

Nina M Rudd

2019621270

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## **Real-World Applied Organization Theories**

In this course project I will be outlining ten theories that have been presented in class and demonstrate how they can be used within contemporary business structures. The basis of organization theory refers to ‘ the set of interrelated concepts, definitions that explain the behaviour of individuals whom interact to perform the accomplished common goal’. (Source 1). Thus studying the internal as well as external business environment in a social, political, legal as well as cultural manner.

### **Bureaucracy**

This theory’s foundation comes from Max Weber, a political economist and sociologist; inciting the ‘bureaucratic management theory’. The most imminent element of this is an organisational hierarchy. Structured so that it is governed by the second key aspect, rational-legal decision-making rules. (Source 2). Containing a sense of centralization with written rules the structural hierarchy allows for salaried carriers, allowing specialization of employees with

technical qualifications. Visually, it can be seen as a form of a pyramid of decision-making starting from the top and working its way down.

An example of this theory would be universities including Kyungsoong University. With the set hierarchy of the Head to Dean, to the professors and so on; holding a clear top-down decision-making process also contains clear policies and regulations.

### **Scientific Management**

Fredericks Taylor's theory of scientific management puts its emphasis on working efficiency. In ways similar to Weber's theory, however, scientific management evolves across quantitative analysis with a clear division of responsibility focusing on the employee. Thus having high rewards for high performance. Another aspect of the theory is surveillance in monitoring performance. (Source 3). This theory can be shown in practice in a psychological study created, 'The Hawthorne Effect'. Proving surveillance of the workers, as well as the management style, affected the efficiency as well as the quality of the employee's work.

An example of the theory as well as adopted in its own right is that of Fordism; the application of the theory into the mass production of vehicles by Henry Ford. Adapting the theory to the assembly line is one of the most efficient ways. Breaking down the production into more minor responsibilities to create an uninterrupted overseen assembly line. Also, implementing a 'piece rate payment system' gave the employees motivation to complete their work more efficiently. (Source 4).

## Minzberg's Managerial Roles

This theory approaches an alternative perspective on what being a manager is and essentially its roles. Henry Mintzberg the inventor of the theory identifies these as well as their responsibilities, defining which behavior categorizes which position as the occupant. (Source 5). Mintzberg states the degree of authority may determine different positions as well as roles. Holding three main categories of roles that managers can fall under; these consist of 10 others within.

- Interpersonal Roles - Figurehead, leader, liaison
- Informational Roles - Monitor, Disseminator, spokesperson
- Decisional Roles - Entrepreneur, disturbance handler, resource allocator, negotiator (Source 5)

An example of a managerial role from Minzberg's theory in an unorthodox light would be that of Elon Musk and his role in the company of Tesla. Along with being involved in societal issues can also be influential in his demeanour. Thus giving him a clear 'interpersonal role'. That of being a symbolic figurehead with duties of a legal and social nature; but also that of both a leader and a liaison. Doing so by motivating the employees with encouragement and personal thanks. Musk as well represents the company in negotiations with the outside world, showing adept incentives of competing organizations. (Source 6). Therefore maintaining a consistent network provides information and favours relevant internal and external sources.

### **Porter's 5 Forces of Competitive Position**

This particular analysis is a contemporary framework for assessing as well as evaluating a position of an organization and its competitive strength. (Source 7). Often used by strategic analysts to understand if a future project or product potentially can hold profit or be profitable. By simplifying where the power lies the concept of the five forces can determine the competition attractiveness and intensity on the market. These forces are first; the threat of new entry. Second supplier power; third, buyer power; fourth competitive rivalry and finally fifth, threats of substitution. (Source 7).

An example of Porter's five forces in the real world would be that of Apple Inc. The theory can be applied to be able to understand how this organization has gained its position in the industry and in comparison to its competitors. ( Source 8). In analysis, Apple has shown that within the technology sector bargaining power of buyers as well as competitive rivalry have been the strongest forces to impact the profitability of Apple. The threat of competition has kept Apple continuously innovating and developing its product to stay relevant and to strengthen its market position. The loyalty of Apple's customers is one of the reasons it has been able to keep at the top of its game in the industry. Building brand loyalty is one of the most significant areas of success. Securing it by developing products that can only be ideally used with other Apple products, such as AirPods. (Source 8)

### **PESTEL Model**

This spiritual theory is used as a strategic foundation as a way to evaluate a company's external environment in understanding its risks as well as opportunities. ( Source 9). Simplified it assesses the factors of effective corporate planning strategies. Within the acronym, there are 6 key factors.

- Political - public relations, contributions, lobbying, litigations, bureaucracy
- Economic - macro, growth rates, level of employment, interest rates, price stability, exchange rates
- Sociocultural - societal, cultural, norms, morals, values, demographic and trends, population characteristics
- Technological - application of knowledge, innovations, manufacturing
- Ecological - natural, global warming, sustainable ecological growth, business opportunity, natural disasters
- Legal - laws, mandates, regulations

An example of the PESTEL model at work would be the case of Pepsi. In the factor of politics, as a soft drink company, the regulations can be kept fairly standard across many markets across the world. Pepsi attempts to adapt to policies and changes within each market and its situation. The economic factor is that the most recent economic downturn has left the organization to restructure. However, it has also turned in Pepsi's favour as an increase in sales. Sociocultural; with being non-alcoholic, remains at an equilibrium in many cultures. The brand has adapted its image on a global scale in marketing campaigns, even keeping in line with a few countries' religious standards. ( Source 10). In technology, the brand has turned to social media

as a way of marketing in a contemporary market. Thus giving an interactive engagement with the consumer and leading to a gateway for the new generation, using it to the company's benefit. In a Legal factor, keeping in line with mandates and taking responsibility for the actions the company has imposed has been seen to be important to keeping the company's image.

### **VRIO Framework**

This theory takes a look at how a company can gain a competitive advantage or resources, using the VRIO framework to do so. Working as an internal analysis of a company, the framework takes a look at the advantages of a target market and identifies them to give them an edge. ( Source 11). As an acronym for; value, rarity, imitability and organization. These factors characterize and utilize the unique value and resources a company may retain, including long-term sustainable competitive advantages. Once there is an understanding of this, then a strategy can take form to create a sustainable business plan for the success of the organization.

An example of the framework in action would be in the tech giant that is Google. The company takes an entirely different approach to human capital management as well as decision-making and an enormous amount of objective data. ( Source 12). Google uses operation teams to identify the aspects of the VRIO framework internally through the employees; believing that strengthening the internal management leads to a foundation of sustained competitive advantage. About the framework;

- Value - Google takes advantage of the human capital management data to utilize production as well as innovation within the employees.

- Rarity - Google has created a platform that is at its size one of a kind as well as using its data-based employee management inclusively.
- Imitability - Other platforms have attempted and failed to match the scale of Google within its empire of legitimacy along with its software. With constant innovations in strategy and technology, it's near impossible to replicate.
- Organization - Google has been structured in a way to capture the value of the company from its capability. Continuing with skills management controlling data and training schemes all to help, improve and lift the performance of the employees.

(Source 13)

### **Components of Utility**

This theory outlines the usefulness and value that a customer may experience from a product or service and to what level it is of satisfaction—doing so by assessing the decisions leading to the purchase and what effect is given for making this decision. Causing this theory to fall under behavioural economics (source 14). The components are within four categories; form, time, place and possession.

An example of the theory in action in terms of time utility would be that of the convenience store GS25. With the store being open all day and all night, allows the consumer to buy a product when they need it, having it already available. Being open all hours allows an advantage over some marts or regular stores that close during the night.

### **Backward Vertical Integration**

Vertical integration refers to the process of a product, from where it began as a raw material to the after-sale services. It is a way that a company expands to complete tasks that were previously done by other companies ( Source 15). Therefore expanding across multiple elements of the supply chain segments of control. The five steps included in this are; raw materials, intermediate goods/ components, assembly/ manufacturing, marketing sales and after-sales service. Here a backwards integration would include the first three, producing the product. Such as a company that is in manufacturing would purchase another company that it previously bought its supplies from. Going backwards on the supply chain.

An example of this would be most famously known for its backward integration system is Carnegie Steel. ( Source 16) this company controlled many elements of its supply chain. Owning its steel factories as well as the mines that extracted the iron ore, along with coal that once brought to the factories produced the steel. Through this integration, Carnegie Steel hugely increased efficiency in its production.

### **Forward Vertical Integration**

Still using the theory of vertical integration, this theory focuses on the way a company moves in the direction of owning or controlling the distribution network of the product or service. Thus moving forward on the supply chain of assembly/ manufacturing, marketing sales



as well as after-sales support. ( Source 17). The benefits are to increase the organization's market share; also gain control over multiple distribution channels and finally give a competitive advantage that may block or create barriers to potential competitors.

An example of this as one of the most high-profile cases is that of Amazon. The organization is constantly taking up more of the supply chain as its strategy is to develop products that are to a standard to the customer needs and in immediate effect. Amazon works with third parties to develop products, with the Amazon distribution network having been built to be one of the most operational and efficient networks worldwide. It almost reinvents the logistics of delivery to the customer at speeds that are outmatched by any competition, with always innovating new ways to stay at the top of their game. (Source 18 )

### **Lean Manufacturing**

The foundation of this theory is that of using a systematic method designated to reducing waste within a process while productive remains a constant variable. Minimizing waste within a manufacturing process potentially adds value to the operation as a whole. ( Source 19 ). Along with this, there are eight types of waste or Muda, that can be used with different techniques to achieve the goal of 'lean'.

- Defects
- Overproduction
- Waiting
- Underutilization

- Transportation
- Inventory
- Motion
- Unnecessary processing

An example of this can be adapted into the philosophy of Kaizen, promoting the mindset of breakdown components no matter how complex then building them back up and improving them. The company Toyota has taken on this philosophy and applied it to all areas of its reduction becoming a key foundation within the TPS,( Toyota Production System). ( Source 20 ). Using this theory in its operation system it has been used successfully in the productivity of equipment, material and labor. The scale and volume of the production were identified and the employees were allowed positions in the production line where there was no interference with the motion. This as well can be adjusted in coherence to market demand.

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