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Theories of Organization

There are three major theories of Organization -

(1) Classical Theory -

The Classical theory is the traditional theory where more emphasis is on the organization rather than the employees working together. According to the classical theory, the organization is considered as a machine and the human beings as different components / Parts of that machine. The classical theory has the following characteristics -

(a) It is built on an accounting model.
(b) It lays emphasis on detecting errors and correcting them.
(c) It is more concerned with the amount of output than the human beings.
(d) The human beings are considered to be relatively homogeneous and unmodifiable. Thus, labour is not devided on the basis of different kinds of jobs to be performed in an organization.
(e) It is assumed that employees are relatively stable in terms of the change.
(f) It is assumed that the authority and control should be vested with the central authority only in order to have a

centralized and integrated system.

(g) According to this theory the human beings are just considered as a means of production.

(2) <u>NeoClassical Theory</u> – The NeoClassical Theory is the extended version of the classical theory wherein the behavioural sciences gets included into the management. According to this theory, the organization is the social system, and its performance does get affected by the human actions. The researchers tried to identify the reasons for human behaviour at work. This led to the formation of a Neo Classical theory which primarily focused on the human beings in the organization. This approach is often referred to as "behavioural theory of organization" or "human relations" approach in organizations.

The Neo Classical theory asserts that an idividual is diversely motivated and wants to fulfill certain needs. The teamwork is the prerequisite for the sound functioning of the organization and this can be achieved only through a behavioural approach, i.e. how individual interact and respond to each other.

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(3) Systems Theory —

Systems theory treats an organization as a system. A system can be either closed or open, but most approaches treat an organization as an open system. An open system interacts with its environment by way of inputs, throughputs and outputs. An organization is also a system with parts such as employees, assets, products, resources and information that form a complex system. An organization receives resources such as equipment, natural resources and the work of employees, referred to as inputs. The inputs are transformed, called throughputs and then yield products or services called outputs. Outputs are released into the enviornment. Feedback loops are also an important feature of open systems, They provide information to the organization by connecting the outputs to the inputs.