



## A CRITIQUE OF ANTI-MANAGEMENT THEORIES' DOMINANCE

PODRUG, N[ajla]

**Abstract:** Proliferation of management theories is present and novel theories are very critically approaching organizational rationality and managerial benevolence. Population-ecology theory, institutional theory, resource dependency theory and organizational economics theory are explicitly and/or implicitly denying the structural-contingency paradigm which is defined as pro-managerial theory. This paper proves that structural-contingency paradigm has the highest validity in theoretical assumptions and empirical confirmations while anti-management theories have a whole range of theoretical and empirical inconsistencies and/or restrictions.

**Key words:** management theories' proliferation, structural-contingency theory, anti-management theory, pro-management theory

### 1. INTRODUCTION

It is evident that the negative perception of managerial behavior is primarily a reflection of domination of so-called anti-management theory that led to development of the general view of managers as unethical and immoral. For example, agency theory is *a priori* based on the axiom that managers behave opportunistically. Of course, there are studies that can confirm this as well as those that confirm the positive attitude of managers. Therefore, the aim of this paper is to provide the overview of the dominant organizational theories in order to critique different theoretical perspectives on perceived managerial role as well as to analyze their repercussions on organizations and society.

### 2. MANAGEMENT THEORIES' PROLIFERATION

Prior to intellectual fragmentation of organizational theories in 1970's, structural-contingency theory dominated. In order to achieve optimal performance, organizations structurally adjusted to contingent factors meaning size, technology and strategy (Chandler, 1962). Although indeterminate, managerial role was perceived positively (Podrug et al., 2010). However, since 1970-ies emerges the development of series of paradigms with differential approaches to the organization and managers compared to the existing paradigm (Donaldson, 1995). Novel theories were critically approaching organizational rationality and managerial benevolence. These are population-ecology theory, institutional theory, resource dependency theory and organizational economics theory, all of which are explicitly and/or implicitly denying the structural-contingency paradigm.

Population-ecology paradigm assumes that organizational changes do not represent a reasonable adaptation of the organization as in the structural-contingency paradigm, but it is darwinist approach, where like living organisms, the younger, more flexible organizations survive, while older and weaker are dying (Hannan & Freeman, 1989). Literature dealing with this paradigm is abundant in technical terminology, mathematical models and statistical procedures, making researches obscure to

a number of scientists. Institutional theory argues that organizational changes reflect adjustments to the wider community in terms of appropriate settings on rationality, legitimacy and effectiveness of organizational structure. It was developed as a confrontational theory to the structural functionalism and contingency paradigm. The emphasis is on the normative approach of defining the structure, although it differs from the actual need for operational efficiency (Meyer & Scott, 1983).

Resource dependency theory starts from the premise that the organization is dependent on external resources, and therefore, tries to manage them, but by different means. Supporters of this theory believe that the organization is not a rational instrument for achieving goals, but represents a political model, where autonomy of the organization is the priority (Donaldson, 1985). Organizational economics theory includes agency theory and transaction costs theory, both of which are starting from the economic model with selfish individual who is oriented to his own interests, at the expense of the organization. In the organizational application of agency theory, principal (owner) bears all the losses of opportunistic behavior of the agent - the manager who manages the organization, and therefore, seeks to control and sanction the behavior of agents through different mechanisms (Tipuric, 2008). Transaction cost theory finds the explanation for poor business performance of large organizations in the middle management, whose opportunistic, selfish behavior is reflected in inappropriate material compensation. According to the transaction costs theory, the behavior of middle management can be controlled through multidivisional structure where the headquarters carefully monitor the work of division (Williamson, 1970).

Aldrich (1992) points to the problems described with organizational theories, because the orientation is primarily towards the denial of earlier conclusions, rather than upgrading the structural-contingency paradigm. Aldrich (1992) points out three fundamental problems: 1) the fragmentation of paradigm makes the evolution of integrated theoretical framework difficult, 2) paradigms are limited and partial, and 3) new paradigms wrongly and unjustifiably deny the original paradigm. Pfeffer (1993) criticizes the theoretical and methodological heterogeneity in organizational paradigms, believing that there are exaggerations in the permanent formation of some new concepts instead of accepting or criticizing the existing ones. Mone & McKinley (1993) indicate insufficient integration aspects between the paradigms, which slows down progress in our understanding of the discipline of the organization. New paradigms are quickly adopted by decision makers in business circles that lack fresh, different ideas and methods. Led primarily by the criteria of "new and different", supporters of the paradigm have been created, although it can lead the organization towards disfunctionality. Evidently, the proliferation of paradigms can have many negative effects.

### 3. PERCEPTION OF MANAGERIAL ROLE FROM DIFFERENT THEORETICAL PERSPECTIVE

Structural-contingency paradigm is a pro-managerial paradigm according to which managers are rational decision-makers about the strategy and structure that strives for greater overall benefit for the organization. Role of managers is positive; and Chandler's managers (1962) are "builders of the strategy and structure". In the sixties and seventies, organizational sociology changes perspective of the organization as well as the role of managers. Organization becomes the center of conflict, political activity and expression of power, while the interest of the organizations is to satisfy the interests of a few. All the newer paradigms negatively perceive manager and management (Podrug, 2010). Resource dependency theory has an indifferent attitude towards the managers which can't significantly contribute to organizational success, but have a metaphorical role in the organization. Institutional theory defines the role of managers in terms of defining the formal structure, but not the real contribution to value creation in the organization and cooperation with the lower hierarchical levels. Population-ecology theory also negatively perceives behavior of managers that show resistance to the changes in the proactive environment, thus leading the organization towards the last stages of its life cycle. Organizational economics theory most prominently defines the negative character of managers. Agency theory postulates selfish and unreliable behavior of managers, while transaction costs theory postulates their inertness and duplicity. Source of the negative perceptions of managers and management is not a lack of knowledge or discretion as in the previous paradigms but it is primarily a reflection of personality. Looking at social, organizational and managerial level of analysis, only the structural-contingency paradigm is completely positive, while the organizational economics theory suggests only a negative perception on the managerial level. It is important to note that this paradigm of organizational economics is still dominant in academia, with versions such as agency theory, which largely emphasizes the negative role of managers, and so the effects are multiplying. Therefore, stewardship theory - created in the domain of corporate governance as an alternative to agency theory - represents an extremely valuable potential that can restore confidence in the business world and society in general (Podrug, 2010). Designed as an alternative to the agency theory, stewardship theory tries a different way to explain and predict the relations between managers and owners. Specifically, managers as stewards develop trust and commitment to the organization that will ultimately result in the achievement of normative and instrumental goals of the organization (Podrug, 2010). Building stewardship as business paradigm, managers will shape long-lasting organizational legacy that will produce benefits for individuals, enterprises and society, in the present and in the future (Filipovic et al., 2010).

### 4. CONCLUSION

Power and potential of the structural-contingency paradigm points to the importance and need for central positioning of this paradigm, instead of developing new ones that will as previously described have a whole range of theoretical and empirical inconsistencies and/or restrictions. Fundamental distinctive setting of the structural-contingency paradigm in relation to others is setting of a positive role of manager, manager who behaves in the interest of the organization. However, it is not only about the positive, but also of realistic picture of the manager and management, that analyzes the interest of the organization, acting in the interest of the organization and ultimately achieves a positive contribution to the organization and society in general. All the newer

paradigms with negative perceptions of managers and management, although better known and more popular, encounter numerous difficulties in the theoretical assumptions and empirical confirmation of the same. In contrast, the original structural-contingency paradigm has the highest validity in theoretical assumptions and empirical confirmations, and also leads in interpretational strength. Starting from the structural-contingency paradigm and the necessity to realize its full potential, Donaldson (2008) has presented "pro-management theory" with its components: structural functionalism, strategic functionalism and managerial stewardship that should be object for further discussion and research.

### 5. REFERENCES

- Aldrich, H. E. (1992). Incommensurable paradigms? Vital signs from three perspectives, In: *Rethinking Organizations: New Directions in Organizational Theory and Analysis*, Reed, M. & Hugher, M. (Ed.), pp. 1-34, Sage Publications, ISBN: 0803982887, London
- Chandler, A. D. (1962). *Strategy and Structure: Chapters in the History of the American Industrial Enterprise*, MIT Press, ISBN: 0262530090, Cambridge
- Donaldson, L. (1985). *In Defence of Organization Theory: A Reply to the Critics*, Cambridge University Press, ISBN: 0521315395, Cambridge
- Donaldson, L. (1995). *American anti-management theories of organization: A critique of paradigm proliferation*. Cambridge University Press, ISBN: 0521479177, New York
- Donaldson, L. (2008). Ethical Problems and Problems with Ethics: Toward a Pro-management Theory. *Journal of Business Ethics*, Vol. 78, pp. 299-311, ISSN: 1573-0697
- Filipovic, D.; Podrug, N. & Kristo, M. (2010). Assessment of Relations between Stewardship and Stakeholder Theory (2010). 1229-1231, *Annals of DAAAM for 2010 & Proceedings of the 21st International DAAAM Symposium*, ISBN 978-3-901509-73-5, ISSN 1726-9679, pp 0615, Editor B. Katalinic, Published by DAAAM International, Vienna
- Hannan, M. T. & Freeman, J. (1989). *Organizational Ecology*, Harvard Business University, ISBN: 0674643496, Cambridge
- Meyer, J. W. & Scott, W. R. (1983). *Organizational Environments: Ritual and Rationality*, Sage Publications, ISBN: 0803944691, Beverly Hills
- Mone, M. A. & McKinley, W. (1993). The uniqueness value and its consequences for organization studies. *Journal of Management Inquiry*, Vol. 2, pp. 284-296, ISSN: 1552-6542
- Pfeffer, J. (1993). Barriers to the advance of organizational science: paradigm development as a dependent variable. *Academy of Management Review*, VI. 18, pp. 599-620, ISSN: 1930-3807
- Podrug, N. (2010). *Stewardship Relations Within Management Hierarchy in Large Croatian Companies*. Doctoral dissertation. Faculty of Economics and Business Zagreb, Zagreb
- Podrug, N.; Filipovic, D. & Milic, S. (2010). Critical Overview of Agency Theory (2010). 1227-1229, *Annals of DAAAM for 2010 & Proceedings of the 21st International DAAAM Symposium*, ISBN 978-3-901509-73-5, ISSN 1726-9679, pp 0614, Editor B. Katalinic, Published by DAAAM International, Vienna
- Tipurić, D. (2008). *Korporativno upravljanje*, Sinergija, ISBN: 953-6895-07-02, Zagreb
- Williamson, O. E. (1970). *Corporate Control and Business Behavior: An Inquiry into the Effects of Organization Form on Enterprise Behavior*, Prentice-Hall, ISBN: 013173203X, Englewood Cliff