

ORGANIZATIONAL THEORY APPROACH TO COMPARATIVE MANAGEMENT

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ABSTRACT

The study assessed the organization theory approach to comparative management. The study reviewed literature on the concept of organizational theory, scope and practices to comparative management, the benefit of comparative management, the definition of organization theory, their types, advantages and criticism of organisational theory to comparative management studies.

Keywords: *Organisational Theory, Comparative Management, Beau acrary Approach*

INTRODUCTION

In 1820, about 20% of the United States population depended on a wage [income](#). That percentage increased to 90% by 1950. Generally, by 1950, farmers and craftsmen were the only people not dependent on working for someone else. Prior to that time, most people were able to survive by hunting and farming their own food, making their own supplies, and remaining almost fully self-sufficient. As transportation became more efficient and technologies developed, [self-sufficiency](#) became an economically poor choice. As in the [Lowell textile mills](#), various machines and processes were developed for each step of the production process, thus making mass production a cheaper and faster alternative to individual production. In addition, as the population grew and transportation improved, the pre-organizational system struggled to support the needs of the market. These conditions made for a wage-dependent population that sought out jobs in growing organizations, leading to a shift away from individual and family production.

In addition to a shift to wage dependence, externalities from [industrialization](#) also created a perfect opportunity for the rise of organizations. Various negative effects such as pollution, [workplace accidents](#), crowded cities, and [unemployment](#) became rising concerns. Rather than small groups such as families and churches being able to control these problems as they had in the past, new organizations and systems were required. These organizations were less personal, more distant, and more centralized, but what they lacked in locality they made up for in efficiency.

Along with wage dependency and externalities, the growth of industry also played a large role in the development of organizations. Markets that were quickly growing needed workers urgently, so a need developed for organizational structures to guide and support those new workers. Some of the first New England factories initially relied on the daughters of farmers; later, as the economy changed, they began to gain workers from the former farming classes, and finally, from European immigrants. Many Europeans left their homes for the promises of US industry, and about 60% of those immigrants stayed in the country. They became a permanent class of workers in the economy, which allowed factories to increase production and produce more than they had before. With this large growth came the need for organizations and for [leadership](#) and management that was not previously needed in small businesses and firms.

Managers have the herculean task of either motivating employees, making decisions for the organizations, allocating resources or negotiating deals. Managers are vital for business they have been an integral factor for business successes since the Industrial Revolution. Management theories have been developed and used since management first became a standard part of business practices. While older theories still hold relevance, new theories continue to be developed to keep up with current trends in business.

The workplace has changed dramatically since the first management theories were conceived. Modern management is not a one-size-fits-all practice. Therefore, it is helpful to gain an understanding of management theories and their applications. Mass production and the Industrial Revolution brought about new requirements for managing people and processes. As

companies began to grow in size and production, business owners increasingly needed managers to run their daily operations. Prior to the Industrial Revolution, only a few organizations and militaries required theories for management. As a result of expanding industry, the practice of management became a major theoretical consideration in the study of business.

SCOPE AND PRACTICE OF APPROACHES TO COMPARATIVE MANAGEMENT STUDIES

The field of comparative management studies includes research activities undertaken to identify and explain similarities and differences among business organizations, strategies, management styles and systems, and social behavior in different work contexts (e.g., geographic areas, cultures or industries). Pugh et al. explained the focus of cross-cultural organizational research as two basic questions: (1) what are the similarities or differences between organizations located in different countries?, and (2) why are they similar or different?. In order to answer those questions, Child suggested that following three stages where cross-cultural differences are discovered he offered an explanation for the transfer of national culture to organizations so that they become 'infused with national distinctiveness'. One of the most important, and the most controversial issues, in the field of comparative management studies has been the role of culture. Culture was generally ignored for a long period of time as scholars, mostly based in the US, concentrated on demonstrating the existence and validity of so-called universal management principles, typically developed and popularized in the US, that transcended culture, national borders or environment and thus could be effectively applied almost anywhere in the world. Where cross-cultural differences are discovered offer an explanation for the transfer of national cultural to organizations so that they become 'infused with national distinctiveness'. During the 1960s, when the formal field of comparative management studies was first emerging, many attempts were made to define the role that culture played in comparative management; however, there were a number of problems with these works including poor methodology and the lack of a consistent and workable definition of the concept of culture. One of the main criticisms of cultural studies was that they were, in reality, national studies since the unit of research was generally a single country or region and the results obtained were actually a mixture of cultural and socio-economic, educational, legal and political factors.

Benefits of comparative management style:

- Centralization of authority: Variations among cultures have been identified with respect to the degree to which authority for making important business decisions is centralized with a small group of senior managers as opposed to delegating authority downward in the organizational hierarchy (i.e., decentralization).
- Risk tolerance: Cultures vary with respect to the level of uncertainty and risk that managers are willing to comfortably tolerate and manage. In some cases, managers are highly risk averse and devote a significant amount of time and resources to controlling and minimizing risks. At the other extreme, however, there are managers in certain cultures who aggressively take on higher levels of risk.
- Reward systems: Some cultures prefer the use of reward systems that are based on measuring and motivating individual achievement while other cultures generally rely on incentives that reward desired collective behavior of groups.
- Level of formality: Cultures vary in the degree to which they prefer to rely on formal management procedures.
- Organizational loyalty: In some cultures there is a high level of identity with and loyalty to the company while in other cases the loyalties of employees lie with their occupational group or profession as opposed to any specific employer.
- Level of cooperation: Cultures differ in their preference for emphasizing cooperation among managers and employees as opposed to encouraging competition within the company to find the most efficient way to achieve the company's objectives

One of the theoretical approaches to comparative management is the organizational theory approach



DEFINITION OF ORGANIZATIONAL THEORY

An organizational theory is the study of corporate designs and structures involving a set of concepts/constructs that are related to each other to explain how individuals behave in social units we call [organizations](#). It seeks to provide practical utility for managers to answer their day to day issues and problems. Organizational theory also attempts to explain how interrelated units of organization do or do not connect with each other. Organizational theory concerns itself on understanding how groups of individuals behave in the organization and how they interact with each other to accomplish set goals which may differ from the behavior of an individual outside that group. It brings to study of the size and structure of various organizations, the performance indicators and variables as found in the open system approach. The behavior that organizational theory often focuses on is a goal-directed one. Organizational theory can cover intra-organizational as well as inter-organizational fields of study.

The Organizational theory studies the organization so that it can identify the way to solve any issues. It offers an essential suggestion about ways that might help the organization to cope successfully with rapid or sudden changes, meet the expectations of all its stakeholders and maximise productivity and efficiency. Organizational theory studies the impact of the external and internal business environment, for instance, cultural, legal, political etc. on the organization. Applying the Organizational theory helps to improve the economic potential in society. Organizational theories are studied because they address critical questions about the way an organization works. It assumes that the organization has goals, structure and members, but it puts its onus on the efficiency of the said organization. Business entities use the Organizational theories that match their goals and business environment to improve its functionality and efficiency.

PURPOSE AND ADVANTAGE OF ORGANIZATIONAL THEORY

Organizational theory includes the analysis of the productivity and performance of organizations and the actions of the employees and groups within them. Economists, business analysts and academic researchers who study organizational theory are interested in understanding the dynamics of a successful business.

THE ADVANTAGES OF THE TRADITIONAL ORGANIZATIONAL THEORY ARE

- It has a clear structure for management in an organization.
- It can increase efficiency and productivity.
- It creates better working conditions.
- It helps to create bonds between workers and managers.
- The theory helps to increase the wages of the workers.

TYPES OF ORGANIZATIONAL THEORY

Some of the essential Organizational theories are:-

1. Classical Organizational theory

The classical Organizational theory emerged out of its shell in the late 19th century in the private sector. It is one of the traditional Organizational approaches wherein the onus is on the organization and not on the employees who are working over there. As per the classical Organizational theory, the organization is a machine and the employees its different parts.

The characteristics of the classical Organizational theory

- The classical theory is built on an accounting model.
- It has put the focus on finding issues after they have been made and then solving them.
- The theory is about outputs and not input by employees.
- The labour is not divided based on the jobs that are performed in the organization.
- Labour is considered stable and not subjected to change in the organization.
- The classical theory is in favour of an integrated and centralised system where the authority lies with the central figure

The advantages of the traditional Organizational theory

- It has a clear structure for management in an organization.
- It can increase efficiency and productivity.
- It creates better working conditions.
- It helps to create bonds between workers and managers. The theory helps to increase the wages of the workers.

The disadvantages of the classical Organizational theory

- The classical Organizational theory establishes a burden of work on the employees.
- It is made for simple structures and not complex ones.
- The theory creates frustration and disheartened attitude as it does not encourage creativity in the workers

2. Administrative Organizational theory

This theory has put its onus on corporate management and the human and behavioural factors in the management process. The concept is of departmentalisation, where the activities should be identified and classified to accomplish tasks more effectively.

In administrative organizational theory, the focus is on how the management is structured and how well the employees are organised to complete the given tasks effectively. The theory first tries to improve the efficiency levels of management to standardize the processes and then shifts to the operational level where the individual employees are made aware of the changes so that they can implement them in their daily schedules.

The Principles of the Administrative Organizational Theory

- ✓ The division of work should be based on specialisations for the effective accomplishment of the given tasks.
- ✓ Authority and responsibility are interlinked hence the authority figure is accountable for every decision that goes wrong.
- ✓ The emphasis is on behaviour and obedience of employees towards each other.

- ✓ There should be a unity of command, and the employees must receive orders from only one supervising head

There should be a unity of direction that will encourage every employee to work towards a common objective. There should be a systematic arrangement and order of people and things in the organization. It means that the right person should be at the right job and all the materials should be in their proper place.

The advantages of the Administrative Organizational theory

- ✓ It is a comprehensive theory to deal with management techniques.
- ✓ It covers all the topics related to the management position to ensure success.
- ✓ It leads to specialization.

The disadvantages of the Administrative Organizational approach

- ✓ It is based on human application.
- ✓ There is too much reliance on experience.
- ✓ Many of the assumptions of the administrative Organizational theory are untested and thus not viable

3. Scientific Management Organizational Theory

In scientific management Organizational theory, human beings are add-ons to the machinery so that they can perform routine tasks. This theory has put its onus on boosting the efficiency levels of every employee in the organization and minimizing task time. It applies engineering science at the operating level to increase production levels. In this case, it is believed that improving the efficiency of workers at the working level will, in turn, enhance the ability of the management.

The principles of scientific management Organizational theory

- * It separates planning from implementation.
- * Supervisors play an essential role as they are needed to provide instructions in their respective field to people working under them.
- * Fatigue, motion and time are studied and considered in determining the work undertaken by each employee.
- * Standardises the cost of production, the period of employment and tools and thus improves the working conditions.
- * The theory emphasises on scientific selection and training of labours.
- * It divides work between manager and workers.
- * Financial incentives are necessary and must be provided to the workforce to motivate them and boost their productivity.

The Advantages Of The Scientific Organizational Theory

- * It is responsible for enhanced production.
- * The managers have reasonable control over the production.
- * It decreases the chance of inaccuracy.
- * The cost of production is reduced

The Disadvantages Of The Scientific Organizational Theory

- * It requires huge capital investment.
- * The management takes complete control, and there is no chance to develop creativity.
- * The approach seems de-motivating to the employees

4. Bureaucratic Organizational Theory

The word bureaucracy means the processes, patterns, rules and regulations that are created to minimise the complexity during the functioning in an organization. It puts its focus on standardised principles, specialised workforce, trained administrative employees and hierarchy of authority. The bureaucratic theory is about the administrative processes and structure of the organization. It is impersonal by nature and is designed to bring the power structure in focus and ensure efficiency.

The characteristics of the bureaucratic Organizational theory are

- ❖ Tasks are divided based on specialisation and competencies into routine and straightforward categories. Every employee knows what is expected of him and is

responsible for the allotted work. The organization benefits by dividing work based on specialisation. It is not permitted for the employees to take on the tasks of their colleagues

- ❖ There are several hierarchical positions, and the managers are organised into layers where each one is responsible for the overall performance of its staff. The bottom layers are always subjected to control and supervision from the above layers.
- ❖ It is competencies and technical skills that help to choose the employees. The employees are paid for their services through salary, which is dependent on their position in the organization. They do not have any ownership interest in the organization.
- ❖ There are formal rules in place to ensure uniformity, and every administrative process is defined in the official law. All the rules are predictable so that the employees know what is expected from them.
- ❖ The impersonal relationship is a prominent feature of bureaucracy, and it is precise requirements and regulations that create these impersonal relationships. It prevents bias and nepotism because decisions are now made based on rational factors and not personal ones.
- ❖ The employees are hired based on their qualification and expertise. Deployment of the right people in the correct position creates a perfect fit that is healthy for a company.

The advantages of the bureaucratic Organizational theory

- Large organizations with numerous hierarchical layers can be appropriately structured so that they can work effectively.
- The set rules assist in the consistent execution of work by every employee.
- It is easy for management to make adjustments and maintain control if necessary

The Disadvantages Of The Bureaucratic Organizational Theory

- ☞ The bureaucratic system is all about red tape and paperwork and the hierarchial layers slow down critical processes.
- ☞ Employee loyalty is in question because there is a distance between the employees.
- ☞ Lack of innovative ideas as creative thinking is not encouraged in a bureaucratic organization

5. Neo-Classical Organizational Theory

Neo-Classical organizational theory

As per the Neo-Classical Organizational theory, the organization is a social system, and it is human actions that have a direct effect or impact on its performances. This is why this theory has put its primary focus on human beings in the organization.

The characteristics of the neo-classical Organizational theory are

Behavioural science is included in the management It takes a human relations approach in the organization It considers that both formal and informal structure exists in the organization The informal structure that happens because of social interactions between workforce affects and is affected by the formal one. Generally, a conflict can be seen between individual and Organizational interest and thus, one needs to integrate them to reach common goals. The theory asserts that individuals are diversely motivated as they want to fulfil specific needs The Neo-Classical Organizational theory believes that it is teamwork that can enable smooth functioning of the organization. It is achievable through behavioural approach for instance how individuals interact and then respond to each other.

The Limitations Of Neo-Classical Organizational Theory

- * It puts its focus on the organization and how it interacts with people and does not consider the surrounding environment.
- * It assumes that one approach of running the organization will work in every environment.

CRITICISMS

[Dwight Waldo](#) in 1978, criticizes that organizational theory is characterized by vagues, [heterogeneity](#), claims and counterclaims. Organization theory cannot be described as an

orderly progression of ideas or a unified body of knowledge in which each development builds carefully on and extends the one before it. Rather, developments in theory and descriptions for practice show disagreement about the purposes and uses of a theory of organization, the issues to which it should address itself[✓]

Secondly, most of the studies on organizational theory focused on little or limited number of firms each country ND the results have been aggregated the national levels disallowing managers to easily identify the specific patterns.

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