



## The Creation of New Theories for an Organization: Constraints and Solutions

<sup>1</sup>Shinta Ratnawati, <sup>2</sup>Hanung Eka Atmaja, <sup>1</sup>Ivo Novitaningtyas

<sup>1</sup>(Lecture at Universitas Tidar, Ph.D Student of Universitas Gadjah Mada)

<sup>2</sup>(Lecture at Universitas Tidar)

<sup>3</sup>(Lecture at Universitas Tidar)

Corresponding Author: Ivo Novitaningtyas

**ABSTRACT:** *The theoretical contribution for public organizations is a necessity and it is not easy. There are gaps in the creation of new organizational theories, so it is important to conduct studies to enhance a comprehensive understanding of the theory and the process of its creation. The writing of this article concludes that the creation of theory (theorizing) is not easy. There are still misunderstanding regarding what is called theory and not theory. The difficulty in recognizing original theories, theories that are not able to capture the complexity of organizations, and conservative practice by theorists become both an obstacle and a challenge for theory creation. The existence of variations, in theory, causes the blocks in constructing the theory to also be different, but there are essential blocks in constructing the theory that each theory must answer What?; How?; Why? Who, Where, When? Approaches in creating theories to overcome existing constraints are (1) theorizing in one literature or across various kinds of literature, and theorizing with implicit assumptions or explicit constructs in the focus literature; and (2) combining several epistemological philosophies to produce creative theories.*

**KEYWORDS:** *Organizational Theory, Theorize, Theoretical*

*Received 23 Jan, 2021; Revised: 04 Feb, 2021; Accepted 07 Feb, 2021 © The author(s) 2021.*

*Published with open access at [www.questjournals.org](http://www.questjournals.org)*

### I. INTRODUCTION

The need to make "theoretical contributions" is a mandate for researchers, but this is also a source of confusion and frustration (Boer et al., 2015). Theory creation is also needed by organizations for managerial decision making (Kulkarni, 2021). The creation of the theory is not easy, which is shown where most of the contemporary management researchers turned out to use organizational theory created in the 1960s and 1970s. The current condition of modern organizations has experienced a lot of growth and major changes in terms of size, prevalence and impact on people's lives. The failure of theory creation is also shown by the theory being developed that is unable to capture the complexity of the organization and the development of original theory in conservative practice. This phenomenon shows the obstacles in creating a new theory of organization (Suddaby et al., 2011).

Building theory consisting of what; how; why; who, where, when; is a legitimate contribution to the development of theory. What and How focused on adding factors to adjust the theory and observing the effects of changing relationships between these factors. Why focuses on borrowing perspective from related fields; why these factors were chosen in terms of economic, social and psychological. Who, where, when is the problem limit for developing theoretical models.

This article focuses on questions (1) What is theory? (2) What is theorizing? (3) what is not theory? (4) What challenges are faced in theory creation? and, (5) How are the steps to obtain a new theory?

### Theory

Theory does not have a specific definition. It is because different researchers have different insight about the theory. However, there are a similarity discussion about main concern of theory. Most researchers agree that the relationship between variables which is explain any phenomenon becomes the basis for the formation of the theory (Corley & Gioia, 2011). Thus, theory is a set of statements, which are based on several variables and

these variables have several relationships with each other, the relationship may or may not be an organizational process or a way of acting to carry out certain activities to achieve specific results (Gioia & Pitre, 1990).

Theory is not always fixed because it will develop over time to follow the development of science and knowledge. In fact, how the theory is accepted is more important than how it develops (Corley & Gioia, 2011). Thus, the theory must be truly appropriate and acceptable to users and stakeholders. If not, the impact of the theory being developed will be useless.

In a theory it takes at least one phenomenon and must be generalizable (Corley & Gioia, 2011). Thus, the theory includes specific provisions and becomes comprehensive. Theory also needs to be reviewed and provide solutions to certain issues. This is also supported by the results of previous research which states that the theory needs to be retested to prove the similarity of phenomena repeatedly (Mintzberg, 2004).

### **Theorize**

Theorizing is a process consisting of activities aimed at developing a theory. Theory is described as a product while theorizing is illustrated as a process to produce a product in the form of a theory (Weick, 1995). However, there are differences in the development process from one theory to another (Sutton & Staw, 1995). Thus, each theory development process or what is known as theorizing is certainly a unique process and has its own characteristics.

The basis of the theorizing process in general is abstracting, generalizing, connecting, selecting, explaining, synthesizing and idealizing. The theoretical approach can be divided into four main processes. The first process is to identify a broad framework and develop a broad framework for overcoming certain phenomena. In this process, factors and variables have been identified (Weick, 1995), but the relationship between these variables has not been identified (Bacharach, 1989).

The second stage of the theorizing process is determining a broader framework in a certain sense to overcome the phenomenon. At this stage the definition of the concept or variable must be clearly defined (Weick, 1995). The relationship between variables has not appeared in this second stage. This stage provides results in the form of definition and clarity about the variables but does not make relationships between variables.

Hypothesis development is carried out in the third stage. The development of this hypothesis will make a clear relationship between variables based on facts and figures. At this step the process becomes clearer and develops relationships between variables but at that stage no theoretical tests are carried out (Weick, 1995). This theorizing stage gives all the clarity about the concept, the relationship between variables and the set of all activities that will be carried out during theorizing. At this stage, data collection and hypothesis testing about theory has not been done. So, this stage is an exploration stage, and does not explain the phenomenon (Staw & Ross, 1978).

### **Not Theorize**

Some researchers agree that variables, diagrams, data, hypotheses and references are not part of the theory (Sutton & Staw, 1995). Some writers of articles also think that their articles are theory. Though, these things are not theories. Variables are part of the theory used to develop a theoretical framework. The diagram is not a theory, but is an illustration of the process of a theory to facilitate understanding of certain concepts. The data need to be reviewed and analyzed, then the results are used to support or reject a certain theoretical framework, so that the data is not a theory. Furthermore, the hypothesis is not a theory but only an assumption or a temporary measure. Meanwhile, reference is an acknowledgment of the results of previous research that supports the theorizing process. So it can be concluded that variables, diagrams, data, hypotheses and references are not theories (Whetten, 1989). Even so, these things have a role and contribution in the process of theory development.

## **II. ESSENTIAL THEORY DEVELOPMENT BLOCK BUILDING**

Every theory is different from other theories, so it is not possible to make universal building blocks for every theory. However, there are four building blocks that are universal in developing theories, namely what should each theory answer? When? how and why?

What? This is considered the most important building block of any theory. It consists of variables or concepts that will explain the phenomenon. This question will highlight the main factors that influence the phenomenon (Whetten, 1989). In this block there are two steps in the block, namely (1) choosing the right and relevant factors that affect the phenomenon, and (2) limitations. In this process unrelated factors or factors that have a low impact on certain phenomena must be removed.

When? is the second most important block of every theory. The purpose of this element is to create a balance between the limitations and completeness of the theory. This is a very complicated problem for theorists. In this step one must eliminate some additional concepts from the theory (Whetten, 1989). In this

block, concepts or variables that have fulfilled the first important building theory have been established. Each of the factors chosen does not have the same or high effect on social phenomena. So, it is necessary to reduce the less effective or additional effects that have been selected. The theorists at this step must consider that no factors will be removed, which will reduce the completeness of the theory. So, a balance between completeness and limitations must be developed at this stage (Corley & Gioia, 2011).

How? is the most important theory building block because at this stage causality or relationships between variables have been formed. This relationship is based on operationalization which means how variables influence each other. Furthermore, this stage will also suggest the process of all interrelated activities to achieve results for each phenomenon. Some scholars also suggest that diagrams should be based on boxes and arrows to show variables and relationships between variables (Whetten, 1989). Diagrammatic representation of theory also combines what and how to factor theories. So, the diagram shows the variables based on what elements and also shows the relationship between these variables which discuss how the elements of building theory (Mintzberg, 2004).

Why? is the reason for establishing the theory. This block also provides variable justification for contributing to the right phenomenon. It is equally important to give reasons why these factors are socially, economically and psychologically important to solve a particular problem or phenomenon. This building block also establishes the reasons why this theory is important and why colleagues and friends will recommend this theory (Whetten, 1989). So, this block is the answer to the acceptance of theory by the public. In addition, this block also builds a relationship between empirical and theoretical models (Homans, 1964).

### **III. THE CHALLENGES FACED BY THEORY**

There are several obstacles faced by theorists in creating theories as proposed by Suddaby et al., (2011) as follows:

1. Management research fails to apply truly original management and organizational theories. Management theory has not lost its colonial roots because it is bound by tools, constructions and limitations of core disciplines.
2. Current management theories fail to compensate for the changes that occur, the complexity, and their influence on modern organizations. This creates tension, dualism, paradox or contradiction in the organization. To overcome this, some theorists adapt theories like contingency theory, institutional theory or identity theory. Other experts produce new terms for this research, namely the theory of exploration or exploitation and create paradoxical theories.
3. Conservative. (a) Only certain theories (social constructionism, feminism, and critical theory) care to radicalize ideas, so that many contemporary management researchers theorize with conservative goals such as the deductive 'top-down' theory. (b) As a result of the research results obtained case description compared to abstract theory.

### **IV. STEPS TO OBTAIN NEW THEORY**

Two approaches in the development of organizational theory are, namely theorizing in one literature (or domain of knowledge) or across various literatures, and theorizing with implicit assumptions or explicit constructs in the focus literature. One approach involves combining several epistemological philosophies to produce creative theories. The second approach highlights the importance of epistemic scripts - namely implicit cognitive templates that underpin a collective understanding of how new academic knowledge is generated.

#### **Scientific Management**

Refers to the creation of theories in the field of management, which can be used as examples of the creation of scientific management theory. Scientific Management Theory is a classic management theory that utilizes drastic changes and revolutionizes the manufacturing process. Fredrick Winslow Taylor's work from Scientific Management is considered the earliest academic literature for management (Crainer, 2003). What makes Taylor work so special is because it brings a new perspective in the manufacturing industry. Taylor recognized the organization's need to reduce the number of factory employees in a section, so he developed a methodology to improve the efficiency and effectiveness of the entire organization (Halpern, Osofsky, & Peskin, 1989). Taylor develops scientific management by considering work organization, production, and management (Grachev & Rakitsky, 2013). To facilitate his theory, Taylor took a scientific approach to measuring work tasks and studying operational activities, ie how long did it take to do a job? When making his theory, Taylor uses a stopwatch and visually observes steel workers as they move an object to see how long it will take.

Scientific management focuses on tasks (Berdayes, 2003). Taylor wants to optimize the task and reduce the amount of human resources that are wasted by eliminating personal judgment by setting standards for the production process (Berdayes, 2003). Ultimately, Taylor wants organizations to be more efficient. During the

development of scientific management, work standards were created, employees were trained for specific tasks, and esprit de corps attitudes were developed together with a focus on the division of labor to build the foundation of his theory.

The division of labor is very important for Taylor because he wants to separate management from employees and create a corporate culture based on efficiency and effectiveness. Taylor relied on scientific principles for development and understanding of how he would apply his theory. Taylor identified that science would be the main basis for decisions and not random guesses. Taylorism focuses on harmony over dissonance, collectivism over individualism, maximum output over minimum output, and personal development to benefit the organization (Grachev & Rakitsky, 2013).

That's not all perfect for Taylor's scientific approach to management; Taylor's theory was not widely accepted during the industrial revolution. It took Henry Ford and the invention of the assembly line to justify Taylor's approach. Taylor understood that his theory was different from the contemporary management philosophy of his time; However, he acknowledged that in the past employees worked for themselves, but now they work for organizations (Grachev & Rakitsky, 2013).

Scientific management focuses on job design and job tasks as a management approach, but for managers who value the value of human capital, the scientific approach is not the preferred method. The next development of management theory is the emergence of classical management theory. This theory contains elements that are more humanistic and focus managerial activities on administrative processes.

### **Administrative Management**

Administrative management is a classic management theory created by Henri Fayol. Fayol's administrative management theory brings a humanistic perspective to the rigid scientific method of the industrial revolution. Fayol's principles are examined in many aspects of the organizational structure, such as military and paramilitary organizations. Administrative management consists of fourteen principles, namely unity of command, hierarchy of authority, division of labor, subordination of individual interests to the public, authority, degree of centralization, clear communication channels, order, equity, and esprit de 'corps (Sarker & Khan, 2013).

Fayol is also considered as one of the pioneers of management; However, much of his work has been lost over the years (Spatig, 2009). Fayol is a published author and wrote a book called, *Industrial Management*, so he is considered one of the founders of classical management theory (Sarker & Khan, 2013). Fayol developed 14 management principles, which are still relevant to current standards. Fayol is also known for setting general principles of management, which "predict and plan, organize, order, coordinate and control" (McLean, 2011). The main focus behind administrative management is organizational efficiency (Sarker & Khan, 2013).

Fayol is different from Taylor because he focuses on creating harmony between management and employees rather than counting their every step. In the end, Taylor and Fayol's goal is the same, namely to create efficiency. However, Fayol uses administrative management theory to establish guidelines for how complex organizations must operate; most of the guidelines are understanding the social relationship between managers and employees. Taylor is afraid of the social dynamics between managers and employees; However, Fayol's theory is not the case as long as the relationship benefits an organization.

### **Bureaucratic Management**

Bureaucratic management is considered a classic management theory developed by Max Weber. Max Weber is a German economist and sociologist who also observes the social dynamics of how business operates like a family and not a formal organization. Weber's view is that social dynamics must be excluded from organizational structures, and a set of rules is developed based on hierarchy. Weber focused on organizational positions based on formal hierarchical structures rather than simple social structures. Weber likes the principle of rationality and therefore proposes that one's authority be obtained from their position, and that authority can be passed on to anyone who takes that position. Weber proposed these principles in his theory of bureaucratic management (Greisman & Ritzer, 1981).

Weber's Bureaucracy Theory states: all bureaucracy must consist of a well-defined hierarchy. A well-defined hierarchy promotes efficiency and provides opportunities for managers to manage. Furthermore, Weber focuses on the division of labor, which creates specialization and enables employees to develop special skills to complete tasks. Weber believes in rules and regulations, which create an organizational structure. Weber suggested a non-brotherhood policy between managers and employees to reduce prejudice and special assistance. Weber points out that competence must be a determining factor in a decision, and not dependence on social relations to get support in the organization. Finally, Weber realized the need for proper document storage and record keeping, which in modern times is legally required. Weber's bureaucratic theory is similar to Taylor's scientific management method in the sense that it relies on rigid structures (Augustine & Agu, 2013). Similar to Taylor, Weber did not see the importance of harmonious social relations at work (Weiss, 2003). Although

similar to Taylor, Weber is more synonymous with Fayol because their principles are similar; However, Weber included elements of respect for humans such as Fayol. If Weber believes humans are only limited in their functions, he may be more comprehensive in application and preferable than Fayol. Fayol and Weber's theories are positioned at the middle management level where Taylor's theory is more positioned at the employee level: from the bottom up rather than from the top down.

In conclusion, the classical theory of management consists of three different approaches, namely, scientific management, administrative management, and bureaucratic management. Fredrick Winslow Taylor's work focuses on productivity and efficiency through the most drastic changes of the three management styles. Henri Fayol takes a more humanistic approach and considers social relations between workers and managers. Fayol's work is still revolutionary in the sense that many large organizations utilize his theory as a blueprint for management. Weber defines bureaucracy ideally based on hierarchies and established rules, which makes employees do not have to make decisions.

Classical theory has the same goal, which is to increase efficiency and effectiveness. The methods are independent but share the same principles, such as the division of labor and the separation of management from workers. All theories move towards the path of formalization, specialization, and the formation of hierarchical controls. The classical method is very important to understand and is still relevant and necessary in modern management.

## V. CONCLUSION

A researcher has the responsibility of making a theoretical contribution, namely creating a theory. The theory must be reviewed and provide solutions to certain phenomena, as well as accepted by stakeholders. At certain time periods and in certain situations, the theory that was initially accepted can also be rejected. The theory must always be reexamined and prove the same phenomenon over and over again.

The creation of theory not only as a form of contribution, but also for the need to overcome failure; (1) there is no original theory or many experts use theories from other disciplines; (2) the theory developed is not able to capture the complexity of the organization; and (3) the development of original theory in conservative practice. The creation of a theory is not easy, one of which is still a mistake about what is considered a theory and not a theory. Variables, diagrams, data, hypotheses and references are not theories. An essential block in developing theory is what should each theory answer? When? how and why? This essential block is universal, although in theory development there are still variations of the block.

Approaches that can be applied to create theories in order to overcome existing obstacles are (1) theorizing in one literature (or domain of knowledge) or across various literatures, and theorizing with implicit assumptions or explicit constructs in the focus literature and (2) combining several epistemological philosophies to produce creative theories. The second approach highlights the importance of epistemic scripts - namely implicit cognitive templates that underpin a collective understanding of how new academic knowledge is generated.

## REFERENCES

- [1]. Augustine, A., & Agu, A. (2013). Effects of classical management theories o the current management practice in Nigeria. *European Journal of Business and Management*, 5(19), 208–218.
- [2]. Bacharach, S. B. (1989). Organizational Theories: Some Criteria for Evaluation. *Academy of Management Review*, 14(4), 496–515.
- [3]. Berdayes, V. (2003). Traditional management theory as panoptic discourse : language and the constitution of somatic flows. *Culture & Organization*, 8(1).
- [4]. Boer, H., Holweg, M., Kilduff, M., Pagell, M., Schemenner, R., & Voss, C. (2015). Making a Meaningful Contribution to Theory. *International Journal of Operations and Production Management*, 35(9), 1231–1252.
- [5]. Corley, K. G., & Gioia, D. A. (2011). Building Theory About Theory Building: What Constitutes A Theoretical Contribution? *Academy of Management Review*, 36(1).
- [6]. Crainer, S. (2003). One hundred years of management. *Business Strategy Review*, 14(2), 41–49.
- [7]. Gioia, D. A., & Pitre, E. (1990). Multiparadigm Perspectives on Theory building. *Academy of Management Review*, 15(4).
- [8]. Grachev, M., & Rakitsky, B. (2013). Historic horizons of Frederick Taylor's scientific management. *Journal of Management History*, 19(4), 512–527.
- [9]. Greisman, H. C., & Ritzer, G. (1981). Critical Theory, and the administered world. *Qualitative Sociology*, 4(1).
- [10]. Halpern, D., Osofsky, S., & Peskin, M. I. (1989). Taylorism revisited and revised for the 1990s. *Industrial Management*, 31(1).
- [11]. Homans, G. C. (1964). Commentary. *Sociological Inquiry*, 34(2), 221–231.
- [12]. Kulkarni, S. (2021). A Theoretical Focus on Marketing under the Corona Shadow. *Journal of Research in Business and Management*, 9(1), 7–12.
- [13]. McLean, J. (2011). Fayol-standing the test of time. *Manager : British Journal Of Administrative Management*, 74.
- [14]. Mintzberg, H. (2004). *Developing Theory about the Development of Theory*.
- [15]. Sarker, S., & Khan, M. (2013). Classical and neoclassical approaches of management : An overview. *Journal of Business Management*, 14(6), 1–5.
- [16]. Spatig, L. (2009). Parallels to behavioralist management and transformational leadership. *Proceedings of The Northeast Business & Economic Association*.

- [17]. Staw, B. M., & Ross, J. (1978). Commitment to a Policy Decision: A Multi-Theoretical Perspective. *Administrative Science Quarterly*, 23(1), 40–64.
- [18]. Suddaby, R., Hardy, C., & Huy, N. Q. (2011). Where are the New Theories of Organization? *Academy of Management Review*, 36(2), 236–246.
- [19]. Sutton, R. I., & Staw, B. M. (1995). What Theory is Not. *Administrative Science Quarterly*, 40(3), 371–384.
- [20]. Weick, K. E. (1995). What Theory is Not, Theorizing Is. *Administrative Science Quarterly*, 40(3), 385–390.
- [21]. Weiss, R. M. (2003). Management consultant or political theorist? *Academy of Management Review*, 8(2).
- [22]. Whetten, D. A. (1989). What Constitutes a Theoretical Contribution? *Academy of Management Review*, 14(4).