

# D P VIPRA COLLEGE BILASPUR CG



DEPARTMENT OF COMMERCE

Leadership Theories

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# Organizational Theory

- Is a set of laws or propositions about organization that are used to explain how people and groups behave within varied structures.
- A major component of any theory of organization is a focus on organizational development, an approach to organizational management that analyze organizational problems and their solutions.

# Two reasons for introducing organizational theory

- 1- To explain How & Why they behave as they do and to suggest ways to improve their performance.
- 2- Large-scale organization were introduced, thus emerging organizational theory.

# Schools of Organizational Theory

Four schools:-

1. Classical Theory.
2. Humanist Theory.
3. Neoclassical Theory.
4. Systems Theory.

# The Classical School of Organization Theory

They were the 1<sup>st</sup> to develop such a theory as a foundation which later scholars built their own work.

They stress the structural arrangements of organization as machine-like .

For these theorists *efficiency* is the most important value.

# Classical Theorists assume:-

1. There is a single best way to structure an organization to maximize productivity that can be recognized by systematically examining the way organizations behave.
2. They emphasize the need for a division of labor.
3. They also emphasize hierarchal structure, chains of command with formal systems of authority and bureaucratic behavior.

# Adam Smith

He saw Modern Organizations as  
“Force Multipliers”

They allow for the labor of individual parts to be combined in such a way that the sum of their efforts is greater than those of their parts.

Like a machine → it allows for efficiency of productivity.

# Frederick Taylor

“Scientific Management” = Time & Motion Studies

Specific steps & procedures of implementation

Scientific management assumes four fundamental values:-

- Efficiency = max. goals + min. cost
- Rationality = the most direct relationship of work to the organization's objectives
- Productivity = the highest possible level.
- Profit = which is the ultimate goal.



# Scientific management makes three main assumptions:-

1. Authority:- is best when highly centralized at the top levels of management.
2. The ideal way to perform a task is through scientific research.
3. Management's job is :-
  - Select ----- capabilities.
  - Organize ----- to best perform.
  - Train ----- to achieve objectives.

# Criticism

Critics say :-

Theorists of these theories look at workers as mere cogs, motivated only by financial incentives.

# The Human Relations school

1. They saw the classical theorists as overly authoritarian. And this suppressed creativity and lacked a focus on human beings in organization.
2. They had the same basic values:-  
Efficiency & Productivity  
same ends but different means.

3- They emphasized a need to recognize informal aspects of organization.

#### 4- Classical Theorists      Human Theorist

Assume that workers  
are:-

- rational
- and economically motivated.

Assume that workers  
are affected by both:-

- Economic
- Non-economic factors which they want to know and direct.

# Mary Parker Follett

She emphasized the psychological factors that affect people in organizations.

The principle task of an organization:-

1. Determine what it wanted its employees to do.
2. Guide and control their conduct to get them to do it.

To do this successfully we must stop trying to suppress *differences* is a good thing, it helps **growth and development.**

She changed:-

Into:-

Chain of Command

Power over

Law of situation

Power with

# Hawthorne Effect

Was a result of a 5 year study conducted by Elton Mayo that proved that many worker-management problems were not the result of :-

1. Insufficient task specifications.
2. Inadequate wages.

\* Hawthorne is an electric plant near Chicago.

But, a reflection to social and psychological factors “Social Institutions”

Workers respond to:-

- Better working conditions.
- Attention.

This is called

“The Hawthorne effect”



# The neoclassical school of organizational theorists

Like classical theorists they still measure administrative capacity by efficiency.

But they emphasize :-

- 1- decision making as the heart and soul of administration.
- 2- organizational roles over individual roles.

# Herbert Simon

He viewed **decision making** as the **central** act of administration, and proposed that the individual decision maker is rational only within the environmental context of the particular organization.

Thus:- The facts of any circumstance are validated by the given set of values in which those facts or actions occur.

# Simon's Important Ideas

- ❑ He was the first to distinguish “programmed” and “unprogrammed” decisions.
- ❑ He emphasized the importance of “management information systems”.

- ❑ He pioneered improved organizational decision making through quantitative methods.
- ❑ He led the way in studying the process by which administrative organizations make decisions.

# The “Systems school” of organizational theorists

What is a system?

It is simply any organized collection of parts united by prescribed interactions and designed for the accomplishment of a specific goal or purpose.

System theory emphasizes an interactive and interrelated set of elements:-

- ☐ Environment
- ☐ Inputs (equipment, supplies, employees)
- ☐ Processes
- ☐ Outputs (products or services)
- ☐ Feedback

# Comparison

## Classical theory

- Simplistic & unidimensional
- Formal & static

## Systems theory

- ➡ Complex & multidimensional
- ➡ Dynamically seeking shifting states of equilibrium.



The systems theory differs from the three proceeding schools.

To systems theorists efficiency is **not** the cardinal value

Organizations are open, complex, multidimensional, etc...

# Systems Theorists Emphasize Communication & Feedback

Successful organizations need:-

- ☐ Adaptability to change.
- ☐ Integration.
- ☐ Coordination.
- ☐ cooperation over competition.
- ☐ Differentiation & Elaboration.

# David Easton

