

SLOVENIAN ORGANISATION THEORY AND ITS TIES WITH ASSOCIATED THEORIES AND SCIENCES

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Abstract

Different theories of organisation have developed over time. To distinguish sound theories from others, two criteria should be considered: a clear definition of the subject of the theory, and the method according to which the subject is changing. The author presents the theory of organisation originally designed by a Slovenian, Professor Filip Lipovec. The discussed organisation theory regards an organisation as a set of dynamic relationships between members of a social unit which assure the existence and development of the thus formed social unit and reasonable achievement of the social unit's goals. It is compared with other 'grand' theories of organisation developed in the past. Two main parts of the organisation are presented in more detail: the static or structural part and the dynamic or process part. Uniform and general organisation structures are briefly discussed along with three basic organisational processes determined by purpose, content and process: the governing-managerial process, coordination, and decision-making. A fourth one – the conflict process – is added.

After explaining the theory, the author tries to prove its validity in different ways, namely by (1) showing that the whole theory is explained only by organisational elements, all based on a rationality-assuring relationship; (2) emphasising that all organisational phenomena are logically explained by the theory; (3) demonstrating that an organisation determined as a set of dynamic relationships is specific and exists only in this theory and that coordination is the method for establishing and changing it; (4) comparing the theory with other theories of organisation and comparing organisation science with other (related) sciences; and (5) presenting the use of organisation so defined in different applications and offering sound solutions to problems discussed in organisation theory. The author believes the stated arguments support the presented organisation theory and its validity. Yet he leaves the question open of whether it is a developed or a new theory and, as such, the basis of a (new) basic organisation science.

Key words: *theory of organisation, organisation, organisation structures, organisation processes, governing-management process, coordination, decision-making, conflicts*

1. INTRODUCTION

Let us start with the statement that theories are constructed by sciences. Theories should be on a certain subject (human, social unit, human body, concepts, nature, activities etc.). Different sciences study various subjects and

they differ by the subject of their research. In this paper, we discuss theory or theories of organisation or organisation theories. Like with the characteristics of any sound theory, we must determine the subject of the theory (an organisation – in our case) and the method by which the subject changes. The subject of our theory is clearly the organisation, a frequently

discussed phenomenon. However, the problem is that the same word is understood in different ways. Different groups of authors like sociologists, psychologists, engineers, managers, economists etc. understand organisation differently. And these groups of authors are not homogenous and even within the same group their understanding changes over time. Let us immediately mention that we intend to discuss a different or new understanding of organisation, which we will compare with other existing understandings of organisation. We will try to show that it is a developed, contemporary understanding of organisation, a subject of organisation science or 'organisatiology'. We will describe organisation theory and show that it better explains many contemporary issues in the broad area of organisation. We emphasise that we shall only discuss general or 'grand' theories which explain what an organisation is and not the detailed or subordinated partial theories within the organisational area.

We will also discuss the method by which the organisation as we understand it changes. We regard this as proof that a (general) theory is sound. If such a method does not exist, the theory is unable to predict the future of the studied subject. Few authors, after defining their understanding of organisation, try to show the method by which an organisation – according to their understanding – is changing.

There is also disagreement about how the word theory is understood. Although we will not be too concerned with the understanding of its meaning, it is important to agree on what we comprehend by a sound theory. This is the only reason that we will as briefly as possible show the basic features of our understanding of the theory.

First, we point out that it is not so easy to determine a theory. Sutton and Staw (1995:

371) argue that it is easier to determine what a theory is not. According to them, a theory is not a sum of quotations of different authors, a mass of data, a list of variables and their constructs, complex diagrams or a set of hypotheses. For the same reason, it is difficult to distinguish between a sound or strong and an unsound or weak theory. Weick (1995: 385-390) agrees with them, yet argues that the mentioned areas can serve as partial theories or represent the process of establishing a new theory.

However, the following understanding of a theory may be regarded as the most common. People observe different subjects or phenomena and their changes. What they see, hear, smell, taste or feel are facts or symptoms. They observe in order to survive more easily, to increase their living standard, to turn subjects and phenomena to their benefit. In order to act by properly influencing them they have to know the reasons and/or the causes of the symptoms. They assume connections between causes and consequences. These assumptions about symptoms/causes are known as hypotheses. Hypotheses have to be proven. We can prove them in a logical and/or empirical way. If (satisfactorily) proved, hypotheses turn into principles, regularities. **Theory is a systematically ordered system of connected principles bound to a certain subject or phenomenon.**

Other definitions are not inconsistent with the mentioned one. We have often heard that a sound theory is a **condensed practice**. It is based on the practical experiences of many people. If experiences are similar they can be developed into principles and theory. As such, it is valid for all different kinds of subjects and their characteristics. In this sense it is an abstraction. Theory is also defined as **determining the essence of a subject** for which

the subject is the very subject and not something else. All of these understandings are in line with the Oxford Encyclopedic English Dictionary which states that a theory is a system of ideas explaining a subject or statements based on general principles independent of particular things (Oswick et al., 2011: 318). Or, according to Webster's Comprehensive Dictionary (1992: 1302), theory is a body of fundamental principles underlying a science or the application of a science. In both definitions, theory is abstract knowledge of any subject or phenomenon.

A sound theory explains the existence and characteristics of a subject or phenomenon and its relationship with other phenomena. The behaviour of the subject is explained. If a theory fails to explain a subject, its characteristics and behaviour, then it is not a sound one.

Subjects change over time. In order to turn them to our benefit we need to forecast how they will change. Yet a forecast is only possible if the subject is changing in a logical or orderly way. Such a logical and orderly way is known as **a method**. By using a method inherent to the subject we are able to forecast it (its position, characteristics etc.). We thus have to broaden our definition of a theory: **A theory is a system of principles bound to a certain subject or phenomenon, which includes its own method.**

Let us make a few additions. We will distinguish between general and partial theories. **A general theory** explains the entire subject and its method (e.g. an organisation and its method of change). **A partial theory** explains parts of an entire subject, parts of its understanding (e.g. the dependence of the organisation due to contingency variables). In this study **we are concerned with general or grand theories of organisation.**

Are more sound general theories of a phenomenon possible? The answer is yes. One reason is overall development. A theory understood as quite reasonable at a given level of development starts to be questioned by a development at a new level. Does this mean there is only one general theory at the same time? Here I am hesitant, as I would allow perhaps a few sound theories, not many. Why do we often claim that there are many theories within the organisational area? Perhaps this is due to the ambiguity of the organisation phenomenon. There is quite some disagreement about the understanding of organisation (Marsden and Townly, 1999: 405). Perrow (1980: 259) talks of a "zoo of organization theorists of great variety; but we are not looking at the same beast". We might often think of different partial theories, and not a general one. Authors do not consider their theories in a pure scientific sense. By definition, they are not exact. Very likely, there are some other reasons for the abundance of different theories.

A science can be either pure or applied. A pure one relies on elements from the studied area only. Applied science is based on different pure sciences. The first ones are mainly descriptive and explanatory, while the second ones are normative. In this paper, we are looking for the existence of a pure organisation science. It is our hypothesis that such a science does not exist yet and that the organisation is mainly studied (within sociology, engineering or some other sciences) and regarded as an applied science. The time has come to develop an independent science of organisation.

The organisation has been studied in detail, mainly in the sense of a (formal) social unit. In this paper, in line with its purpose, we will not discuss and polish the details of existing theories. We will look at a developed theory or

even a new basic and general theory of organisation. We will describe it first, establish connections with some other general theories and then try to prove in different ways the validity of the explained theory. We think that based on this developed organisation theory we can better further develop organisation knowledge and explain today's organisational phenomena.

In the first section, we discuss what we call general or grand theories of organisation explaining what an organisation is. In the second section, we discuss in more detail 'our' theory of organisation, presenting its characteristics and structural and process parts. The whole theory will be shown in a simple way in three figures. The third section reveals the standpoint of our theory for understanding and resolving some well-known organisation problems. In the last section, we will try to relate our theory and science of organisation to other sciences.

2. GENERAL THEORIES OF THE ORGANISATION

As mentioned, general theories seek to define and describe as a whole the organisation as a subject or phenomenon which is not studied by any other science. If organisation is studied by another science then a 'pure' organisational science does not exist. We will look through history and attempt to find authors who have defined organisation and group them.

2.1 TECHNICAL ORGANISATION OR LABOUR ORGANISATION

Work can be defined as an exchange between man and nature in which man changes natural elements in terms of content and form into something useful to him. This exchange

process is directed and controlled in a conscious and rational way. The mentioned conscious individual process consists of:

- thinking ahead about the desired result (goal) and process to achieve it or planning;
- establishing the will to act according to the plan or controlling; and
- carrying out the activities to achieve the results.

Due to limited resources such activities have to be efficient. This is achieved if the established relationships between nature and man are appropriate. Man establishes relationships between machines, raw materials and products in such a way (by time, location, content, form) that efficiency is achieved. Relationships involving people are also included: but people were regarded at the beginning of the 20th century and at that level of development as parts of well-oiled machinery. In order to achieve efficiency, technical division, the design of tools, the time and motion study, lay-out and similar solutions were developed. These tasks are conducted by engineers who – also nowadays – look at the organisation from this point of view. Authors/engineers, especially Germans (Nordsieck, Nicklisch and others), studied and wrote about organisation as understood in a technical way. At least part of Taylor's work can be grouped in this approach to organisation. **An organisation is defined as a formal technical (or business) process of combining (coordinating) resources, processes and products/services to achieve efficiency.**

One hundred years ago this was the general definition of organisation. Today, it is how engineers look at organisation, known as a special applied science of labour or technical organisation. Organisation in the above sense is

understood as a business (not organisational) activity yielding products or services in an efficient way. According to this view, even today management is wrongly regarded as a business (and not an organisation or social) science.

2.2 ORGANISATION AS A MANAGERIAL/ORGANISATIONAL PROCESS

French authors in particular have studied managerial process within enterprises. Fayol (1949) distinguished business functions and managerial (administrative) functions. He saw business functions as being: technical, commercial, financial, accounting, safety and managerial. In describing the managerial function, he included: planning, organising, command, coordination and control (Sheldrake, 2003: 51-55). Whereas the business functions lead to products and services, the managerial function assures the rational cooperation of employees and rational achievement of enterprise goals. Management (as part of organisation) is not the same process as other business processes. It does not lead to products and services directly, but assures that products and services will be produced by other people in the most rational way.

This approach to organisation represents the basis of managerial theory or science. It gives instructions to managers for how to plan, command, control etc. Therefore, management science is an applied science based on basic sciences like organisation, sociology, psychology, economics, anthropology, and similar. As Thompson (Zald, 1996: 251-261) put it, "administrative science was an applied field, standing in relationship to the basic social sciences as did engineering to the physical sciences or medicine to the biological sciences".

Most of the books on management – from Fayol till today – are organised in terms of the managerial functions of planning, organising, HRM (most often included in the leadership function), leadership and control. Compared to Fayol, only coordination is missing. However, Mooney (1947) and other authors see coordination as the content of all other managerial functions included in planning, organising, leading and control. Coordination is mainly seen as directive, deriving from a superior power, in a technical sense, merely as the coordination of divided labour.

Both of the mentioned approaches to understanding organisation, the technical (technical structure) and the process (managerial process) are technical. Following the writings of Taylor (1911) and Fayol (1916), an organisation is defined as a technical structure of activities and processes to ensure rationality (efficiency). Employees are seen as other production resources and coordinated by a supreme power; there is no interaction between employees on the same level.

2.3 ORGANISATION AS A (FORMAL) SOCIAL UNIT

The mentioned drawbacks of the two discussed organisational theories are resolved by the definitions of organisation suggested mainly by sociologists. They study social units (including formal social units or organisations) and their phenomena. Sociology is concerned with groups, collectives or associations, which are more than just the sum of their parts.

Let us look at some sociological definitions of organisation(s). George and Jones (1996: 4) define an organisation as "a collection of people who work together to achieve a wide variety of goals". Wilson and Rosenfeld (1990: 2) define organisations as "social collectivities ... filled with people". For Daft (2010: 10), an

“organization is a social entity that is goal directed and deliberately structured and coordinated and linked to the environment”. Robbins and Coulter (2009: 15) define an organisation as “a deliberate arrangement of people to accomplish some specific purpose”. Pfeffer and Salancik (1997: 7) state that “the goal oriented or instrumental view of organizations implies that organizations are collections of individual efforts that are coordinated to achieve things that could not be achieved through individual action alone”.

All of the above and other similar definitions define organisations as formal social units consisting of people (or collectives) and having specific goals (purposes, objectives). Organisations differ by their goals. Having a specific goal means that an organisation is different to the sum of individual goals; it is a qualitatively different phenomenon. Connected to this is the mentioning of coordination and a deliberate structure. This implies that different tasks and responsibilities are assigned to different members in a coordinated way.

In the above definition of an organisation as a (formal) social unit we can see that all members – including the supreme power – are inside the organisation. The organisation consists of people (the individual is the smallest unit of a social unit) and there are interactions between them. Social processes – and not technical ones – are underway. However, the social units (or their parts) are studied by different sciences such as sociology and economics.

2.4 ORGANISATION AS A SOCIAL STRUCTURE OR A SOCIAL NETWORK

A large number of organisation theorists perceive an organisation as the sum of human relationships in any group activity; they thus

seem to equate it with a “**social structure**” (Koontz, 1962: 11). Koontz and O’Donnell (1968: 63) feel that relationships bind members of a social unit together. Following the same line, Daft (1998: 11) describes an organisation as being made up of people and their relationships with one another. Robey and Sales (1994: 7) define an organisation as “a system of roles and stream of activities to accomplish shared purposes. The phrase system of roles describes the structure of an organization; stream of activities refers to organizational processes”.

The relationships among members of social units have become the focus of many organisational studies. Above all, we should mention **social network analysis**. Interest in social network analysis has grown massively in recent years. There has been steady development since the 1930s. However, in about 1990 interest in social networks began to grow much more rapidly (Carrington, Scott and Wasserman, 2005: 1). A social network consists of a finite set or sets of actors and the relation or relations defined in them (Wasserman and Faust, 2009: 20). Actors – we will call them members of a social unit – are discrete individuals (they could also be corporate and collective social units), like people in a group. A relation is understood as the collection of ties of a specific kind among members of a group. Actors are linked to one another by relational ties or relationships. In the above definition of social networks both actors and their relations seem to be equally important. Some authors even assign greater importance to the relations, e.g. Macionis and Plummer (2008: 180-181). For them, a social network is a “web of social ties that links people who identify with one another”. However, in most cases relationships remain subordinate to individuals, e.g. “a social network is a social structure made up of

individuals (or organisations) called nodes, which are tied (connected) by one or more specific types of interdependencies, such as friendship, kinship etc.” (Wikipedia, http://en.wikipedia.org/wiki/Social_network). Let us add that we will name the mentioned relationships basic or primary relationships.

Although regarded as very significant, these member relationships nonetheless remain subordinated in importance to the social unit and its members. Members determine their relationships, and not the opposite, whereby members are determined by their relationships with others. Relationships have not become a specific, direct and autonomous subject of research. In addition, relationships or structures have quite often been studied in a static way, not discussing different ways of their development and change. The study of (formal) organisational processes remains neglected.

Let us add that authors in the area of networks also assign great importance to relationships between ‘organisations’ within networks. They emphasise the importance of studying units within networks as well as their relationships. Besides economic relationships (competition, market), organisational relationships (trust) are developed.

On the dynamic side of the organisation (of formal social units), organisational processes still aim to achieve the goal of the social unit. They are not seen as processes which adequately ensure the rationality of goal achievement. They are still understood as business processes which are achieving the business and economic goals of formal social units (see the above definition of Robey and Sales). As mentioned, organisational processes assure that business goals will be achieved (through others) in a rational way. However, the emphasis on relationships among members

of a social unit is a sign that, at today’s level of development, relationships are the most important factor contributing to the success of a social unit.

2.5 THE SYSTEMS VIEW OF ORGANISATION

A system can be defined as a whole which consists of mutually interrelated parts or subsystems. Each subsystem affects the others and depends on them. Any whole is supposed to be greater than the mere sum of its parts. For that reason, it is important to understand how the parts relate to each other to influence the overall effectiveness. Scott (1961: 7-28), quoting Edington, concluded that we do not know enough about the whole and/or its parts if we do not know what connects them together. Systems theory can be applied to everything; it is general.

Organisational theorists try to apply the general system theory principles to formal social units. Organisations are seen by Boulding (1956: 197-208) as very complex systems. Some authors, e.g. Daft (1998: 11), include a system’s characteristics in the definition of an organisation. The organisation is defined as a goal-directed social entity which is systematically structured and has a coordinated activity system linked to the external environment. Within the organisation thus defined there are interconnected parts or subsystems. One possible interpretation is that such subsystems are technology, the social structure, the physical structure and culture (Hatch, 2006: 19-20). We can see that people do not play a special role within organisations defined in this way. Within socio-technical systems theory, the relationships between technology and people have been studied in detail.

Although emphasising the importance of relationships between subsystems, the basic block of a system is a part or a subsystem. Applied to organisations, systems theory does not offer an explanation of organisation which differs from that provided by social structure theory.

3. AN ORGANISATION AS A SYSTEM OF DYNAMIC RELATIONSHIPS

We have found that, according to the organisation theories shown above, they all either include employees as well-oiled parts of a machinery or understand organisations as social units consisting of people and/or other parts. They differ in whether they focus only on people or also other parts and in emphasising the importance of the relationships that connect the parts into a whole. Still, it is important to stress that relationships are subordinated to people and parts and are not yet an autonomous subject of research. Sociology and general systems theory study organisations.

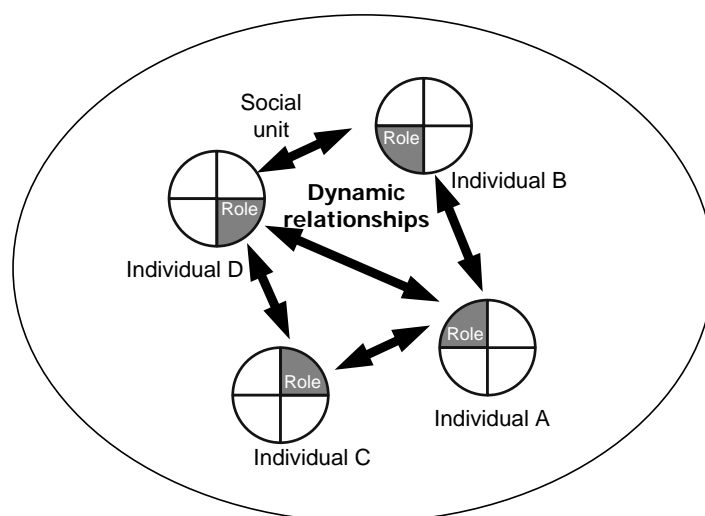
Relationships among people have always

been important. Classical authors (e.g. Taylor, Fayol) in organisation and management tried to design them in a mechanical or technical way. The relative importance of relationships has increased over time; thus they have gradually become a specific phenomenon to be studied separately from other phenomena. Even more, authors on organisations consider them as dynamic (not only static or structural) processes among people. However, as we have shown, they have remained subordinated to the social unit and/or people. **It was only a matter of time before relationships started to be studied autonomously and made up the subject of a specific, basic science: the science of organisation.**

3.1 THE DEVELOPED DEFINITION OF AN ORGANISATION

We owe this developed or even new understanding of organisation to Lipovec who built his organisation theory on all of the abovementioned approaches. Let us first quote his definition and then discuss it. According to him (Lipovec, 1987: 35) **“organization is a set (system, composition) of relationships between people, who by relationships become**

Figure 1: Graphical presentation of an organisation



members of a formed social unit and (organization) assures the existence, development and specific characteristics of the social unit and rational achievement of the social unit's goals".

We can simplify this definition by presenting an organisation in a graphical way (see Figure 1).

The difference between the definitions already presented and this one is obvious. Earlier, an organisation was defined as a set of people; now it is defined as a set of relationships. The smallest part of an organisation defined by sociology is a person; according to a technical understanding of organisation it is a task; and according to management it is a managerial process itself. **The smallest part of an organisation defined as dynamic relationships is a relationship.** A social unit consists of people; an organisation consists of (rationality-) assuring relationships. By establishing relationships the social unit is formed.

At first glance, it appears that relationships in a social unit always exist between two people. In this case, we would run into the problem that people and groups are already studied by other sciences. The organisation as a system of dynamic relationships will disappear. However, we focus only on relationships connected to the roles members play within the unit. Further, we must emphasise that relationships define the roles and not vice versa. Roles are hidden behind relationships (Lipovec, 1987: 343) and framed by them.

In the above definition, the organisation is shown in a static and a dynamic way. The first part – a system of relationships – is static. However, static relationships in a changing world cannot ensure rationality in achieving the goals of the social unit. They have to change and develop through organisational processes.

The process runs within the framework of the relationship and changes the relationship, giving new characteristics to it. The new relationship is now the framework for the ongoing process. It is an ongoing process between the content (process) and its form (relationship). When looking at relationships in such a way we can talk about dynamic relationships or relations or interactions. The result might be either an improved organisation ensuring the development of the social unit or a deteriorating organisation leading to destruction of the social unit. A change of relationships could be made by a superior or by the mutual interaction of members. In this case, we talk about **self-organisation**.

The above definition of organisation is free of any non-organisational elements. However, it is not isolated from the other elements. The people are included as members, and the social unit is connected through its goals. This means that relationships have to consider people and the whole. Similarly, psychologists studying people ought to look at their relationships and the whole, while in order to explain the whole (social unit) sociologists also have to include people and their relationships.

We are not aware of any definition of organisation (proposed by any theory or science) which argues that relationships are the (direct or sole) subject of research for any other science. Following the development of the theory of organisation we can understand the described definition as a developed one. Given that it is a new approach, we could also argue that it is a new theory of organisation.

3.2 ORGANISATIONAL STRUCTURES

When working alone people are in no relationships with others. They are only in a relationship with their tools, materials etc.,

which are technical relationships. Due to the technical division of labour, the overall task of the enterprise can be divided into smaller tasks. Similar tasks are joined together and assigned to employees to be executed. As tasks have to be coordinated, the new tasks of coordinating also have to be established. Employees enter technical relationships and we can talk of a **technical structure**. The tasks executed by employees are executed permanently and become the **duty** of individuals. According to our definition of organisation, duties have to be assigned to employees in such a way that the goals of the social unit will be achieved in a rational way. The technical structure is the consequence of the technical division of labour. It is the answer to the question of how to organise work technically. It does not answer the question of why to work at all.

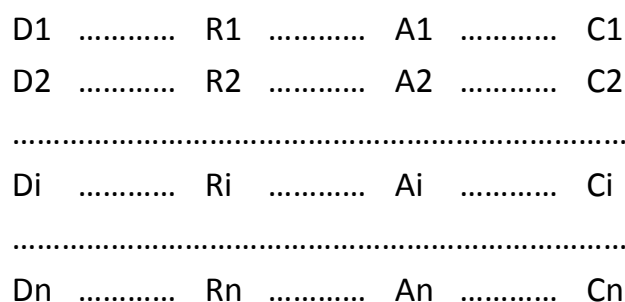
People work to survive by satisfying their needs or gaining means for their satisfaction. Needs and/or the achievement of goals are the reason or motivation to work. Motivation is mainly studied by psychologists. The reason for studying motivation within organisation theory is twofold. First, there is a **motivational**

Both structure and coordination belong to the area of organisation.

The employee takes on his duty and is responsible for its successful execution. Responsibility is an employee's obligation to perform assigned tasks (Hellriegel and Slocum, 1996: 317-318). In addition, nowadays they are expected to accept credit or blame for results achieved when performing their assigned tasks. This is known as **accountability**. If the consequences are positive, employees have to be rewarded, and the opposite. **Responsibility** (we will use the word responsibility also in the sense of accountability) is thus connected to motivation and its structure.

To execute the assigned duty in an accountable way, employees ought to have the right to act and make decisions in the assigned areas. This right is known as **authority** and represents the 'positional' power of employees. E.g., the general manager possesses all the authority within the enterprise. It is given to him by the owners. The manager then assigns duties and responsibility and authority to the subordinates. We can talk of the delegation of duties (D), responsibility (R) and authority (A).

Figure 2: Managerial organisation structure



structure (relationships between objectives, interests, rewards and similar) and, second, motivation represents a tool of coordination.

We emphasise that the **authority derives from the coordination**. Thus, coordination gives power to people to coordinate others.

The three mentioned structures can be expressed through communication (C). **A communication structure** is the network of relationships between the senders and receivers of information. A communication structure (and process) is important because it means not only sharing information but sharing the understanding between members of a social unit. If not properly conducted, it can deform and wrongly present the other three uniform organisational structures.

These four structures (D, R, A, C) are uniform. They rarely appear independently, but together. They have to adapt to each other through the process of coordination. The strongest is the authority structure and in most cases (not always) the other structures adapt to it. We may talk of a composed structure or managerial structure which consists for each individual in terms of their duty, responsibility, authority and place within communication. The content and extent of each relationship should logically correspond to the content and extent of the other. Through a **composed organisational or managerial structure** each employee (department, team) obtains his/her position within the organisation as determined by the four coordinated uniform structures. Uniform and composed structures are supposed to assure the optimal achievement of a social unit's goals. The managerial structure is shown in Figure 2.

Relationships and structures differ in their characteristics like the content, extent, strength, direction, duration, acceptance/indifference and so on. Yet it is quite clear that the essence of a static **organisation/structure** of a social unit is **the assignment of duties, responsibility, authority and communicating in the most rational way** to members, considering the contingency variables and dynamics. It is also obvious that

structures always develop into technical (operations), motivation, authority and communication processes. Questions arise about how this structure and processes evolve and how they change. We can also see that the structural part of an organisation according to the discussed theory is more or less the same as explained by sociologists and other authors on organisation. According to Hinings (2003: 275), the organisational structure concept is at the heart of organisation studies, which is in line with our opinion that the biggest difference between the social structure and our dynamic relationships understanding of organisation lies in the understanding of organisation processes and whether priority is given to either individuals or their relationships.

We have seen that social network theory studies other relationships which we call basic or primary ones like friendship, neighbourhood, sex, sympathy–antipathy, family etc. It is interesting to observe that classic authors (e.g. Taylor, Fayol) supporting the technical view of organisation suggested doing away with these relationships as hindering the rationality of human endeavours. We know that these relationships always exist and can appear to both hinder and support the implementation of (formal) duties, responsibility and authority.

3.3 ORGANISATIONAL PROCESSES

3.3.1 Governance-management process

The consciously guided **individual working process** consists of thinking ahead about the desired result and the process of achieving it, of establishing the will to execute the process and of executing or acting. Therefore, the process consists of planning (goal and process), control (as establishing the will to follow the plan), and actual execution. It is quite obvious that planning and control are not execution,

although they assure that execution will be conducted in a rational way.

Relationships between two or more individuals are established by the mere fact of their contact and interaction. If two or more people work together they have to mutually plan, control and execute. If an interest to work together exists (because they will fulfil their individual goals to a greater degree than by working alone) they are prepared to change and adapt. Barnard (1938: 114-117) already mentioned that the connection between people working together results in a change of their experience, knowledge, feelings and thoughts. The (**informal**) adaptation process, in which individuals think, decide and act in a different way than when acting alone, goes on because of their individual interest. Once established, the relationships develop and determine the actions of individual members which are expected from other members. The members become mutually dependent.

If one person's interest to join the others and work together becomes low or even disappears, they will not be prepared to adapt, change and consequently remain a member. On the other hand, if the interests of individuals are met, the relationships become closer, their satisfaction becomes higher and the social unit becomes stable and enduring. These processes of change, adaptation and socialisation as well as the established relationships/structures may be seen as informal. Again, the reason that members adapt is their interest to satisfy some of their needs to a greater extent.

Over time members establish norms and rules to speed up the process of their adaptation (socialisation). By establishing norms and rules, a social consciousness (culture, ethics, philosophy, religion etc.) is formed and developed. Social units and their organisation become formal and much more

elaborated. It is obvious that relationships themselves change and develop more quickly and purposefully in order to assure the rational achievement of the social unit's goal. This formal process of assuring rationality within formal social units is known as a **governance-management** or governing-managing process.

For the sake of clarity, we now explain the process within a special group of formal organisations: enterprises. As mentioned, every conscious individual working process consists of planning, controlling and execution. However, within an enterprise individuals cannot plan, execute and control independently of the other employees. Employees (members) are connected and tied together by many relationships. The planning, control and execution have to be conducted in a mutual way or a higher authority must determine relationships among members which will lead to the rational achievement of the enterprise's goals.

In a capitalist economy this higher authority is represented by the owners. The formal organisation process of (corporate) governance is conducted by the owners who, through planning and controlling, ensure that the business will be conducted in their best interest. Due to the development of enterprises, especially the greater numbers of shareholders within corporations and the more complex decision-making, the owners give up a major part of the abovementioned governance function to management. Both the corporate governance and management processes are closely connected and cannot be separated by their content. This is why we talk about the governance-management (and not only management) process. In practice, both processes are separated by either corporate law and/or the owners. As a longer discussion of governance and management is beyond the

scope of this paper, let us only mention here that more about our opinion on the relationship between governance and management and their structure can be found especially in Rozman (2002: 152-175), while more about the stakeholders' economy is contained in Rozman (2007b).

The governance-management process is the basic formal organisation process aimed at assuring the rational achievement of enterprise goals. The common division of the (governance) management process found in most books on management is into planning, organising, (human resources management), leadership and control. If we look at different books on management we find different definitions of management. Despite the broad discussion of management, Cole (2004: 7) concludes that the search for a comprehensive definition of management is still continuing. We agree – although not for the same reason as Cole – that management as an organisational process is still misunderstood (we mentioned already that management is often still understood as a business process). This misunderstanding also makes the definition of management unclear. As mentioned in the introduction, this misunderstanding is due to the exploration of management mainly by practitioners and less so by academics. Most authors on management define management as consisting of managerial functions. However, they differ slightly in defining these functions. In addition, they also define management according to some other characteristics.

The common accepted division of management into planning, organising, leading and control does not stand a scientific explanation. Let us show just one example. For most authors, the planning phase comes first. It is not quite clear what is the subject of planning. From the content we see that authors

talk about planning business. Organising is the next step. As each activity has to be planned, executed and controlled the question arises: what do we understand by organising? Planning, execution or control? If it is planning then why is it not included in the first phase? If it is execution, where is the planned part? It cannot be control if there is neither a plan nor execution. This and other difficulties derive from the problem of not making a clear distinction between business and organisation (in the discussed sense).

As we will see, our approach to dividing management into managerial functions will differ and yield far more conclusions and clarifications because it is based on a developed understanding of organisation.

The management process starts with **planning the business** of the enterprise (this is the same as in books on management – the difference is that there the fact that planning is of business only is not emphasised). The business cannot be executed by the enterprise directly but by individuals, employees or members. Their duties, responsibilities, authority, and the place within communication or their position in the organisational structure has to be determined. At this stage, this is the plan of the organisation's structure. Let us add that the organisational processes (e.g. planning, controlling) are also planned within this phase of **planning organisation**. Compared to the traditional phase of organising, it is obvious that planning organisation includes only planning organisation of both structures and processes and not its execution or control.

Planned organisation structures and processes have to be established and developed. Managers have to hire employees – more appropriately and in line with our definition of organisation – hire their roles or even more precisely their human resources or

competencies needed for the execution of their roles. Through staffing or human resources management (**HRM**), the planned organisation is transformed into an actual one. The actual organisation structure and processes always differ from the planned ones. As the consequence, we can talk about two overall organisational structures: the planned and the actual one, about the planned and actual positions of individual employees. Although the organisation is established, the execution cannot start yet. The employees have to be communicated with and motivated and must trust their superiors and their actions. Managers' traits and behaviour, motivation and communication form **leadership**. Leadership triggers the execution of business. HRM as establishing and developing the organisation and leadership as triggering the execution can be called the **actuation process**. Again

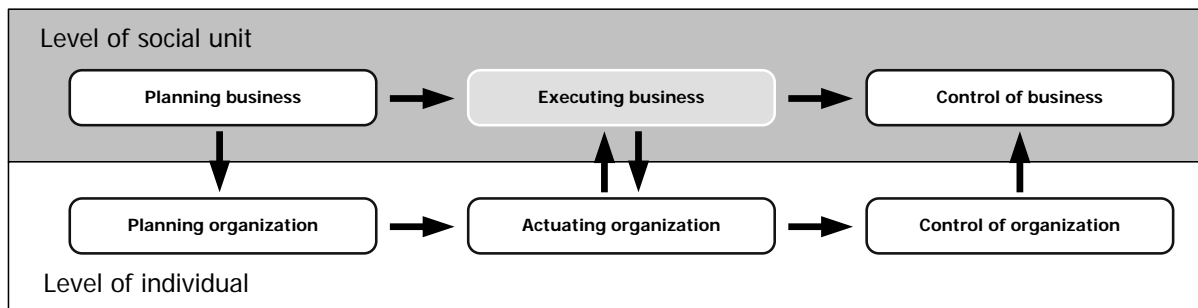
compared to the plan. It also involves control of the actuation of organisational processes. We believe (but will not try to prove) that this **organisational control** is the same as auditing.

In addition, the execution of the overall business plan is controlled. The **business control** is mainly conducted and presented within annual business reports. According to the traditional view, the control of business and organisation are often found together in the same chapter.

In Figure 3, the governance-management process is presented.

Although the business (the level of the social unit) is closely connected to the organisation (the level of connected members – their relationships; we use the term organisation in the defined sense), which is shown by the vertical lines in Figure 3, we can study them

Figure 3: The governance-management process



compared to the traditional approach, actuation deals with human resources and not with employees and leadership is clearly connected with the plan of the organisation.

Specialists or non-managers **execute the business**. Their individual working processes consist of planning, acting and control, in line with their position within the organisation.

At the same time, managers exercise control over individual employees in terms of whether they actually carry out the planned duties in an accountable way and within their authority

separately, at least in an abstract way. We can see that the business and organisational elements are different, separated, which is quite in line with the definition of organisation. In the case of an enterprise, the goal is e.g. profitability (effectiveness determined by the socioeconomic system); in the case of an organisation the goal is efficiency or better the assurance of rationality, which is 'technically' determined and does not change with the socioeconomic system. We also emphasise the simplicity of the solution: both (closely

connected) processes are processes of planning, execution (actuating), and control.

The governance-management process thus consists of the planning of business, the planning of organisation, the actuation of organisation, the control of organisation and the control of the business. We could also talk of planning (business and organisation), actuation (of organisation) and control (of business and organisation) or planning business, organising (planning, actuating and controlling organisation) and business control. We see that this division of the governance-management process into managerial functions is more systematic, logical and appropriate than the usual distinction of planning, organising, leadership and control in which the business and organisation levels are not clearly separated.

Although we have focused on the governance-management process within enterprises (being the most studied in the past), it is easy to imagine the same process within other social formal units. It is also possible to imagine the process within other socioeconomic systems, e.g. systems based on social responsibility and governance by stakeholders.

We have thus defined the organisational rationality-assuring processes which establish, develop (change, adapt) and terminate relationships. We have looked at both the informal and formal processes and structures. The most important formal process is the governance-management process. Let us recall: **it should ensure the existence, development and growth of the social unit and the rational achievement of its goals.**

3.3.2 Coordination process

Many authors emphasise management as the coordination of divided labour. Fayol (1949:

103) particularly emphasised the importance of the technical division of labour and defined coordination as the harmonisation of all activities, "in a word, to accord things and actions their right full proportions, and to adapt means to ends". He looked at coordination as one of the managerial functions. However, if we define coordination as a managerial function it appears quite obvious that the other managerial functions are not coordinative in their nature.

Mooney regarded coordination not as a managerial function but as the first principle of organisation. He said: "When we call coordination as the first principle, we mean that this term expresses the principles of organization in toto; nothing less... The other (principles) are simply the principles through which coordination operates and thus becomes effective...Coordination is the orderly arrangement of group effort, to provide unity of action in the pursuit of a common goal" (Mooney, 1947: 5). Koontz and O'Donnell (1968: 50-51) suggest looking at coordination as the essence of management and not considering it as a separate function. For them, each of the managerial functions is an exercise in coordination.

The idea that the coordination of activities represents the essence of organisation and of a managerial job is widely accepted today. Most authors define management as either coordinating the divided activities or as the coordination of business processes or business functions or units. As an example, let us consider just two of such definitions. Hellriegel and Slocum (1996: 302) define coordination as the "integration of the activities performed by separate individuals, teams and departments". Other authors, e.g. Robbins (2001: 36), define management as the coordination or integration of (technically) divided labour.

We can see that all authors agree that coordination is a basic principle included in each managerial function and job. But activities are part of the technical organisation. With technical organisation we assume that coordination is conducted by a supreme power. After the resources are allocated no further coordination is needed. That is a reasonable explanation of why authors who define organisation in a technical sense do not discuss coordination at all.

The coordination of activities is possible if activities and their characteristics are known in advance. March and Simon (1958: 26) introduce the more realistic assumption that activities are not always known in advance and that they depend on the environment and on each other. The coordination of activities becomes impossible or at least more difficult and it will become easier to achieve coordination if the interests and goals of the employees are coordinated. Similarly, Koontz and O'Donnell emphasise the importance of harmonising the individual and cooperative goals (1968: 50).

While tasks which develop into duties are part of the uniform technical structure, the goals and interests are part of the motivational structure which usually develops into responsibility. Further, the motivational relationships (and reward systems) serve as a coordination tool. We can broaden the definition of coordination by also including other uniform (authority, communication) and managerial structures and processes.

Lipovec (1987: 128) expanded the definition of coordination as:

- connecting and adapting relationships and organisational structures to the goal (of the social unit), to the environment and among themselves;

- integrating all processes in the social unit according to the goal, considering the size and timing; and
- achieving the goal in the most rational way.

We define **coordination** in a more practical sense – and referring to Figure 2 – **as a process of adapting all relationships and processes:**

- among themselves (all duties, responsibility, authority, communication; managerial structures). Each uniform and managerial structure has to be coordinated within itself;
- for each individual member, uniform and managerial relationships (duty – responsibility – authority – communication) have to be coordinated;
- with the environment (contingencies); and
- dynamically (structures develop into processes).

We can define management as the coordination of all relationships (structures) and processes into which structures develop.

Coordination can be seen as the coordination of some organisational characteristics (e.g. tasks assigned to an employee should require approximately the same knowledge, experience; or should require in sum the duration of a working day; or both etc.). It is somewhat neutral unless the goal is considered. If neutral, we can assign tasks to employees in such a way that each employee will work for the same amount of time. But if we consider the goal of profitability, perhaps a better solution would be to assign more jobs to more efficient employees (which will become 'bottlenecks') and less to less efficient workers. It is our hypothesis (which we will not prove here) that neutral coordination leads to

stability and long-run effectiveness, whereas goal-oriented coordination leads to short-run optimisation.

It is more important to emphasise here that the process of coordination introduces changes in the organisation – structures and processes – regardless of whether the coordination is by a supreme power or mutual (self-organisation). This process is not separated from the organisational structure: it is becoming the dynamic part of this structure. We can argue that **coordination** as the content of the organisational (rationality-assuring) process **is the method by which the organisation changes**, and consequently business, too. We have already said that a sound theory has to define the subject and its method (of change).

3.3.3 Management as a decision-making process

Very few authors, if any, define decision-making as a managerial process, although it is quite obvious that managers make decisions. Whatever managers do, involves decisions. The opposite does not hold because decisions are not only made by managers. They are also made by non-managers. Non-managers make business decisions on products and services and managers on business functions and the overall business (and on organisation, too) (Rozman and Kovač, 2012: 38-42).

The decision-making process is usually defined as a process of choosing one of several alternative solutions. To make a sound decision, we have to know the subject of the decision-making and its goal, which serves as criterion when choosing between alternatives. We usually cognise the subject by instinct, by intuition or in a rational way usually involving analysis. Analysis is defined as the cognition of a subject with a certain purpose, and following the method of analysis. The method of analysis

consists of observation (symptoms, deviations) and diagnosis (causes of symptoms or deviations). To make a decision we have to develop different alternatives and make the choice according to the criterion. All coordination as the essence of organisation and all organisational-managerial processes are conducted by the process of decision-making. The decision-making process represents the 'methodological' part of management and coordination. It is part of the methodological-decision-making process or circle, whereas management as planning, executing and controlling represents the (governing-) managerial circle.

3.3.4 Conflict process

While it is not our aim to present all possible organisational processes and although in our opinion the mentioned three processes (governance-management, coordination and decision making, which determine organisation by purpose (assure rationality), content and process) represent the core of organisation, we have to discuss a very important process always found in the three organisational processes: **the conflict process**. The main reason for including the conflict process is that organisational conflicts are very clearly determined by the presented organisation theory.

Authors distinguish different types of conflicts, mostly intrapersonal, interpersonal and intergroup (e.g. Daft and Noe, 2001: 448-450); some also add intragroup ones (e.g. Hellriegel, Slocum and Woodman, 1998: 297-302). For Luthans (2002: 404-411), major sources of interpersonal conflict are: personal differences, information deficiency, role incompatibility and environmental stress. Možina (2002: 581) calls interpersonal conflict positional conflict, whereas Robbins (2001: 385) calls it relationship conflict.

Authors thus see **organisation (roles) and personalities as two major sources of conflict**. To be strict with our organisation theory we will only discuss organisational conflicts here, whereas the applied sciences discuss conflicts regardless of their causes.

First, by definition, a social unit consists of members and represents a new entity. Therefore, the goal of a social group differs from individual goals and **conflict between the entity and its parts is inevitable**. As Kunda (1992: 11) puts it, "there is ... an inherent conflict between demands organizations place on the time and efforts and the desires and needs of members when left to their own devices".

Second, there are also **conflicts between members**. Due to the technical division of labour the duties, goals etc. of members are different. E.g. the interest of a production manager is to create products and services on the basis of the given equipment, materials and knowledge. A sales manager would require production that suits the requirements of customers. This difference in opinion derives from their roles, relationships, and the organisation. However, the strength of the conflict also depends on the personalities of those involved.

We may conclude that **conflicts** are already within the definition of the social unit and are **part of every relationship**. Due to these conflicts a coordination process is needed.

Let us now explain the start and development of conflict in our theory of organisation. Let us assume that people first enter an informal relationship. The relationship is not yet defined and determined. If they want to act together they have to adapt to each other. The mutual understanding of their roles is weak, which causes a lot of problems in their cooperation. **The different views**

(interpretations) on their roles are conflicts. Each member of the social unit sees his relationships and/or his role from the angle of his own role, e.g. the production manager considers his own and the sales manager's role differently to how the sales manager looks upon his own and that of the production manager. These perceived differences in understanding of members' relationships are conflicts and are inherent to each relationship. If, in our case, the production and the sales manager feel a strong interest in being members of the social unit, they will start an adaptation process. The sales manager will make efforts to obtain orders which are most suitable for the production manager and the production manager will make efforts to produce according to the accepted orders. Their views of their roles start to merge. They redefine, change and adapt their relationships in a desired way. If they do not change and adapt their relationship, the difference in understanding of their roles grows (the conflict becomes pathological) and might jeopardise the desired outcome and even the existence of the social unit.

Conflicts can be seen as autonomous organisational processes. Robbins (2001: 385) explains the process in five stages; incompatibility (of a relationship), perceived and felt conflict, conflict-handling intention, the behaviour of both sides and outcome (increased or decreased performance). Huczinski and Buchanan (2001: 778) discuss coordination as consisting of organising (understood by them as the division of labour), coordination (managing relationships, which can be either successful or not), conflict perceived, felt conflict and conflict management as conflict resolutions or stimulation.

The consequences of conflicts differ. They are seen by both authors as harmful and beneficial. According to our organisational explanation, a conflict leads to a positive outcome if there is a clear definition and understanding of the roles achieved through coordination of the interests of the members involved, resulting in the development and efficiency of the social unit. A negative outcome is a destroyed relationship and a threat to the existence of the social unit. Martin (2001: 86) concludes that conflict as a negative force disrupts an effective relationship, whereas a positive outcome challenges the status quo, introduces change and increases efficiency.

4. SOME APPLICATIONS OF THE 'NEW THEORY'

A theory can also be proved by being applied to either new areas or by showing the same or even better outcomes for different problems compared to present theories, or it may shed new light. In the last few years we have written articles showing different applications of this theory; some of them have been briefly mentioned. It is not this paper's intention to go into detail in this regard. Instead, I will mention some applications and quote papers where I discussed them. Some applications have been elaborated in detail by my doctoral students and I will also cite their dissertations.

There has been a lot of discussion of **the relationship between management and leadership**. It is quite clear from our governance-management process that leadership represents the activating (actuating, execution of planned organisation) part or step within management. All writers in management will agree about this. Many authors from organisational areas claim that leadership is the

modern 'management', which is either replacing classic management or overlapping it. They forget that management and its functions including leadership have changed over time and that we have to consider today's leadership and today's management. We discussed this issue in detail in a paper (Rozman, 2002) and Kramar Zupan (2008) also did in her doctoral dissertation.

We briefly discussed the role of **HRM** as part of the actuation process. The 'personnel' function is the only one which at the same time represents a business and a managerial function. Many authors look at HRM as replacing the personnel function (either by content or only by name), while some believe two different functions are involved. One hundred years ago, the personnel function was a kind of purchasing function for hiring people who then worked for a longer period on the same tasks. The actual organisation form was established by hiring them, namely a technical one. With development, the employees' role started to change. They have to develop, educate and train themselves constantly. This becomes the responsibility of managers. In reality, we do not hire and develop people but human resources and competencies to conduct roles. This becomes HRM and, as such, part of the management. According to our theory, the personnel function remains a business function connected to people and HRM has become a managerial function within the actuation of organisation (Rozman, 1998: 5-8).

There has also been a lot of **discussion of strategies and projects**. Strategies are often not implemented and projects do not meet their goals. Authors on project management often see project goals as achieving deadlines, costs and quality and at the same time profitability. On the basis of their experience, authors have found that the project structure

should be established to implement strategies. However, practice has to develop into a theory to become a science. In our theory strategies look for profitability, they derive from business. Projects are their organisational twin searching for the most efficient execution of strategies. According to their characteristics (change, uniqueness), the strategies and projects are similar. For more on the connection of strategies and projects based on the discussed theory of organisation, see Rozman (2000: 54-59) and Sedovnik (2003).

The change from individual learning to learning within a social unit can be easily explained by our theory. Duties, responsibility and authority are coordinated. The requirements in terms of knowledge and experience are also coordinated due to the coordination of the organisational structures. The employees learn in a coordinated way, which we call **learning by connectivity**. The learning and its aims depend on the type of organisation. Within a mechanistic organisation, efficiency is the aim of learning. Within teams, creativity and innovation is the learning goal. Similarly, **knowledge management**, which is often either neglected by authors or understood in a similar way to organisational learning, can be explained by the process shown in Figure 2. For more on organisational learning and knowledge management, see Rozman and Sitar (2007) and Sitar (2012).

The same understanding of the organisation and especially of the mentioned governance-management process has been elaborated in quality management and business excellence (Tomažević, 2009) and in environmental management (Kralj, 2012; Samsa, 2011). A condensed discussion of these issues and applications is included in Rozman (2007a). Based on the same theory of organisation,

Mihelčič conducted empirical research in many Slovenian enterprises and other formal social units (Mihelčič, 1999: 113-138; Mihelčič, 2008: 506-513).

5. THE CONNECTION OF ORGANISATION SCIENCE TO RELATED SCIENCES

In our theory we can see a clear distinction of organisation science based on the developed approach from other sciences. Let us start with business, organisation and economics, which are quite misunderstood in European universities. **Economics** studies enterprises as basic units and their behaviour within the national economy in the market. Microeconomics studies from the viewpoint of the enterprise. Macroeconomics studies from the viewpoint of the national economy. Political economy discusses the relationship of owners and non-owners of means of production. Economics does not study the inside of enterprises. Coordination is conducted by market forces and economic policy afterwards (ex post). Economists often claim that the basic relationships within enterprises are also determined by economics. What is left to 'organisers' are only techniques understood in the sense of technical organisation. This explains the 'higher' position of economic science compared to business or managerial sciences.

The execution phase or business within the enterprise is studied by **business sciences**. They are applied sciences: purchasing, personnel, production/operations, sales and financial applied business science. Accounting, by the way, is an organisational science.

Organisation science, in our understanding, studies organisation: informal and formal organisation structures and processes. As it has its own subject of study we look at it as a basic

science. However, in most books on organisation entitled Organisation Behaviour, Organisation Analysis and Design, Organisation Theory etc. we find that organisation is an applied science based above all on sociology, psychology, economics and politics. Although we disagree with putting organisation and management science together, let us mention a long list of different contributions to organisation and management science found by Oswick et al. (2011: 320). Such an understanding of organisation science as an applied one is based on the understanding of an organisation as a formal social unit and the subordination of the relationships to members and a social entity. According to the same reasoning, organisation science based on a system of dynamic and rationality-assuring relationships is becoming a basic science. On the other hand, organisation science is the basis for some other applied sciences, above all management science, organisation behaviour and similar ones.

Management theory might be seen as part (mainly the dynamic one) of the basic science of organisation. However, it can be and is usually understood as an applied science based on organisational science, sociology, psychology etc. Let us clarify the difference. Management as an applied science tells managers e.g. how to communicate and motivate people by taking ideas from organisation science, psychology etc. Motivation is mainly studied by psychology: the inner forces that make a person work. It is studied by economics, too: the relationships in the labour market. Organisational science studies motivation as relationships and as the means of coordination. Management takes the understanding of all three (and perhaps other) sciences and applies it to the actual situation.

Figure 1 on organisation shows the differences between psychology, sociology and

organisation science. **Sociology** studies the whole social unit; **psychology** the individuals and organisation the relationships. All three are basic sciences. In sociology, the emphasis is on the whole. Yet sociologists also have to know about the members and their relationships. **Psychology** emphasises individuals but also has to consider relationships and the social unit. **Organisation science** above all studies relationships but also includes the whole and individuals, which is clearly seen from the basic definition of organisation.

Let us also clarify the different approach of sociology and 'organisatiology'. Sociology starts organisational research with the whole (the definition of an organisation as a social unit). To study the whole, individuals and relationships are considered. The social unit studies end at relationships. Yet, in our approach, the opposite is the case. We started by studying relationships. It is through them that the social unit is formed and individuals become members. We end at the social unit level. Our approach considers that the social unit is established through relationships. The sociological approach considers that, because of the social unit, relationships are developed.

6. CONCLUSION

We have presented and discussed a developed/new approach to understanding organisation. We have described it to the extent that may prove it is correct and even better than existing theories. We believe that the described theory of organisation is a developed (or even new) theory and we have tried to prove it in different ways.

First, we have clearly shown the definition of organisation which, to our knowledge, is not the subject of any other science. Further, we have shown the method according to which this

subject is changing. If there were no method, predictions would be impossible and solutions random. There is no sense in studying a subject because you are only studying it at a given moment. **Organisation is a set of dynamic interwoven relationships, which is changing by coordination.** According to the requirement of a clear definition of the subject and its method, we may claim that the Lipovec or Slovenian theory of organisation is sound.

Second, everything in our explanation appears sound and introduces new organisational concepts. All concepts and phenomena within organisation theory fit. They fit not only at the present time but also when looking at history and considering future development.

Third, no other elements except organisational ones have been used in defining organisation and organisation has been freed from business, economic and other elements. The idea of organisation developed by Lipovec is very simple. It is based on a tiny, rationality-assuring relationship. An individual is the subject of organisation defined in the sense of a social unit. However, the relationship is connected to individual members. We have studied the connection between two or more individuals. Individuals were not an area of our interest so much as the relationships between them. The roles of two individuals derived from the relationship; we talked about self-organisation. By virtue of the process, relationships are changing through coordination. The relationship idea is enough to establish and change an organisation.

Fourth, we have shown that our organisation theory explains the most discussed problems within organisation like management-leadership relationship, strategy-project relationship or broader business-organisation relationship, personnel-HRM relationship,

governance-management relationship, relationship between individual and organisational learning and between organisational learning and knowledge management etc.

Fifth, we have shown a clear distinction between different sciences and the subjects of their research. None of them except our theory of dynamic and assuring relationships takes relationships as their basic or direct subject of research.

Sixth, the study of the past development of different approaches to organisation has shown a reasonable connection between the state of development and the understanding of organisation. What we have also shown or can be seen is that the word relationship is being used more often. In the past, first the concept of the whole was optimised (macro). Then, the concept of the micro, of units, was optimised. Nowadays, we are above all trying to optimise relationships.

Lipovec himself (1987: 347-348) listed arguments to support what he called a developed theory of organisation:

- all organisational concepts are connected, ordered and balanced and support each other;
- empirically tested and used concepts are theoretically proven;
- imperfect definitions have been discovered and improved;
- findings on the basis of one relationship can be transferred to all relationships and structures; and
- the place of different theories and sciences, especially neighbouring ones, either basic or applied, has been shown.

According to all of the given proof we think we can talk of a new theory of organisation.

However, the question of whether this is a new organisational science born out of sociology, or one of the sciences within sociology, or just a new or developed theory, or perhaps not new and even wrong is something we will leave to science itself. However, we believe that the research on relationships (interactions, social networking etc.) is already underway. The ideas arising from our understanding of organisation can be seen in a lot of the detailed approaches to organisation. We also believe that the lack of a sound general definition of organisation is becoming a barrier to the continuing, faster and more efficient study of organisation. This is something we have to change.

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