Organization Theory[1][2]

What would happen to a company if it were to put hammocks in employees' offices, make meetings voluntary, disregard titles and hierarchy, and invite employees to select their bosses? Would the company go under because employees will be lazy? Would creativity grow and the company thrive? In the case of the Brazilian company Semco, transformation from the hierarchical organization to a company with no rules – but with significant accountability for results – propelled the 900% growth under the leadership of Ricardo Semler, the "Maverick CEO" (Semler, 1993; Shinn, 2004).

What if a company put customers second, and employees first? Would customer service suffer? HCL Technologies based major organizational change on the well-researched idea that it is employee happiness that leads to customer satisfaction . Managers, including the CEO, became accountable to the front-line employees, and responsible for supporting them. In three years, not only did HCLT have very satisfied employees, but its annual revenue almost tripled and market capitalization doubled (Burkus, 2016).

Understanding how organizational structure and culture interact with individual psychological processes to influence productivity, well-being, and other organizational and individual outcomes is the focus of organization theory and research in Industrial-Organizational Psychology. Both economic and individual thriving are influenced by organizational structures, processes, and underlying values, theories, and assumptions (Cascio, 2006, 2014, 2016; Pfeffer, 2009).

Early, or "classic" theories of organization, largely focused on organizational structures. Max Weber (1947; first published in German in 1922) proposed bureaucracy characterized by formal structure, clear lines of authority, and division of labor as the ideal organizational form. While bureaucracy may now seem stifling, at the time it was an alternative to favoritism, nepotism, and power abuse typical of earlier forms of organizations (Landy & Conte, 2013).

Later, organizational theory and research focused on more process-oriented and person-oriented approaches. In human relations approaches to organization theory, McGregor's (1960) influential discussion of Theory X and Theory Y described how managerial beliefs about subordinates could result, through mechanisms of self-fulfilling prophecy, in very different subordinate behavior and organizational outcomes. If managers see workers as lazy, unmotivated, and not very bright (Theory X), they will exercise control and punishment, resulting in apathy and resistance. In contrast, when workers are viewed as capable, active and involved (Theory Y), they will be given autonomy and opportunities for development, and in turn will be much more creative and productive. Extending the human relations approaches, Ouchi's (1981) work on Theory Z outlined employee involvement ideas inspired by Japanese employment practices, and Argyris' (1972) growth perspective highlighted the importance of employee growth and development. Semco and HCLT can be seen as an application and extension of human relations approaches to organizations. Another example of how respecting and developing employees can help both organizations and individuals thrive is the inclusive culture and business success of the Container Store (Tindel, 2014). For Google, ranked for several years as the top company to work for, trusting employees, being transparent with them, and investing in them, is the foundation of success (Bock, 2015).

Many organization theories recommend specific practices. Katz and Kahn's (1966) open systems theory, instead of prescribing solutions, deepened our understanding of organizational process by describing organizations as living organisms constantly interacting with their environments. Companies seeking to adapt in the rapidly changing world can draw on open systems thinking to develop adaptability strategies.

What do organizations with both happy employees and high productivity have in common? Research demonstrates that organizational practices supporting employee involvement and active participation, voice, and healthy work environment also tend to result in higher productivity and organizational performance (Barrick, Thurgood, Smith, & Courtright, 2015; Cascio, 2006, 2014, 2016; Pearson & Porath, 2009; Porath & Pearson , 2013; Tiernan, Flood, Murphy, & Carroll, 2002). In constantly changing economic and cultural environments, organizational theory and research can inform strategies for

competitive advantage, development of human capital, and individuals' thriving in the workplace. Installing hammocks in offices – accompanied by truly trusting and supporting employees – could be one of the strategies.

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