

## **The Impact of Organizational Theory and Organizational Learning on Organizations**

This essay explores organizational theory, its history and development as an academic principle and its impact on organizations. The essay will review the works of various theorists in the field of organizational theory, exploring how they have influenced organizational theory, the ways in which organizational theory classifies knowledge, the insight gained from the knowledge of organizational theory and the impact of organizational theory on organizations. Lastly, this essay will review the application of learning by organizations and the effects of learning on the growth of an organization.

Westley defines an organization as “a series of interlocking routines and habituated action patterns that bring the same people together around the same activities in the same time and place” (339). The *International Encyclopedia of the Social Sciences* defines theory as “a supposition or system of ideas explaining something, especially one based on general principles independent of the particular things to be explained.” Organizational theory is defined as the study of organizations and organizational structures, the study of relationships of organizations with their external environments, as well as the study of the behavior of managers and their subordinates within organizations. Organizational theory provides insight into the group and individual dynamics that are in play in organizations, understanding and modeling the factors created by these dynamics to postulate theories that guide society as a whole and organizations in particular. Organizational theory is that merger of bureaucratic theory, scientific management, and administrative theory that seeks to explain organizations and the structures and processes that operate within them (Walonick, 1).

Bureaucratic theory, postulated by Max Weber, emphasizes a need for hierarchical structure of power, recognizing the division of labor and specialization. Weber's theory is based on the notion that "organizational behavior is a network of human interactions, where all behavior could be understood by looking at cause and effect" (Walonick, 1).

Scientific management is the theory of organizational management that analyzes and systemizes workflows to increase labor productivity and economic efficiency defined by Frederick Taylor in 1917. Scientific management (also called Taylorism) operates off four principles: 1) find the best way to perform each task, 2) match each worker to a task, 3) closely supervise workers, using reward and punishment as motivators, and 4) management's task is to plan and control (Walonick, 1).

Administrative theory is a principle of management that "emphasizes a universal set of management principles that could be applied to all organizations" (Walonick, 1). Hatch and Cunliffe identified the principles of administrative theory to include: span of control—number of subordinates managed by one manager, departmentation—grouping similar activities, unity of command—one person-one boss, and scalar principles—linking organizational members in a hierarchy.

Combining all three theories, organizational theory focuses on the interactions within organizations, the ways in which organizations adapt, as well as the strategies and structures guiding them.

### **Historical Background of Organizational Theory**

Although it did not emerge as an academic field until the 60's, it is possible to trace organizational theory back to 1776 when Adam Smith advocated a new form of organizational management called division of labor. Adam Smith's division of labor was

followed a century later by Max Weber's theory of bureaucracy, Frederick Taylor's scientific management and Henry Fayol's administrative theory.

Before its acceptance as a field of study in the 1960s, organizational theory was making contributions to classifications in organizational management. Prior to the '60s, authors who wrote about what later became accepted as concepts of organizational theory had their own disciplinary communities to which they were oriented when they wrote (Hatch and Cunliffe, 7). Adam Smith (division of labor), was a political economist; Karl Marx, (theory of capital, managerial control, exploitation and alienation) was one of the founders of sociology; Emile Durkheim (formal and informal organization) was a sociologist; Frederick Taylor (scientific management) was an engineer, and Mary Parker Follet (principle of self-government of groups) was a social reformer and consultant. The concepts put forward by these theorists impacted not only what later became known as organizational theory but also the theorists' own respective fields. These concepts, in later years, became reference points around which organizational theory developed further.

For instance, in reaction to the rigid, authoritative bureaucratic and scientific management approaches to organizational management, Chester Barnard, in 1938 proposed the first new theory of organization: "organizations are cooperative systems, not the products of mechanical engineering" (Perrow, 4). Barnard stressed the need for "natural groups within the organization, upward communication, authority from below rather than from above and leaders who functioned as a cohesive force." This human relationship management approach to organizational theory draws its inspiration from biological and not engineering systems, fostering relationships between employees and

employers that go beyond rigid control. This view of organizational management is what is seen in practice in today's modern organization.

Organizational theory has evolved from the tough authoritarian structure of the classical era during which it was believed that people are motivated to work strictly for economic reward to the neoclassical which addresses the rigidity of the classical but is faulted for stifling creativity, to the contingent which addresses conflicts avoided by the neoclassical and believes that an organization would "evolve to meet the needs of its strategy, that form follows function" to the systematic which believes that "all the components of an organization are interrelated, and that changing one variable might impact many others" (Walonick, 2-3). At each stage of its evolution, organizational theory has been guided by the insights postulated and by organizational theorists and authors.

### **Ontology and Epistemology of Organizational Theory**

Since the emergence and acceptance of organizational theory as a major field of study, organizational theorists have "refined conceptual distinctions, using them to create sophisticated explanations" for individual and group dynamics that exist within an organizational setting (Hatch and Cunliffe, 4). Because human behavior is unpredictable and organizations are complex, organizational theory draws its inspiration from a variety of fields of study and accounts for phenomena from three perspectives: modern, symbolic-interpretive and postmodern.

Table 1, culled from *Organization Theory: Modern, Symbolic and Postmodern Perspective* presents a summary of the three perspectives and the approach to organizational theory and organizations.

Table 1: Summary of the three perspectives of organization theory (culled from *Organization Theory: Modern, Symbolic and Postmodern Perspectives*)

<b>Modernism</b>	<b>Symbolic interpretivism</b>	<b>Postmodernism</b>
<p data-bbox="264 426 399 457"><b>Ontology</b></p> <p data-bbox="167 499 513 825">Objectivism – belief in an objective external reality whose existence is independent of our knowledge of it.</p>	<p data-bbox="711 426 846 457"><b>Ontology</b></p> <p data-bbox="613 499 1008 972">Subjectivism – the belief that we cannot know an external or objective existence apart from our subjective awareness of it; that which exists in that which we agree exists.</p>	<p data-bbox="1133 426 1268 457"><b>Ontology</b></p> <p data-bbox="1036 499 1463 972">Postmodernism – the belief that the world appears through language and is situated in discourse; what is spoken of exists, therefore everything that exists is a text to be read or performed.</p>
<p data-bbox="264 1024 464 1056"><b>Epistemology</b></p> <p data-bbox="167 1098 586 1644">Positivism – we discover Truth through valid conceptualization and reliable measurement that allows us to test knowledge against an objective world; knowledge accumulates, allowing humans to progress and evolve.</p>	<p data-bbox="711 1024 911 1056"><b>Epistemology</b></p> <p data-bbox="613 1098 1008 1791">Interpretivism – all knowledge is relative to the knower and can only be understood from the point of view of the individuals who are directly involved; Truth is socially constructed via multiple interpretations of the objects of knowledge thereby constructed and</p>	<p data-bbox="1133 1024 1333 1056"><b>Epistemology</b></p> <p data-bbox="1036 1098 1446 1570">Postmodernism – knowledge cannot be an accurate account of Truth because meanings cannot be fixed; there is no independent reality; there are no facts, only interpretations; knowledge is a power play.</p>

	therefore shifts and changes through time.	
<p><b>Organizations are</b> objectively real entities operating in a real world. When well designed and managed they are systems of decision and action driven by norms of rationality, efficiency and effectiveness for stated purposes.</p>	<p><b>Organizations are</b> continually constructed by their members through symbolically mediated interaction. Organizations are socially constructed realities where meanings promote and are promoted by understanding of the self and others occur within the organizational context.</p>	<p><b>Organizations are</b> sites for enacting power relations, oppression, irrationality, communicative distortion—or arenas of fun and playful irony. Organizations are texts produced by and in language, we can rewrite them so as to emancipate ourselves from human folly and degradation.</p>
<p><b>Focus of Organization Theory</b></p> <p>Finding universal laws, methods and techniques of organization and control; favors rational structures, rules, standardized procedures and routine practices.</p>	<p><b>Focus of Organization Theory</b></p> <p>Describing how people give meaning and order to their experience with specific contexts, through interpretive and symbolic acts, forms and processes.</p>	<p><b>Focus of Organization Theory</b></p> <p>Deconstructing organizational texts; destabilizing managerial ideologies and modernist modes of organizing and theorizing; revealing marginalized and oppressed viewpoints; encouraging</p>

		reflexive and inclusive forms of theorizing and organizing.
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Analyzing the three perspectives of organizational theory presented in Table 1 reveals:

- 1) The modernist perspective counts knowledge as what is known through direct experiences, aligning concepts with objects in the real world. From this objective perspective, according to Hatch and Cunliffe, an organization is a formal structure with an internal order, a set of natural laws governing its operation, and roles that must be carried out in a deterministic manner by organization members.
- 2) The symbolic-interpretive perspective “extends the definition of empirical reality to include forms of experience that lie outside the reach of the five senses” focusing on meanings as they occur in context. This subjectivist stance takes the position that “organizations have no objective structure but are continually constructed and maintained by people as they try to make sense of what is going on”; or as Weick puts it, sensemaking—building muddy answers and negotiating agreements out of vague questions in an attempt to reduce confusion (636).
- 3) The postmodern perspective challenges all forms of power, including knowledge and “maintains skepticism toward the idea that knowledge is anything more than a ploy to gain power over others”. (Hatch and Cunliffe, 15-17).

### **Axiological Consideration of Organizational Theory**

The axiological view adopted by an organization enables the organization to identify its internal valuing systems and the influences on its decisions and actions. Organizations

exist in society and are accountable to society as a whole. According to Davis and Blomstrom, some theorists believe that organizations have a responsibility to take actions, which protect and improve the welfare of society while at the same time protecting their own interests (6). Others have the view that an organization is responsible only for the problems caused wholly or in part by the organization (Fitch. 38). Reviewing the three perspectives of organizational theory, it is possible to posit the axiology of each perspective as follows:

Table 2: Axiology and the Three Perspectives of Organizational Theory

<b>Modernism</b>	<b>Symbolic interpretivism</b>	<b>Postmodernism</b>
<p><b>Axiology</b></p> <p>Only responsible for the problems caused wholly or in part by it.</p>	<p><b>Axiology</b></p> <p>Only responsible for the problems caused wholly or in part by it.</p>	<p><b>Axiology</b></p> <p>Protect the interests and welfare of society while at the same time protecting its own interests and profits.</p>
<p><b>Focus of Organization Theory</b></p> <p>Finding universal laws, methods and techniques of organization and control; favors rational structures, rules, standardized procedures and routine</p>	<p><b>Focus of Organization Theory</b></p> <p>Describing how people give meaning and order to their experience with specific contexts, through interpretive and symbolic acts, forms and processes.</p>	<p><b>Focus of Organization Theory</b></p> <p>Deconstructing organizational texts; destabilizing managerial ideologies and modernist modes of organizing and theorizing; revealing marginalized and oppressed</p>



practices.		viewpoints; encouraging reflexive and inclusive forms of theorizing and organizing.
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However, regardless of the perspective that an organization leans toward or the values it holds intrinsic, every organization must recognize that maximization of organizational profit must be secondary to the health of society. Organizations need to be socially responsible, incorporating self-regulating mechanisms with which to monitor business activities to ensure compliance with the spirit of law, ethical standards and international ordinances.

**Classification of Knowledge Derived from Organizational Theory**

In its examination of organizations, organizational theory uses methods of economics, sociology, political science and psychology. Insights gleaned from organizational theory continue to influence business practices as well as define and set standards for employer/employee relationships. Examples of the insights gained from classifications of organizational theory include specialization from Max Weber, fordism (concept of assembly line) from Henry Ford, human relationship management from Elton Mayo, and Theory X/Theory Y of management from Douglas Macgregor.

Theory X/Theory Y of human motivation present two contrasting models of workforce motivation: Theory X states that employees are inherently lazy and will avoid work if they can; as such, management must closely supervise workers and establish comprehensive systems of control. For an organization to thrive (in the Theory X world), managers must rely heavily on threats and coercion to get workers to comply with organizational dictates.

Theory Y, on the other hand believes that employees are ambitious and self-motivated individuals who enjoy what they are doing and so work is as natural to them as play and that, given the right conditions, most people will want to do well at work. Theory X has proven to be counter-productive in modern practice while Theory Y, by fostering a positive, trusting environment in which employees thrive and managers are under less pressure to exert controls, is more accepted and practiced even in the modern organization.

Other ways in which organizational theory has contributed to classification of knowledge include the positing of administrative principles such as unity of command (one person- one boss), departmentation (grouping similar activities into units), and span of control (limiting number of subordinates to a manager); the science of administration (organizational efficiency through division of work into small specialized segments) viewing organizations as cooperative social systems.

### **Learning and Organizational Theory**

Learning is enhancing one's capacity to take action. Learning organizations, according to Peter Senge, renowned advocate for organizational learning, are "continually enhancing their capacity to create" and must adhere to five disciplines: 1) build a shared vision, 2) personal mastery of the vision by all individuals, 3) build internal mental models that represent reality, 4) share the mental models, and 5) committ to a systems approach.

To grow, a learning organization must adhere to Senge's five disciplines in an iterative manner. A learning organization can be likened to one that employ's Kim and Mauborgne' blue ocean strategy to alter existing boundaries by looking within to enhance its ability to create (81). It must "open up to permit what was never allowed in to become part of the system, not only by doing things differently, but by doing different things" (Land and

Jarman, 257). Or, as Weick writes, “figure out how to use what you already know in order to go beyond what you currently think” (639).

Peter Senge, in his book *The Fifth Discipline: the Art and Practice of the Learning Organization* described learning organizations as “those organizations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together.”

The theories and models postulated by organizational theory (historic and present) are in effect in today’s modern organization. Manufacturing is still based on Ford’s assembly line principle, now more than ever before, human relationship management issues are recognized and addressed up front—diversity, feminism, effective leadership, and fair labor practices—to mention a few. Academics like Peter Drucker managed to turn academic research into business practices with concepts such as decentralization, outsourcing, the knowledge worker (Drucker, *The Landmarks of Tomorrow*), simplification, management by objectives (Drucker, *The Practice of Management*) and standardization of business processes. While some of these concepts have practical application till date and others were criticized, there is no gainsaying the contributions they have made to organizational development as a tenet of organizational theory.

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