
OVERVIEW

PART I INTRODUCTION: WHAT'S IT ALL ABOUT?

- 1 An Overview 1**
- 2 The Evolution of Organization Theory 29**
- 3 Organizational Effectiveness 47**
- 4 Dimensions of Organization Structure 81**

PART II THE DETERMINANTS: WHAT CAUSES STRUCTURE?

- 5 Strategy 119**
- 6 Organization Size 149**
- 7 Technology 175**
- 8 Environment 204**
- 9 Power-Control 237**

**PART III ORGANIZATIONAL DESIGN: CHOOSING
THE RIGHT STRUCTURAL FORM**

10 Organizational Design Options 275

11 Bureaucracy: A Closer Look 308

12 Adhocracy: A Closer Look 329

**PART IV APPLICATIONS: CONTEMPORARY ISSUES
IN ORGANIZATION THEORY**

13 Managing the Environment 358

14 Managing Organizational Change 381

15 Managing Organizational Conflict 410

16 Managing Organizational Culture 437

17 Managing Organizational Evolution 466

**PART V APPLICATIONS: CASES IN
ORGANIZATION THEORY**

Case Studies 492

CONTENTS

Preface xxi

PART I INTRODUCTION: WHAT'S IT ALL ABOUT?

1 An Overview 1

INTRODUCTION **The Celestial Seasonings' Story** 1

Some Basic Definitions 3

What is an Organization? 4 *What is Organization Structure?* 5 *What is Organization Design?* 6 *What is Organization Theory?* 7 *Contrasting Organization Theory and Organizational Behavior* 7

Why Study Organization Theory? 8

The Biological Metaphor 9

OT Close-Up **Ten Different Ways of Looking at Organizations, or What You See Is What You Get!** 10

The Systems Perspective 11 *The Life-Cycle Perspective* 19

Coming Attractions: The Plan of This Book 23

Summary 26

For Review and Discussion 27

Notes 28

2 The Evolution of Organization Theory 29

**INTRODUCTION UPS: They Run The Tightest Ship
in the Shipping Business 29**

Developing a Framework 30

Early Contributions 32

Type 1 Theorists 34

Frederick Taylor and Scientific Management 34 *Henri
Fayol and Principles of Organization* 35 *Max Weber and
Bureaucracy* 37 *Ralph Davis and Rational
Planning* 37

Type 2 Theorists 38

Elton Mayo and the Hawthorne Studies 38 *Chester
Barnard and Cooperative Systems* 39 *Douglas McGregor
and Theory X – Theory Y* 39 *Warren Bennis and the Death
of Bureaucracy* 40

Type 3 Theorists 41

Herbert Simon and Principles Backlash 41 *Katz and
Kahn's Environmental Perspective* 41 *The Case for
Technology* 42 *The Aston Group and Organization
Size* 42

Type 4 Theorists 43

*March and Simon's Cognitive Limits to
Rationality* 43 *Pfeffer's Organizations as Political
Arenas* 43

Summary 44

For Review and Discussion 44

Notes 45

3 Organizational Effectiveness 47

**INTRODUCTION Are You Sure You Know What
Effectiveness Is? 47**

Importance of Organizational Effectiveness 48

In Search of a Definition 49

**OT Close-Up A Best-Seller's Definition of
Organizational Effectiveness 52**

The Goal-Attainment Approach 53

Assumptions 53 *Making Goals Operative* 54
Problems 54 *Value to Managers* 56

<u>OT Close-Up</u>	Saying Different Things to Different Audiences	57
	The Systems Approach	58
	<i>Assumptions</i>	58
	<i>Problems</i>	61
	<i>Making Systems Operative</i>	59
	<i>Value to Managers</i>	62
	The Strategic-Constituencies Approach	62
	<i>Assumptions</i>	63
<u>OT Close-Up</u>	How Daniel Ludwig Lost \$1 Billion	64
	<i>Making Strategic Constituencies Operative</i>	65
	<i>Problems</i>	67
	<i>Value to Managers</i>	67
	The Competing-Values Approach	68
	<i>Assumptions</i>	68
	<i>Operative</i>	69
	<i>Making Competing Values</i>	
	<i>Problems</i>	75
	<i>Value to Managers</i>	76
	Comparing the Four Approaches	76
	Summary	76
	For Review and Discussion	78
	Notes	78
4	Dimensions of Organization Structure	81
	INTRODUCTION Corporate America is Restructuring!	81
	Complexity	83
	<i>Definition</i>	83
	<u>OT Close-Up</u> Division of Labor Helps Win World War II	86
	<u>OT Close-Up</u> Peters' Practical Proposal: Make Every Organization Flatter!	90
	<i>Why is Complexity Important?</i>	92
	Formalization	93
	<i>Definition</i>	93
	<i>Why is Formalization Important?</i>	95
	<i>The "Make or Buy" Decision</i>	97
	<i>Techniques</i>	98
	<i>Relationship Between Formalization and Complexity</i>	103
	Centralization	104
	<i>Definition</i>	104

**OT Close-Up Sophisticated Information Systems Will
Be Changing Organization Structures 107**
*Decision Making and Centralization 108 Why is
Centralization Important? 110 Relationship of
Centralization, Complexity, and Formalization 112*
Summary 113
For Review and Discussion 115
Notes 115

**PART II THE DETERMINANTS:
WHAT CAUSES STRUCTURE?**

5 Strategy 119
INTRODUCTION Strategy at Hewlett-Packard 119

What is Strategy? 121

Types of Strategy 123

Classifying Strategic Dimensions 125

Chandler's Strategy-Structure Thesis 126

The Research 128 Conclusions 129

Contemporary Strategy-Structure Theory 130

Miles and Snow's Four Strategic Types 130

**OT Close-Up Applying the Miles and Snow
Framework to the Tobacco Industry 134**

*Porter's Competitive Strategies 136 Miller's Integrative
Framework 138*

Limitations to the Strategy Imperative 140

Could Strategy Follow Structure? 142

The Industry-Structure Relationship 142

Summary 144

For Review and Discussion 145

Notes 146

6 Organization Size 149

INTRODUCTION Do You Get the Picture? 149

Defining Organization Size 150

Advocates of the Size Imperative 152

Critics of the Size Imperative 154

**OT Close-Up Have Economies of Scale Been
Oversold?** 156

Conclusions on the Size-Structure Relationship 157

Size and Complexity 157 *Size and Formalization* 158
Size and Centralization 160

A Critical Question: How Big is Big? 160

OT Close-Up Keeping It Small 161

Special Issues Relating to Size 162

The Administrative-Component Debate 162

**OT Close-Up U.S. Schools Appear to be Top-Heavy
With Administrators** 164

Organization Theory and Small Businesses 167

Summary 170

For Review and Discussion 170

Notes 171

7 Technology 175

INTRODUCTION Ford Versus Avanti 175

Defining Technology 176

The Initial Thrust: Woodward's Research 177

Background 178 *Conclusions* 179 *Evaluation* 181

Knowledge-Based Technology: Perrow's
Contribution 182

Background 182 *Conclusions* 185 *Evaluation* 187

Technological Uncertainty: Thompson's
Contribution 188

Background 188 *Conclusions* 191 *Evaluation* 191

Tying It Together: What Does It All Mean? 192

Influence of Industry and Size 192 *The Common
Denominator: Routineness* 195

**OT Close-Up Technology and the College
Classroom** 196

*Work-Unit Level Versus Organizational
Level* 196 *Manufacturing Versus Service*

<i>Technologies</i>	198	<i>Conclusions</i>	198
Technology and Structure	199		
<i>Technology and Complexity</i>	199	<i>Technology and Formalization</i>	199
<i>Technology and Centralization</i>	200		
Summary	200		
For Review and Discussion	201		
Notes	202		
8 Environment	204		
INTRODUCTION	Things Are Changing at Procter & Gamble 204		
Defining Environment	206		
<i>General Versus Specific Environment</i>	206	<i>Actual Versus Perceived Environment</i>	208
<i>Environmental Uncertainty</i>	209		
OT Close-Up	The Value of Inside Information for Defense Contractors 209		
Landmark Contributions	210		
<i>Burns and Stalker</i>	210	<i>Emery and Trist</i>	212
<i>Lawrence and Lorsch</i>	215		
A Synthesis: Defining the Environment and Environmental Uncertainty	218		
The Environmental Imperative	220		
<i>The Case For</i>	220		
OT Close-Up	The Impact of Unions on Organization Structure 221		
<i>The Case Against</i>	222		
OT Close-Up	Who Says That the Times Are Changing? 222		
<i>The Population-Ecology View</i>	225		
The Environment-Structure Relationship	230		
<i>Environment and Complexity</i>	231	<i>Environment and Formalization</i>	231
<i>Environment and Centralization</i>	232		
Summary	233		
For Review and Discussion	233		
Notes	234		

9	Power-Control	237
	<i>INTRODUCTION</i>	Gaining Power at the Network 237
	A Major Attack: Strategic Choice	239
	<i>The Logic of Strategic Choice</i>	239
	<i>The Case Against Strategic Choice</i>	243
	<i>Summary</i>	244
	OT Close-Up	The Influence of the CEO's Personality on Structure 244
	Further Challenges to the Contingency Perspective	245
	<i>Nonrationality</i>	247
	<i>Divergent Interests</i>	249
	<i>Dominant Coalitions</i>	250
	<i>Power</i>	251
	The Roads to Power	255
	<i>Hierarchical Authority</i>	255
	<i>Control of Resources</i>	255
	OT Close-Up	The Rise of Financial People to the Top in Large Corporations 258
	<i>Network Centrality</i>	260
	Synthesizing the Power-Control View	262
	<i>Structural Decisions as a Political Process</i>	262
	<i>Contingency Factors as Constraints</i>	263
	<i>The Power-Control Model</i>	263
	OT Close-Up	Ethics and the Use of Power 264
	Implications Based on the Power-Control View	265
	<i>Technology and Environment</i>	265
	<i>Stability and Mechanistic Structures</i>	267
	<i>Complexity</i>	268
	<i>Formalization</i>	269
	<i>Centralization</i>	270
	Summary	270
	For Review and Discussion	271
	Notes	272

PART III ORGANIZATIONAL DESIGN: CHOOSING THE RIGHT STRUCTURAL FORM

10 Organizational Design Options 275

<i>INTRODUCTION</i>	Is Every Organization Really Unique? 275
---------------------	-------------------------------------------------

The Case for Standard Configurations 276
 Common Elements in Organizations 278
 The Simple Structure 279
 Strengths and Weaknesses 281 *When Should You Use It?* 281
 The Machine Bureaucracy 283
 Strengths and Weaknesses 284 *When Should You Use It?* 285
 The Professional Bureaucracy 288
 Strengths and Weaknesses 291 *When Should You Use It?* 291
 The Divisional Structure 292
 Strengths and Weaknesses 294
OT Close-Up **Procter & Gamble's New Category Structure** 295
 When Should You Use It? 298
 The Adhocracy 298
 Strengths and Weaknesses 302 *When Should You Use It?* 303
 Summary 304
 For Review and Discussion 306
 Notes 306

11 Bureaucracy: A Closer Look 308

INTRODUCTION Is Small Really Beautiful? 308

Weber's Bureaucracy 309
 Weber's Original Definition 309 *Positive Qualities in Weber's "Ideal Type"* 311 *Summarizing Weber's Contribution* 312

OT Close-Up **Markets Versus Hierarchies: An Explanation for the Existence of Bureaucracies** 313

Dysfunctional Consequences of Bureaucracy 314
 Goal Displacement 314 *Inappropriate Application of Rules and Regulations* 316 *Employee Alienation* 317 *Concentration of Power* 317
 Nonmember Frustration 317

- Is Bureaucracy a Structural Dinosaur? 318
The Coming Death of Bureaucracy 318 *The Greatly Exaggerated Death of Bureaucracy* 320
- OT Close-Up Slimming Down Bureaucracies** 322
 You Cannot Ignore the Obvious: Bureaucracies Are Everywhere! 322
- OT Close-Up Even Prisoners Seem to Like Bureaucracy!** 325
 Summary 325
 For Review and Discussion 326
 Notes 327
- 12 Adhocracy: A Closer Look** 329
- INTRODUCTION* **Televising the Olympic Games** 329
 The Matrix 331
- OT Close-Up The Matrix at General Mills** 332
When Should You Use the Matrix? 334 *Two Types of Matrix Structures* 335 *Strengths and Weaknesses of the Matrix* 336
- Theory Z 337
- OT Close-Up But Things Are Changing in Japan!** 340
- OT Close-Up Hewlett-Packard in San Diego** 342
 The Collateral Form 343
- OT Close-Up 3M Institutionalizes Innovation** 344
 The Network Structure 345
- Other Examples of Adhocracy 347
The Task Force 348 *The Committee Form* 349
The Collegial Form 350
- Two Contemporary Views on Tomorrow's Organizations 350
 "It's Nice in Theory, But . . ." 352
 Summary 354
 For Review and Discussion 355
 Notes 355

PART IV APPLICATIONS: CONTEMPORARY ISSUES IN ORGANIZATION THEORY

13 Managing the Environment 358

INTRODUCTION **Attention Ford Motor Co.: Don't Mess With Vic Potamkin!** 358

Management's Quest to Control Its Environment 360

Classifying Strategies 361

Internal Strategies 362

Domain Choice 362 *Recruitment* 363 *Environmental Scanning* 364

OT Close-Up Ballard's Sales People Effectively Scan the Environment 365

Buffering 366 *Smoothing* 367 *Rationing* 367

OT Close-Up A Men's Store That Practices Rationing 368

Geographic Dispersion 369

External Strategies 369

Advertising 369 *Contracting* 370 *Coopting* 370

Coalescing 372

OT Close-Up IBM 374 **Compaq and Others Join Forces Against**

Lobbying 375

Guidelines for Managing the Environment 376

Summary 378

For Review and Discussion 378

Notes 379

14 Managing Organizational Change 381

INTRODUCTION **System-Wide Change at GenRad** 381

Some Definitions 383

Planned Change 383 *Structural Change* 384

A Model for Managing Organizational Change 385

Determinants 386 *The Organizational Initiator* 388

- OT Close-Up When Things Turn Bad, Do Organizations Go Outside for a New CEO? 389**
- OT Close-Up Jan Carlzon: The Change Agent at Scandinavian Airlines 391**
Intervention Strategies 392 *Implementation* 393
Results 398
- The Innovating Organization 399
- OT Close-Up Taking Chances at Johnson & Johnson 400**
- A Descriptive View of Organizational Change 401
Stability Leads to Inertia 401 *Internal Compatibility Requires Revolutionary Change* 403 *A Power-Control Footnote* 404
- Summary 405
- OT Close-Up Change in a Business School: A Power-Control Interpretation 406**
 For Review and Discussion 407
 Notes 408
- 15 Managing Organizational Conflict 410**
- INTRODUCTION Conflict in the Executive Suite 410**
 Defining Conflict 411
 Conflict and Organizational Effectiveness 412
- OT Close-Up Is Conflict at the USOC Costing the United States Gold Medals? 413**
The Traditional View 414 *The Interactionist View* 414
- Anticonflict Values Permeate Our Society 416
 Sources of Organizational Conflict 418
Mutual Task Dependence 418 *One-Way Task Dependence* 418 *High Horizontal Differentiation* 419
- OT Close-Up Labor-Management Conflicts 420**
Low Formalization 420 *Dependence on Common Scarce Resources* 421 *Differences in Evaluation Criteria and Reward Systems* 421 *Participative Decision Making* 422
Heterogeneity of Members 422 *Status Incongruence* 423 *Role Dissatisfaction* 423
Communication Distortions 424

Resolution Techniques 425

Superordinate Goals 425 *Reduce Interdependence Between Units* 426 *Expanding Resources* 427 *Mutual Problem Solving* 427 *Appeals Systems* 428 *Formal Authority* 429 *Increasing Interaction* 430

Organizationwide Evaluation Criteria and Reward Systems 431 *Merging Conflicting Units* 431

Stimulation Techniques 431

Communications 432 *Heterogeneity* 432

Competition 433

Summary 434

For Review and Discussion 434

Notes 435

16 Managing Organizational Culture 437

INTRODUCTION The Texas Instrument Culture 437

What is Organizational Culture? 438

OT Close-Up PepsiCo Versus J. C. Penney 440

Do Organizations Have Uniform Cultures? 440

Culture and Organizational Effectiveness 441

Culture: A Substitute for Formalization? 443

Creating, Sustaining, and Transmitting Culture 444

How a Culture Begins 444

OT Close-Up Ray Kroc's Ghost Still Oversees McDonald's 445

Keeping a Culture Alive 446

OT Close-Up Setting the Tone at ITT 448

How Employees Learn Culture 449

When Cultures Collide: Mergers and Acquisitions 450

The Key Debate: Are Cultures Manageable? 452

OT Close-Up NKK Corp. Tries to Change National Steel 453

The Case For 454

OT Close-Up Scott Paper's Cultural Turnaround 455

The Case Against 456 *Understanding the Situational Factors* 457 *If So, How?* 459

Summary 461

For Review and Discussion	462
Notes	463
17 Managing Organizational Evolution	466
INTRODUCTION The Decline of Western Union	466
Managing Growth	468
<i>American Values Favor Growth</i>	468
<u>OT Close-Up</u> How Do Organizations Grow?	471
<i>A Model of Organizational Growth</i>	472
Organizational Decline: Accepting the New Reality	475
<i>Clarifying Semantics</i>	475
<i>Environment</i>	476
<i>Is Managing Decline the Reverse of Managing Growth?</i>	477
<u>OT Close-Up</u> Explaining Cutbacks in Middle Management	480
<i>Potential Managerial Problems When Organizations Decline</i>	481
<u>OT Close-Up</u> Caught in the Middle	486
<i>What's the Solution?</i>	486
Summary	488
For Review and Discussion	489
Notes	489

PART V APPLICATIONS: CASES IN ORGANIZATION THEORY

Information Systems at Mrs. Fields' Cookies	492
Sears Tries to Stop Its Market-Share Slide	494
Merging AMC into Chrysler	497
Hands-Off Management at Dover Corporation	498
Ford Versus The General	499
John Paul II: CEO of the World's Largest Organization?	503
The Merck Magic	506
Keeping Things Organic at Ben & Jerry's	508
Shaking Up Exxon	511

The Uphill Battle at Eastman Kodak	513
The New AT&T	515
The United States Employment Service	517
Finding a Place for Product Planning	519
Trying to Get an Ambulance	521
Implementing an Appointment System	523
Winthrop Hospital	531
Name Index	535
Organization Index	542
Subject Index	546