



Course information 2026-27

MN3127 Organisation Theory: An Interdisciplinary Approach

General information

MODULE LEVEL: 6

CREDIT: 30

NOTITIONAL STUDY TIME: 300 hours

MODE: Locally Taught and Independent Learner Route Only (not available for Online Taught students)

Summary

This course examines how organisations are designed and governed to achieve collective outcomes under constraints of information, incentives, and social structure. This is an interdisciplinary course drawing centrally upon economics, management and other social sciences.

Conditions

Please refer to the relevant programme structure in the EMFSS Programme Regulations to check:

- where this course can be placed on your degree structure; and
- details of prerequisites and corequisites for this course.

You should also refer to the Exclusions list in the EMFSS Programme Regulations to check if any exclusions apply for this course.

Aims and objectives

This course examines how organisations are designed and governed to achieve collective outcomes under constraints of information, incentives, and social structure. It introduces and compares how economics, psychology, and sociology analyse organisational problems, and uses these disciplines as complementary lenses for explaining organisational performance, persistence, and change.

The course draws on theoretical frameworks and empirical evidence. Students are expected to apply concepts to concrete cases. While examples are drawn mainly from organisations with an economic purpose, the analytical tools are applicable to a wider range of organisations, including public agencies and voluntary organisations.

Learning outcomes

At the end of this course and having completed the essential reading and activities students should be able to:

1. **Define and explain** core concepts in organisation theory, including control, coordination, and key mechanisms used to pursue organisational objectives.
2. **Compare and evaluate** economic and behavioural approaches to organisations, identifying complementarities, tensions, and where each approach applies best or faces limitations.
3. **Apply course concepts** to empirical cases, diagnosing organisational problems and linking observations to appropriate mechanisms.
4. **Critically assess** organisational forms and design choices along the market-hierarchy continuum in terms of trade-offs in control and coordination.
5. **Construct and communicate** well-structured arguments about organisational design, supported by appropriate theory and evidence.

Global Employability Skills

Below are the three most relevant employability skills that students acquire by undertaking this course which can be conveyed to future prospective employers:

1. Complex problem solving
2. Decision making
3. Creativity and innovation

Essential reading

For full details, please refer to the reading list

- Buchanan, D. and A. Huczynski *Organizational behaviour*. (Harlow: Pearson Education Limited, 2019). Tenth edition [ISBN 978-1292251578]
- Douma, S. and H. Schreuder *Economic approaches to organisations*. (London: Prentice Hall, 2017) sixth edition [ISBN 978-1292128900]

Assessment

This course is assessed by a three-hour and fifteen-minute closed-book written examination.

Syllabus

This syllabus summarises the focus of each chapter and the core question it addresses. Each entry indicates the required materials, which are examinable and should be treated as part of the core course content. Full references and any updates are provided on the VLE.

- **Explaining organisations (chapter 2):** Why do organisations facing similar external conditions display persistent performance differences? This chapter introduces the course's core vocabulary by treating organisations as bundles of mechanisms that address two recurrent problems: control and coordination. It then sets out the interdisciplinary stance, distinguishes positive from normative claims, and introduces a disciplined micro-macro reasoning template with a worked aggregation pitfall. The chapter closes by using a podcast discussion to motivate decentralisation, culture, and complementarities as recurring design themes.
- **Markets, organisations, and hybrids (chapter 3):** Organisations and markets (Chapter 3): When should interdependent activities be coordinated through market exchange, and when should they be coordinated inside organisations, or through hybrid forms in between? The chapter starts from the division of labour: specialisation can raise productivity, but it also creates interdependence and interface problems that require governance through control and coordination mechanisms. It uses the competitive market as a benchmark coordination device and explains why its informational and institutional assumptions often fail in organisationally relevant settings, motivating an organisation-market continuum. The chapter then treats Taylorism and Fordism as mechanism bundles that trade off efficiency and predictability against discretion, learning, and adaptation, and contrasts these engineered designs with Hawthorne-style evidence on monitoring reactivity and informal norms.
- **Information, communication, technology (chapter 4):** How do information, communication, and technology shape organisational structures? This chapter treats information and communication constraints as drivers of organisational design. It analyses adverse selection and moral hazard and examines monitoring and incentives as responses, including their costs and distortions. It then connects information and communication technologies to centralisation and decentralisation, emphasising that technology changes constraints and options rather than mechanically "improving" organisations.
- **Incentives, motivation and agency (chapter 5):** What types of incentives improve performance, and when do they undermine motivation, learning, or cooperation? This chapter develops the logic of agency relationships and stresses its limits when motivation is not reducible to payoffs. It integrates principal-agent theory with organisational behaviour accounts of intrinsic and extrinsic motivation, expectancy, and job design, distinguishing process from content theories.
- **Power as a mechanism (chapter 6):** How does power shape organisational outcomes beyond formal authority and "best practice" design? This chapter treats power as a family of mechanism claims about relative dependence: who can credibly exit, delay, withhold, or define what becomes enforceable. Using an economics lens, it models organisations as coalitions and analyses bargaining power and organisational slack. Using an organisational behaviour lens, it shows how dependence is converted into influence through a small number of relationship channels, and how structural features generate persistent power differences between subunits. The chapter closes with Pfeffer's integrationist framing of power as implementation capacity.
- **Organisational culture (chapter 7):** How can culture function as a control and coordination mechanism? This chapter treats corporate culture as an informal institution that reduces uncertainty by stabilising shared expectations about effort, honesty, and acceptable

behaviour. It links trust, reciprocity, routines, and legitimacy to coordination capacity, and shows how “soft control” can substitute for, or complement, formal incentives, rules, and monitoring under incomplete contracts. A central diagnostic is the degree of alignment between cultural expectations and formal institutions: misalignment predicts silence, metric gaming, and subcultural fragmentation even when values are clearly articulated. The chapter also emphasises feedback: repeated micro-level actions can create self-reinforcing flywheels that lock in either learning and voice or concealment and compliance-by-appearance.

- **Transaction costs and hierarchies (chapter 8):** What coordination problems do hierarchies solve that markets handle poorly, and what predictable coordination and motivation problems do hierarchies create inside firms? This chapter links boundary decisions (make-or-buy) to internal structure choices. Using transaction cost reasoning, it explains when market contracting breaks down under bounded rationality and uncertainty, and how alternative governance forms (hierarchy and hybrids) manage adaptation and disputes. It then translates these governance ideas into the language of organisational structure from organisation behaviour: roles and reporting lines, delegation and span of control, line–staff relations, formalisation, and centralisation versus decentralisation. The organising theme is that structure is a bundle of mechanisms that shapes interdependence, information flows, and behaviour, often solving one coordination problem while creating another.
- **Diversification and alternative forms (chapter 9):** How do firms govern complexity once they expand their scope across products, regions, or activities, and why does “integration” become a design problem rather than a purely operational task? The economic approach frames diversification as a claim about value creation through economies of scope and the corporate centre’s ability to allocate resources and govern shared assets better than market alternatives. The organisational-behaviour lens translates this into alternative internal architectures for managing interdependence across units and highlights their predictable coordination and control costs. The chapter also analyses participation and democratic governance as alternative organisational mechanisms, distinguishing profit participation from voice and explaining the trade-offs such forms create for decision-making, incentives, and growth.