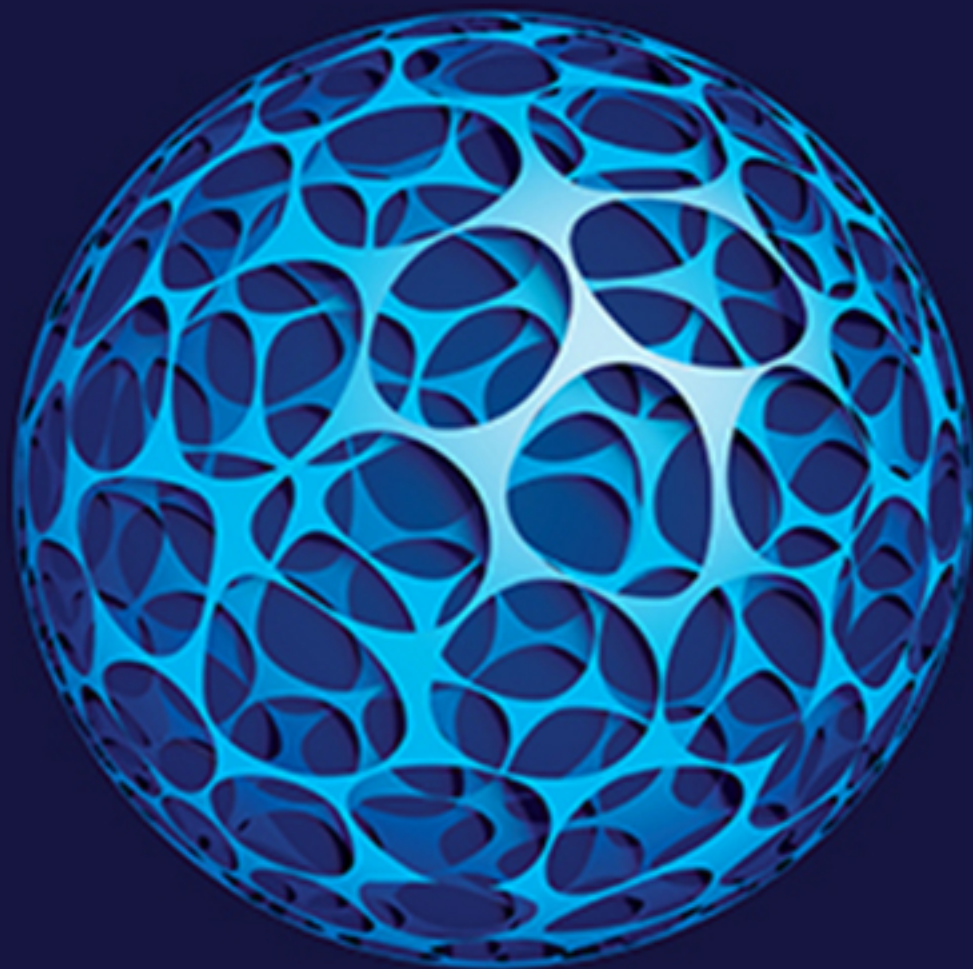


JOHN MCAULEY JOANNE DUBERLEY PHIL JOHNSON

Second Edition

ORGANIZATION THEORY

Challenges and Perspectives



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Second Edition

ORGANIZATION THEORY

Challenges and Perspectives

A highly relevant book... contrasting with more traditional books about organization

Henrik B. Sørensen, Aarhus University, Denmark

The writing style is clear and concise, and consistent across chapters. It is particularly well written for students whose first language is not English.

Dr Melissa Tyler, Essex Business School, UK

Its excellence is its depth and effort to map out in a sensible yet academically rigorous way an enormous field of work. Succeeds admirably.

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Exploring organization theory from its origins right up to present-day debates, the authors encourage the reader to engage in a critical dialogue between varying perspectives. Using various forms of organizational theory that both underpin and challenge common sense ways of viewing (and managing) organizations, the aim of this new edition is to provide a clearly structured and interesting exploration of the ways in which the variety of theories and perspectives that constitute Organization Theory provide profound challenges for organizations in the twenty-first century.

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- Stop and Think boxes to invite personal or group reflection
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- Ideas and Perspectives features introduce and summarize key theories
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This book is suitable for final year undergraduate or postgraduate students for whom the study of organizational theory, analysis and design is an integral part of their degree programme. The text should also be of interest to students studying courses on management, and organizational behaviour.

John McAuley is Emeritus Professor of Organization Development and Management at Sheffield Business School, Sheffield Hallam University.

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Second Edition

Organization Theory

Challenges and Perspectives

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Sheffield Business School, Sheffield Hallam University

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Preface

Introduction

The book explores approaches to Organization Theory from its origins through to the most recent debates. We show how the different traditions of organizational theory are intertwined, sometimes in sympathy, sometimes with profound disagreement.

We explore the strengths and limitations of these theories and perspectives and show how they continue to exert challenges to organizations.

The three authors come from somewhat different standpoints in relation to their understandings about organization theory so there is a sense of dialogue between different perspectives; this is in the spirit that organizational theory, as with any significant body of knowledge, is not a settled, uniform discipline. This will enable the reader to see the issues as living, controversial and challenging.

The aim of this book

Our vision is that the book covers the core issues in organization theory in a manner which shows how various forms of organizational theory both underpin and challenge common sense ways of viewing (and managing) organizations.

The aim of this book is to provide a clearly structured and interesting exploration of the ways in which the variety of theories and perspectives that constitute Organization Theory provide profound challenges for organizations in the twenty-first century.

Who should use this book?

The target audience is anticipated to be postgraduate students and undergraduate students for whom Organizational Analysis or Organizational Theory represents a core module, or is a significant part of a core module. Typically the audience would be students in Business Schools but could also be students in Departments of Sociology, Schools of Education and so on. The learning needs of these students is for a book that reflects the best of Anglo-American, European and other thinking on organization theory in a manner that shows that different sorts of theory are relevant and can be made interesting for an understanding of the organizational world.

Distinctive features

The structure of the book

The 'historical' epoch-based approach enables students to see the relevance and challenge of all the different perspectives and theories that constitute organization theory. Because of the way the book was developed by its three authors, readers can see that there are differences in the way that its theories and challenges can be understood, that organization

theory is not a monolithic subject but rather a rich resource for developing understanding of organizations.

Each chapter begins with an **Introduction** which outlines the content and direction of the chapter, provides a clear guide to the structure of the chapter and then outlines the **Learning outcomes**. These learning outcomes provide a guide to the different sections of the chapter.

Stop and think

Each of the chapters contains ‘stop and think’ boxes. These are designed to form the basis for brief discussion amongst group members or for personal reflection on some key issue raised in the text.

Case studies

These are designed to enable the reader to relate theoretical issues to organization practice, or to give a practical organizational example.

Ideas and perspectives

These are designed to provide an outline of a perspective, theory or key idea in organization theory. They provide the reader with an introduction to ideas that are developed within the chapter.

The chapter so far

These are provided at key points in the chapter. They provide the reader with a summary of the issues that have been covered in the chapter and a link with the next part.

Biography

These are designed to provide a brief intellectual history of key figures in organization theory. They provide an indication of the ways in which different theorists developed their understanding of organization and social science theory as part of the background in which the different periods of organization theory developed.

Concluding grid

Most of the chapters conclude with a grid in which we return to the learning outcomes and then summarize the way in which these learning outcomes provide challenges to the organization in the twenty-first century.

Annotated further reading

Each chapter concludes with an indication of further reading. We have also included, wherever possible, indications of films and other media that provide insights into the issues covered in the chapter.

Discussion questions

Finally, each chapter concludes with a number of questions that have been developed for use in seminar discussions or would be suitable as the basis for assessments.

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The creation of this text was a challenging adventure, and we would like to acknowledge the contribution of many others to its development. We would like to express our thanks to the Editorial and Production teams at Pearson for their continuing patience and support. Their contribution to the pedagogic shaping of the text challenged many of our initial assumptions about the nature of a 'textbook' on organization theory and have enabled us to produce what we hope is an accessible text that preserves intellectual integrity. We also owe a debt of gratitude to our academic reviewers who, as in the first edition, always challenged us, sometimes praised us, sometimes criticized us, and sometimes pointed out the error of our ways. They provided us with advice and issues to consider and consistently made a real contribution to the academic development of the book, although responsibility for it lies with us

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Chapter 1

Organization theory: challenges and perspectives

Introduction

This is a brief chapter that is designed to give the reader a view of the ways in which the authors approached the challenging subject of organization theory. The chapter starts with a brief discussion of the context of 'organization theory in relation to other approaches to understanding organizations and management'. It continues with a discussion of our approach to organization theory and concludes with a brief introduction to the different perspectives on organization that are presented in this book; we have done this so that the reader can see how the different theories of organization sometimes relate to each other and sometimes come from very different understandings of the nature of organization and social reality. The chapter is differently structured from the other chapters in the book, and the reader will not find any references in this chapter.

Organization theory as discipline: placing 'Organization Theory: Challenges and Perspectives' in context

Over the past 100 years or so, organization theory has developed into a distinctive social science discipline, a body of thinking and writing that explores particular theories or the bodies of theory that have developed over this period in order to analyse, explain and influence what goes on in organizations. Its active ingredients include philosophy, sociology, psychology, anthropology and other disciplines drawn from the social and (on occasion) natural sciences with different combinations in different perspectives. In common, with many disciplines in natural and social sciences, organization theory has a number of purposes some of which conflict with each other. For some academics and researchers, the key concern is to develop organization theory as a social science discipline in its own right. They publish in peer-reviewed journals in order to advance the understanding of the nature of organizations. In relation to this activity, a second strand of writing is the wish to communicate to a wide audience their interpretation of organization theory in order to inform and to encourage students and members of organizations to develop in a reflective manner their own critical understanding of organizations. A third strand is to provide theoretical

IDEAS AND PERSPECTIVES

Exploring organizations and management from different intellectual positions

We have already used the terms 'organization theory' and 'management theory'. These terms are a reminder that in the study of organizations and management there are a number of related disciplines. As you read texts in these disciplines, it is important to remember that the selection of the materials and the emphasis placed upon them are made by the authors/editors and that none is entirely impartial. Although they overlap, it might be useful just to define some of the main areas:

Organization Theory: As we shall discuss in some detail in Chapter 2, organization theory is concerned with the study of the various theories about organizations that have developed since the latter part of the nineteenth century. The origins of organization theory lie in developing a sociological understanding of organization. Some authors focus on particular bodies of organization theory, whereas others (as we have in this text) explore different bodies of organization theory in a more or less disinterested manner.

Organization Studies: Texts that bear this title are typically concerned with the understanding of different themes in the study of organizations in order to produce knowledge about organizations that represents a contribution to social science.

Organization Analysis is typically the study of the processes that underpin the operation of organizations, typically with the purpose of improving the operation of organizations.

Organization Behaviour is typically concerned with developing an understanding of the ways in which members of organizations can develop behaviours that enable their commitment to the purposes of the organization so that typical themes include theories of managing people, motivation, leadership, creating effective work groups, managing diversity and so on.

Management Theory is typically concerned with the study of theories about the nature and purpose of management that have developed since the latter part of the nineteenth century. Texts on management theory typically take an approach that looks at the subject in terms of particular theories of management or epochs, periods in which a number of theories emerge, develop into a level of maturity and either retains relevance or transforms into some new theory of management. Although management theory has been generally supportive of the activity known as management, the development of critical management studies takes a deeply sceptical view of conventional approaches to management.

Management Studies are typically concerned with the understanding of different themes in the study of management in order to produce knowledge about management that represents a contribution to scientific approaches to, and understanding of, the activities known as management and leadership. This knowledge may be generally supportive of these activities or it may be deeply critical of them.

underpinnings to the act of management, to enable managers to operate their organizations in a more effective manner, at least from the perspective of managers. Organization theory is one of a range of disciplines that aims to understand and explore the nature of organizations and management.

The authors of this text teach and research in Business Schools and are, in terms of their social science backgrounds, sociologists. They have a deep fascination with organization theory in that we encountered it when we undertook our own academic studies and we also taught, researched and undertook consultancy that was deeply informed by insights from different perspectives in organization theory. What struck us, when we looked at other textbooks, journal articles and discussions with colleagues, was the diversity of understandings of the very nature of organization theory and the ways in which some writers were keen advocates of one body of theory and other writers were happy to reflect diversity within the discipline.

We saw organization theory as emerging from the creation and development of different epochs or movements that were to some extent tied into the particular social (and sometimes political) contexts but which are also of enduring interest and continue to be part of the rich tapestry of organization theory. In some respects, each of these epochs or meta-theories has a life history in the sense that they have a period of rich and sustained development and then, as that development tends to slow down, they leave a sustained impression on both the academic world and, in a more general way, the public understanding of organizations. When we started writing, we felt that each of these meta-theories could be seen independently of each other, as distinctive, but as we developed the text we realized that although the core of each of them is indeed distinctive there are at the margins complex relationships and interdependencies between them. What we have done, in the development of the text, is basically to take eight epochs of development of different sorts of theory that constitute organization theory as a field and provide a rich discussion of them. We have also provided introductory and concluding chapters that we hope present the field in a holistic manner. We have looked at some of the ways in which these different meta-theories relate to the development of management theory.

Introducing the structure of 'Organization Theory: Challenges and Perspectives'

In this section, we take the reader through the chapters of the book in order to show how we developed the idea that we can explore organization theory as epochal but with each epoch having enduring relevance.

■ Chapter 2: Organization theory: what is it and why does it matter?

In this chapter we explore some fundamental issues. We look at the issue of what is meant by 'theory' in the social sciences generally and in organization theory in particular. We also explore the very concept of 'organization' as it has developed over time. In this context we begin to explore the ways in which organization theory relates to everyday life and we suggest some of the ways in which it relates to management practice. These are themes that are developed in different ways in other chapters. We then develop a discussion that provides an explanation for the diversity of organization theory; this involves the development of understanding of debates about the very nature of reality and the ways in which we understand reality.

IDEAS AND PERSPECTIVES

Modernism and neo-modernism

The next four chapters are an exploration of one of the key aspects of the development of organization theory. They are concerned with the development of modernist and neo-modernist approaches to organization and management. In many respects, organization theory as a discipline begins with modernism with



Ideas and perspectives (cont.)

its emphasis on the development of organizations that have a clear order and structure, where form fits function, where there is an emphasis on rationality and system. This is discussed in Chapter 3. For reasons discussed in Chapter 4, a number of writers came to the realization that what was seen as the essentially dehumanized model of modernism was essentially causing a severe disconnect between the requirements of organizations and the members' desire to work in them in a committed and motivated manner. This led to the development of the neo-modernist human relations school, which attempted to 'humanize' modernism. This in turn led to what are called 'new wave' neo-modernist organization theories discussed in Chapter 5, which basically looks at the issues of the ways of controlling members in a human sort of way and the development of ideas of corporate culture as one of the key ways of achieving commitment to the purposes and goals of the organization. Because these modernist and neo-modernist organization theories have had such a profound influence on the development of management, we have devoted, in Chapter 5, a chapter that explores the relationship between these organization theories and management.

Chapter 3: Modernist organization theory: back to the future?

The chapter heading is indicative of the idea that although modernism takes us to the beginnings of the development of organization theory, its core principles and practices recur even in a world that is constantly changing. Underpinning modernism is the notion of the 'ordered world', the notion that chaos and disorder can be managed through human will and intent. In organization theory, this suggests the development of systems, bureaucracies and approaches to management that enable the creation of order in an environment that is fundamentally disordered. Fundamental to modernist organization theory is that we can look at the intellectual world and organizations as functional systems (that can become dysfunctional). This can be seen in two ways. One is that we can look at a whole range of scientific activities, including the development of organization and management theory, as systemically interlinked. This has had a profound effect on the development of organization theory. The other is that we can look at organizations as systems that are more or less complex. Another core feature of modernist organization theory is interest in the form of organization – the bureaucracy – and how bureaucracy is located in society. There is a fierce argument here. Is bureaucracy, with its impersonality and amoral approach and the development of the 'bureaucratic mentality', a force for evil, or is it, for these very reasons, the bulwark against chaos and disorder? Thoughtful modernist writers are ambivalent about bureaucracy in the sense that on the one hand it provides order and a sense of equity and on the other it can be an 'iron cage' that entraps people in its controlling and omnipresent presence.

Chapter 4: Neo-modernist organization theory: putting people first?

Although modernism continues through the twentieth century and into the present century to be a powerful force in organization theory and in the development of organizations, a newer form of modernism began to emerge in the first half of the last century. This form of modernism, known as neo-modernism, continues to be a pervasive force in organization theory. Neo-modernism represents the development of organization theory that is concerned with putting people at the centre of the organization. In doing this, it uses insights and methods from the social sciences to develop a distinctive organization theory that can be applied to issues of management and leadership in organizations. In neo-modernism,

there is the development of interest in the ways that the values and beliefs of people shape and are shaped by their experience of organizational life, leading to an interest in organization culture, to the ways in which organizations 'need' to be designed around people and to understanding processes of change. Although some of the original writers in this tradition saw themselves as organizational theorists, it can be suggested that insights from this body of knowledge morphed into human resource management and organizational behaviour.

Chapter 5: Neo-modernist organization theory: surfing the new wave?

Given that control has always been a central issue for organization theorists this chapter identifies and explores the different forms of control and their interrelationships evident in organizations. The chapter initially differentiates between formal and informal control before exploring three forms of formal control: bureaucratic, output based and cultural. It then locates the evolution of new-wave organization theory in the development of cultural forms of control exerted by the management over organizations' members. Two different explanations of this apparent development are presented. The first explains new wave management as a necessary response to increasing levels of uncertainty in the operation of many organizations, meaning that traditional forms of control are no longer viable. The second explains its emergence in terms of ideological and rhetorical shifts in management discourse. In exploring this second explanation, the theoretical origins of new-wave management are then elucidated by tracing its perspective back to Durkheim's concept of anomie and how it was subsequently used and applied to organizations by Mayo in the early part of the twentieth century and by North American neo-conservatives in the latter part of that century. Here the humanistic guise of new-wave management is challenged, and how it has been expressed by the development of new forms of organization is initially considered.

Chapter 6: From classical beginnings to new-wave leadership and management: the evolution of management theory

The explicit aim of a great deal of mainstream modernist and neo-modernist organization theory is to meet the presumed needs and concerns of practicing managers through conferring the power of control based upon a rigorous analysis and understanding of organizations and their memberships. This chapter turns to developing a theoretical understanding of managers themselves as a significant, identifiable organizational group, and management as a separate, hierarchical function in organizations. Hence, this chapter begins with an historical account of how and why management developed in the first place. It then moves on to consider what is called the managerialist thesis and how different interpretations of the significance of the development of management, as a specific function and social group, have impacted upon both how we understand management and how what is called new managerialism has recently developed. The diffusion of new managerialism in the workplace, the form it has taken and its effects upon employees and managers are also related to the rise of new-wave management. The chapter concludes with a discussion of a body of theory – New Institutional Theory – that casts interesting light on the ways in which we understand management and organizations.

IDEAS AND PERSPECTIVES

Post-modernism, post-modernism, developing the reflective organization, and critical theory

The next four chapters are an exploration of the three key perspectives that take organization theory away from modernism and neo-modernism although some would claim that the first of these – post-modernism – has a closer relationship to neo-modernism than many of its key writers would wish to espouse. Chapters 7 and 8 discuss two of the major themes that emerged in the later twentieth century and were, for a while, dominating discourses in organization theory. In Chapter 7, we explore the body of theory that suggests that the late twentieth century and the present century are indeed a new epoch and that the turbulence and premonitions of chaos that differentiate the present age from previous ages means that we need to develop a completely new approach to organization and organization theory. Postmodernism, discussed in Chapter 8, presents an organization theory that is deeply sceptical of 'grand narratives' such as modernism and neo-modernism, post-modernism and critical theory that claim to give 'real' explanations of the 'real' world of organization; postmodernism explores organizations as discourses and in its way poses profound questions about the development of organization – indeed any social science – theory. We then move, in Chapter 9, towards the discussion of a body of theory that can be labelled 'reflective' organization theory in the sense that the themes in the chapter invite reflective understanding of the dynamics of organizations with particular concern in relation to issues of organizational identity and organizational culture. This takes us into discussion, in Chapter 10, of one of the significant movements particularly in European thinking in relation to reflexive critical theory in which you will find a body of theory and understanding that raises profound issues and challenges for organizations in capitalist societies.

Chapter 7: Post-modernist organization theory: new organizational forms for a new millennium?

This chapter introduces the term *postmodernism* and contrasts two different approaches in which it is used: firstly (post-modernism) as a period characterized by increased dynamism and diversity in the environment with implications for how organizations should be designed, and secondly (postmodernism), as a philosophy or way of thinking. It then concentrates on the former, and the latter is dealt with in Chapter 8. Chapter 7 traces the history of the term *postmodernism* and shows how post-modernism relates to post-Fordism, the post-industrial society and the information society, highlighting certain shared characteristics such as increased flexibility and multiskilling, the increased importance of knowledge work, the breakdown of organizational hierarchies, the differentiation of a core and peripheral workforce and the flexible use of labour. Two themes recur throughout the chapter. The first is a discussion of the extent to which these changes are widespread with some writers emphasizing the idea that we now live in a world of unprecedented turbulence and change so that post-modernity represents a radical break with the past. The second theme is that the practices we see variously defined as post-industrial and post-Fordist actually reflect a continuation and, in some cases, intensification of modernist organizational practices.

■ **Chapter 8: Postmodernism as philosophy: the ultimate challenge to organization theory?**

This chapter addresses postmodernism as a philosophy. The focus moves to postmodern theory or philosophy, providing us with a new theoretical position from which to try to make sense of the world around us. The chapter is divided into four sections. The first traces the development of postmodernism, outlines its core elements and differentiates postmodernism from modernism. A recurrent theme in postmodernism that is addressed is the rejection of the modernist 'grand' or 'meta' narrative that it is possible to develop a rational and generalizable basis to scientific inquiry that explains the world from an objective standpoint. The second section of the chapter outlines the work of the three key thinkers or the 'holy trinity' of postmodernism: firstly, Jacques Derrida and his work on the linguistic turn and deconstruction; then Jean Francois Lyotard and his rejection of meta theory; and finally, Michel Foucault and his work on power, knowledge and discourse. Each is examined separately because although they share some assumptions, the focus of their work is somewhat different. Our aim is not to provide a complete overview of their work but instead try to pick out the core elements that have been used in organization theory. We discuss the ways in which postmodernism provides valuable insights into understanding organizations and contributes to the development of organization theory.

■ **Chapter 9: Reflective organization theory: symbols, meanings and interpretations**

An important strand in the development of organizational theory has been perspectives and theories that emphasize the ways human beings give their world meaning, that they are capable of understanding and reflecting on the complex organizations in which they work. This chapter explores the nature of this approach and its importance. It looks at two key schools (known as the symbolic interaction and phenomenology) that have underpinned the development of this perspective. The chapter then explores how these theories and perspectives help understanding of the ways that individuals and groups construct their organizational identities and the ways these identities become enmeshed in the organizational culture. The significance of these themes and theories is that they can help organizational members to develop deep understanding of, to reflect on, their circumstances in order to learn and develop.

■ **Chapter 10: Reflexive organization theory: critical theory and psychoanalysis**

Although critical theory began to develop as a distinctive approach to understanding society in the 1930s, it was only in the 1980s that it began to become a force in management and organizational studies. Although it takes a radical view of the ways that organizations need to develop in order for them to enable members to be fulfilled as human beings, it enables us to reflect on the ways in which we need to constantly question issues of organizational design, leadership and communication in order to ensure that organizations can be creative and fulfilling places to work. The critical theorists saw psychoanalysis as a theory and

Chapter 1 Organization theory: challenges and perspectives

method that would enable deep insight into, and exploration of deep issues in, institutions and society. This chapter shows how psychoanalysis enables us to develop deep insights into the ways the unconscious aspects of behaviour can deeply affect organizations and enable the development of practical solutions to these deep problems. We also undertake a discussion, in the spirit of reflexivity, of the development of feminist organization theory.

■ Chapter 11: Perspectives and challenges

In the final chapter, we revisit the theoretical perspectives discussed in each chapter by showing how each can provide a richly different analysis of a short case study. We then move on to discuss current challenges to organizational theory, including the debate concerning paradigms and the practical utility of organization theory.

Chapter 2

Organization theory: what is it, and why does it matter?

Introduction

This chapter introduces the reader to organization theory by initially considering what organization theory is and how it relates to human practices, including management. The chapter begins with a discussion of the ways in which the term 'theory' is used in the study of organizations and the ways in which different approaches to theory can lead to different interpretations and understandings of organizational phenomena. We then look at different understandings of the concept of 'organization' and the implications of these different approaches to understanding organization. In this context, we discuss the intention of some writers that the study of organizations should fulfil the purpose of improving their management and for others that organization theory is concerned with the development of a shared understanding of the dynamics of organization. The chapter concludes with a discussion of some of the deeper aspects of the ways in which we understand the very nature of organization that are at the root of the different approaches to organization theory that permeate this book.

Learning outcomes

- Explore what might be meant by the term *theory* by identifying what theories are and what they do.
- Consider how the phenomenon 'organization' has been defined in different ways.
- Identify why organization theory is important, especially in terms of how it impacts upon people through influencing their behaviour and practices.
- Explore the relationship between organization theory and management practice and discuss some of the debates around this issue.
- Describe and explain the apparent diversity of organization theories in terms of competing philosophical assumptions.