities, families
Political System	Interest and rights, power, hidden agendas, authority, alliances, party-line, censorship, gatekeepers, leaders, conflict management
Psychic Prisons	Conscious and unconscious processes, repression and regression, ego, denial, projection, pain and pleasure principle, dysfunction
Flux and Transformation	Constant change, dynamic equilibrium, flow, self organization, systemic wisdom, attractors, chaos, complexity
Instruments of Domination	Alienation, repression, imposing values, compliance, charisma, maintenance of power, force, exploitation, divide and rule, discrimination, corporate interest.

Organizations as Machines: The machine metaphor is defined as an organization that operates in a mechanistic like manner. These organizations are very structured and centralized. The tasks performed are conventional and repetitive due to which the workers become isolated from their work. The machine metaphor creates few strengths and weaknesses within an organization. According to Max Weber, Mechanistic approach work well only:

● When there is a straight forward tasks to perform;
● The environment is stable and predictable;
● When one produces the same product time and again with efficiency;
● The human parts are conforming and behave as they have designed.

The weaknesses of the machine metaphor are:

● The inability in adapting the changing circumstances;
● Designed to achieve predetermined goals;
● Takes time to get an efficient division of lab through detailed analysis.

Moreover, the mechanistic approaches result in unquestioning bureaucracy. The problems can be ignored; communication can be ineffective; top management can become remote and initiative is discouraged.

Organizations as Organisms: This metaphor has its roots in terms of organic functioning i.e. natural selection or biology. This concept focuses on:

● Open systems;
● Organizational life cycles;
● Process of adaptation to environment;
● Different species of organizations and relations between species and their ecology.

These ideas have a massive impact on the way of thinking about an organization. Under machine metaphor, organization theory is in the form of relations between goals, structures and efficiency. Organism has changed this idea. This approach is guiding attention towards general issues of survival, organization-environment relations and effectiveness. The goals, structures and efficiency now become more biological concerns.

Organizations as Brains: Morgan's concept of the organization as a brain is based on the way organizations store information. The brain metaphor provides a way to approach organizational learning. In this metaphor Morgan discusses three major components of literature: on information processing, on interdisciplinary study and self-correcting systems and on organizational learning. The brain is an incredibly powerful information processing system. Information is needed to coordinate the firm's resources for faster innovation of new products, reduced duplication of efforts, savings costs in research and development, enhanced employee's satisfaction. Strengths of the brain metaphor are:

● Clear guidelines for creating a learning organization;
● How information technology can support organizations;
● Gain a new theory of management based on knowledge;
● Decentralized decision-making is powerful.

Limitations of the brain metaphor are:

● There may be conflict between the requirements of learning and the realities of power and control;
● Information is not knowledge.

Organizations as Cultures: Culture is the way we do things around. It is the environment that surrounds us at work all of the time. Culture is made up of values, believes, underlying assumptions, attitudes and behaviour of people. It is influenced by the organization's founder, executives and other managerial staff because of their role in decision-making and strategic direction's. As we live in an organizational society. Large or small both organizations have an organizational culture. People working in factories and offices all belong to the same industrial culture. They are all members of organizational societies. Anthropologists and sociologists have long observed organization as a culture observable fact and provided valuable sociological analysis; French sociologist are Emile Durkheim (1934), Weber (1947), Parsons (1973) etc. The main force of this metaphor is that it exhibits how organization lays in share system values, principles, ideas, social practices that eventually provide guidance to organized actions.

Organizations as Political Systems: A political system is composed of the members of a social organization who are in power. This metaphor of organization as political system is based on the relationships between an individual and organization. There are three frames of references to understand